



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (The figures are unaudited)

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017	Variance	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	129,149	116,740	11	129,149	116,740	11
Cost of sales	(98,477)	(81,272)	21	(98,477)	(81,272)	21
Gross profit	30,672	35,468	-14	30,672	35,468	-14
Other income	4,493	2,689	67	4,493	2,689	67
Administrative expenses	(5,599)	(6,265)	-11	(5,599)	(6,265)	-11
Depreciation and amortisation	(1,545)	(1,831)	-16	(1,545)	(1,831)	-16
Operating expenses	(3,874)	(4,248)	-9	(3,874)	(4,248)	-9
Other expenses	(1,063)	(137)	>100	(1,063)	(137)	>100
Finance costs	(427)	(559)	-24	(427)	(559)	-24
Share of results of joint ventures	159	61	>100	159	61	>100
Profit before tax	22,816	25,178	-9	22,816	25,178	-9
Income tax expense	(6,278)	(6,630)	-5	(6,278)	(6,630)	-5
Net profit from continuing operations	16,538	18,548	-11	16,538	18,548	-11
Discontinued operation:						
Loss after tax from discontinued operation	-	(155)	-	-	(155)	-
Net profit for the financial year	16,538	18,393	-10	16,538	18,393	-10
Other comprehensive income:						
Foreign currency translation	(1,226)	(168)	>100	(1,226)	(168)	>100
Total comprehensive income for the financial year	15,312	18,225	-16	15,312	18,225	-16
Net profit attributable to:						
Equity holders of the Company	16,542	18,339	-10	16,542	18,339	-10
Non-controlling interests	(4)	54	>100	(4)	54	>100
Total comprehensive income attributable to:	16,538	18,393	-10	16,538	18,393	-10
Equity holders of the Company	15,392	18,184	-15	15,392	18,184	-15
Non-controlling interests	(80)	41	>100	(80)	41	>100
	15,312	18,225	-16	15,312	18,225	-16



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (Continued)**
(The figures are unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000	3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000
Basic earnings per share (sen)				
- continuing operations	2.50	2.82	2.50	2.82
- discontinued operation	-	(0.02)	-	(0.02)
	2.50	2.79	2.50	2.79
Diluted earnings per share (sen)				
- continuing operations	2.50	2.78	2.50	2.78
- discontinued operation	-	(0.02)	-	(0.02)
	2.50	2.76	2.50	2.76

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2018

	Unaudited As At 31/08/2018 RM'000	Restated As At 31/05/2018 RM'000	Restated As At 01/06/2017 RM'000
ASSETS			
Non-current assets			
Concession assets	116,362	117,156	91,619
Property, plant and equipment	64,418	73,783	63,646
Investment properties	79,275	78,849	15,984
Inventories - land held for property development	3,900	3,897	3,889
Investment in joint ventures	1,640	1,481	37
Non-trade receivables	2,433	2,427	2,593
Other investment	100	100	100
Goodwill	16,867	17,101	18,430
Deferred tax assets	16,543	16,355	6,245
	301,538	311,149	202,543
Current assets			
Inventories - completed properties and others	62,990	69,806	980
Inventories - property development costs	833,407	834,281	731,019
Trade and other receivables	185,418	139,468	126,320
Contract assets	45,200	64,447	81,553
Current tax assets	6,554	5,424	6,632
Short term funds	62,012	54,368	59,435
Fixed deposits placed with licensed banks	98,008	92,542	87,909
Cash and bank balances	110,597	131,017	114,572
	1,404,186	1,391,353	1,208,420
Assets classified as held for sale	-	-	15,521
TOTAL ASSETS	1,705,724	1,702,502	1,426,484
EQUITY AND LIABILITIES			
Equity attributable to Equity Holders of the Company			
Share Capital	338,380	338,380	331,678
Reserves	384,490	366,504	291,490
	722,870	704,884	623,168
Non-controlling interests	4,244	4,324	8,003
Total equity	727,114	709,208	631,171



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2018 (Continued)

	Unaudited As At 31/08/2018 RM'000	Restated As At 31/05/2018 RM'000	Restated As At 01/06/2017 RM'000
Non-current liabilities			
Bank borrowings	238,990	219,856	143,819
Deferred tax liabilities	4,773	4,773	6,449
Defined benefit obligations	2,352	2,508	2,039
Non-trade payables	260,067	272,666	243,554
	506,182	499,803	395,861
Current liabilities			
Contract liabilities	3,898	33,584	65,739
Trade and other payables	404,251	392,038	280,271
Bank borrowings	58,657	63,555	48,771
Current tax liabilities	5,622	4,314	4,150
	472,428	493,491	398,931
Liabilities classified as held for sale	-	-	521
Total liabilities	978,610	993,294	795,313
TOTAL EQUITY AND LIABILITIES	1,705,724	1,702,502	1,426,484
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.09	1.07	0.95

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (The figures are unaudited)

	Share Capital RM'000	Share Option Reserves RM'000	Capital Reserves RM'000	Foreign Exchange Translation Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
At 1 June 2018								
As previously reported	338,380	3,721	1,347	(4,283)	365,719	704,884	4,324	709,208
Effects of adoption of MFRS	-	-	-	-	2,594	2,594	-	2,594
As restated	338,380	3,721	1,347	(4,283)	368,313	707,478	4,324	711,802
Total comprehensive income	-	-	-	(1,149)	16,541	15,392	(80)	15,312
At 31 August 2018	338,380	3,721	1,347	(5,432)	384,854	722,870	4,244	727,114
At 1 June 2017	331,678	743	1,347	1,772	287,628	623,168	8,003	631,171
Total comprehensive income	-	-	-	(155)	18,339	18,184	41	18,225
Employees share option exercised	2,436	-	-	-	-	2,436	-	2,436
Transfer to share capital for employees share option exercised	397	(397)	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	46	46
At 31 August 2017	334,511	346	1,347	1,617	305,967	643,788	8,090	651,878

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (The figures are unaudited)

	3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:		
- continuing operations	22,816	25,178
- discontinued operation	-	(155)
Adjustments for:		
Decrease in liability for defined benefit obligations	(156)	(60)
Depreciation of:		
- concession assets	652	913
- investment properties	223	64
- property, plant and equipment	4,782	4,734
Finance costs	990	889
Gain on disposal of property, plant and equipment	(1,053)	(394)
Income received from short term funds	(565)	(684)
Interest income	(986)	(1,392)
Net unrealised (gain)/loss on foreign exchange	990	(120)
Property, plant and equipment written off	21	7
Share of results of joint ventures	(159)	(61)
Operating profit before working capital changes	27,555	28,919
Changes in working capital:		
Inventories - property development costs	3,465	6,245
Contract assets/(Contract liabilities)	3,010	(15,284)
Inventories - completed properties and others	6,816	(10,205)
Receivables	(30,393)	30,218
Payables	(29,484)	(13,315)
Net income tax paid	(6,323)	(6,779)
Net Operating Cash Flows	(25,354)	19,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of:		
- property, plant and equipment	(387)	(1,113)
- concession assets	(1,849)	(9,708)
Borrowing cost capitalised in investment property	(648)	-
Investment in a subsidiary	-	(140)
Investment in a joint venture	-	(509)
Proceeds from disposal of:		
- property, plant and equipment	6,077	750
Income received from short term funds	565	684
Interest received	986	1,392
Net Investing Cash Flows	4,744	(8,644)



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (Continued)

	3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	28,060	25,152
Finance costs	(990)	(889)
Proceeds from issue of ordinary share capital	-	2,436
Repayment of:		
- bank borrowings	(1,805)	(12,188)
- hire purchase liabilities	(3,015)	(1,632)
Fixed deposits pledged as security values	(3,360)	(8,863)
Net Financing Cash Flows	18,890	4,016
Net change in cash and cash equivalents	(1,720)	15,171
Effect of exchange rate changes	(621)	104
Cash and cash equivalents at the beginning of the financial year	209,064	201,221
Cash and cash equivalents at the end of the financial year	206,723	216,496
Analysis of Cash and Cash Equivalents		
Cash and bank balances	110,597	120,551
Short term funds	62,012	78,007
Fixed deposits placed with licensed banks	98,008	87,579
Bank overdrafts	-	(7,600)
	270,617	278,537
Cash and cash equivalent under assets classified as assets held for sale	-	145
	270,617	278,682
Less: Fixed deposits pledged as security values	(63,894)	(62,186)
Total	206,723	216,496

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 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 2018. 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 2018.

A2. CHANGES IN ACCOUNTING POLICIES

On 30 November 2017, Malaysian Accounting Standards Board issued notice of withdrawal of Financial Reporting Standards for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has adopted and prepared its first set of interim financial report in accordance with MFRS Framework effective 1 June 2018.

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 2018, except for the adoption of the following new MFRSs, Amendments/Improvements to MFRSs and IC Interpretations as follows:

Standard	Title
MFRS 9	Financial Instruments [IFRS 9 as issued by IASB in July 2014]
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Shared-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15	Effective Date of MFRS 15
Amendments to MFRS 15	Clarifications to MFRS 15
MFRS 128	Investments in Associates and Joint Ventures [Annual Improvements to MFRS Standards 2014-2016 Cycle]
Amendments to MFRS 140	Transfer of Investment Property
Annual Improvements to MFRSs 2014-2016 Cycles	<ul style="list-style-type: none">• Amendments to MFRS 1 [Deletion of Short-term Exemptions for First-time Adopters]• Amendments to MFRS 128 [Measuring an Associate or Joint Venture at Fair Value]
<u>IC Interpretations</u>	
IC 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new MFRSs, Amendments/Improvements to MFRSs and IC Interpretations do not have any material impact on the financial statement of the Group.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A2. CHANGES IN ACCOUNTING POLICIES (Continued)

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRSs. The Group has elected not to apply MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements retrospectively, that is, not to restate any of its business combinations that occurred before the date of transition to MFRS Framework.

The two newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers have resulted in the following changes to the financial statements:

(i) *MFRS 9 Financial Instruments*

MFRS 9 introduces the expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred on incurred basis.

The Group has assessed the impact of the adoption of MFRS 9 and concluded that the adoption does not have any significant impact to the Group.

(ii) *MFRS 15 Revenue from Contracts with Customers*

Under MFRS 15, an entity shall recognise revenue when a performance obligation is satisfied, i.e. when control of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The Group recognised revenue from contract works and property development over time when it has an enforceable right to payment for the performance obligation completed to date.

Incremental costs of obtaining a contract with a customer had previously expensed off, such as sales commissions. However, these costs meet the criteria to be capitalised upon transition to MFRS 15 and to be recognised as assets if the entity expects to recover those costs. These costs to be amortised consistently with the transfer of the goods or services to the customers.

Upon withdrawal of FRS 201 Property Development Activities, land held for property development and property development costs are reclassified as inventories as these assets are in the process of completion for sale. These inventories are carried at the lower of cost or net realisable value.

MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. This results in some reclassifications as at 1 June 2018. Contract assets identified are mainly the right to consideration for goods or services transferred to the customers. In the case of property development and construction contracts, contract assets are the excess of cumulative revenue earned over cumulative billings to-date and contract liabilities are the obligations to transferred goods and services to the customers for which the Group has received the consideration or has billed the customers.

For initial application of MFRS 15, the Group applies the standard using the modified retrospective approach by recognising its cumulative effect of RM2.59 million to the retained profits as at 1 June 2018 on contracts which were on-going after 1 January 2018, and that the comparatives will not be restated.



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PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A2. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) MFRS 15 Revenue from Contracts with Customers (Continued)

The financial impacts to the Group are disclosed in the following tables:

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Impact on Statement of Financial Position			
As at 31 May 2018/1 June 2018			
<u>Non-current assets</u>			
Inventories - land held for property development	-	3,897	3,897
Land held for property development	3,897	(3,897)	-
<u>Current assets</u>			
Inventories - completed properties and others	-	69,806	69,806
Inventories - property development costs	-	834,281	834,281
Contract assets	-	64,447	64,447
Inventories	69,806	(69,806)	-
Property development costs	834,281	(834,281)	-
Trade and other receivables	155,030	(15,562)	139,468
Amount due from customers on contracts	48,885	(48,885)	-
<u>Current liabilities</u>			
Contract liabilities	-	33,584	33,584
Amount due to customers on contracts	4,573	(4,573)	-
Trade and other payables	421,049	(29,011)	392,038



GADANG HOLDINGS BERHAD

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INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A3. AUDIT REPORT

The auditors' report on the Group's annual financial statements for the financial year ended 31 May 2018 was not subject to any audit qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5. UNUSUAL SIGNIFICANT ITEMS

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

A6. CHANGES IN ESTIMATES

There were no major changes in estimates that have any material effect in the current quarter under review.

A7. DEBT AND EQUITY SECURITIES

There were no cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter under review.

The movement of the share options are as follows:-

Option price (RM)	Date of offer	No. of options				As at 31/08/2018	Exercisable as at 31/08/2018
		As at 01/06/2018	Granted	Exercised	Lapsed		
0.86	16.12.2016	67,372,700	-	-	-	67,372,700	16,204,400
1.03	05.01.2018	14,933,300	-	-	-	14,933,300	3,532,400
		82,306,000	-	-	-	82,306,000	19,736,800

There was no conversion of Warrant 2016/2021 for the current quarter under review. The number of outstanding warrants as at 31 August 2018 was 129,254,039.

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A9. SEGMENTAL REPORTING

3 months ended 31 August 2018 (Current Financial Period)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	69,570	53,851	5,728	-	129,149
Results					
Segment results	10,428	13,868	618	(1,830)	23,084
Finance costs	(52)	(288)	(87)	-	(427)
Share of results of joint ventures	159	-	-	-	159
Profit /(Loss) before tax	10,535	13,580	531	(1,830)	22,816
Income tax expense					(6,278)
Profit for the financial year					16,538

3 months ended 31 August 2017 (Previous Financial Period)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Plantation Division RM'000	Consolidated RM'000
Revenue	76,758	33,787	6,195	-	-	116,740
Results						
Segment results	16,788	8,841	1,723	(1,676)	-	25,676
Finance costs	(140)	(303)	(116)	-	-	(559)
Share of results of joint ventures	61	-	-	-	-	61
Profit /(Loss) before tax	16,709	8,538	1,607	(1,676)	-	25,178
Income tax expense						(6,630)
Loss after tax from discontinued operation	-	-	-	-	(155)	(155)
Profit for the financial year						18,393



GADANG HOLDINGS BERHAD

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INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

PART A – EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A10. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment and concession assets have been brought forward without amendment from the audited financial statements for the financial year ended 31 May 2018.

A11. SIGNIFICANT SUBSEQUENT EVENTS

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

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the current quarter under review, except for the following :-

On 28 August 2018, the Company's wholly-owned subsidiary, Gadang Land Sdn Bhd acquired 2 ordinary shares, representing 100% of the total issued capital of Special Courtyard Sdn Bhd ("Special Courtyard") for a total cash consideration of RM2. As a result of the acquisition, Special Courtyard became an indirect wholly-owned subsidiary of the Company.

A13. CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities for the Group as at the date of this report.

A14. CAPITAL COMMITMENTS

There are no material capital commitments as at the date of this report.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

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

During the current quarter, the Group recorded revenue of RM129.15 million as compared to RM116.74 million in the corresponding quarter of the preceding year. The Group's profit before tax decreased to RM22.82 million as compared to RM25.18 million in the corresponding quarter of the preceding year.

Other expenses for the current quarter increased to RM1.06 million as compared to the preceding year mainly due to unrealised loss on foreign exchange.

Tabulated below is the unaudited various divisional contributions:-

INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000	Variance %	3 Months Ended 31/08/2018 RM'000	3 Months Ended 31/08/2017 RM'000	Variance %

REVENUE

Continuing operations

Construction Division	69,570	76,758	-9	69,570	76,758	-9
Property Division	53,851	33,787	59	53,851	33,787	59
Utility Division	5,728	6,195	-8	5,728	6,195	-8
Investment Holding	-	-	-	-	-	-
	<u>129,149</u>	<u>116,740</u>	<u>11</u>	<u>129,149</u>	<u>116,740</u>	<u>11</u>

Discontinued operation

Plantation Division	-	235	-	-	235	-
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PROFIT/(LOSS) BEFORE TAX

Continuing operations

Construction Division	10,535	16,709	-37	10,535	16,709	-37
Property Division	13,580	8,538	59	13,580	8,538	59
Utility Division	531	1,607	-67	531	1,607	-67
Investment Holding	(1,830)	(1,676)	9	(1,830)	(1,676)	9
	<u>22,816</u>	<u>25,178</u>	<u>-9</u>	<u>22,816</u>	<u>25,178</u>	<u>-9</u>

Discontinued operation

Plantation Division	-	(155)	-	-	(155)	-
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GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

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 (Continued)

Construction Division

Revenue decreased to RM69.57 million for the current quarter as compared to RM76.76 million in the corresponding quarter of the preceding year. This was mainly due to lower work progress from existing projects. In line with this, profit before tax for the current quarter decreased to RM10.54 million as compared to RM16.71 million in the corresponding quarter of the preceding year.

Property Division

Revenue increased to RM53.85 million for the current quarter as compared to RM33.79 million in the corresponding quarter of the preceding year. Profit before tax increased to RM13.58 million as compared to RM8.54 million in the corresponding quarter of the preceding year. This was mainly due to higher work progress and better sales achieved for the existing on-going projects.

Utility Division

Revenue decreased to RM5.73 million for the current quarter as compared to RM6.20 million in the corresponding quarter of the preceding year. Profit before tax decreased to RM0.53 million as compared to RM1.61 million in the corresponding quarter of the preceding year mainly due to unrealised loss on foreign exchange.

B2. MATERIAL CHANGES IN CURRENT QUARTER'S RESULT AS COMPARED TO PRECEDING QUARTER

	Current Quarter 31/08/2018 RM'000	Preceding Quarter 31/05/2018 RM'000	Variance %
Revenue	129,149	183,771	-30
Operating profit	24,788	33,997	-27
Profit before interest and tax	23,243	32,465	-28
Profit before tax	22,816	33,364	-32
Profit after tax	16,538	24,969	-34
Profit attributable to equity holders of the Company	16,542	25,057	-34

The Group recorded lower revenue of RM129.15 million in the current quarter as compared to RM183.78 million in the preceding quarter. This was mainly due to lower work progress from existing projects. Correspondingly, the Group's profit before tax decreased to RM22.82 million as compared to RM33.36 million in the preceding quarter.



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B3. BUSINESS PROSPECTS

Given the prevailing economic conditions and global financial outlook, the Board is of the view that the Group's operating environment will be challenging going forward. Broadly, the Board's focus is on balancing the financial performance with the current market condition as follows:-

Construction Division

Based on the existing infrastructure projects under implementation, a reasonable earnings outlook is expected for the financial year ending 31 May 2019. In addition, the division's outstanding order book of some RM1.51 billion, shall provide decent income viability for the Construction Division.

Property Division

The overall weakness in the property market has impacted sales and accordingly more aggressive marketing efforts are being introduced. With unbilled sales of some RM106.50 million and planned new launches, the Property Division is expected to deliver a satisfactory performance in the coming financial year.

Utility Division

Major earnings from the existing four water concession plants will remain stable. The 9MW mini hydro power plant currently under construction is expected to be completed by this financial year and this will add a fresh recurring income to the Group.

B4. PROFIT FORECAST AND PROFIT GUARANTEE

There is no profit forecast and profit guarantee provided by the Group and as such, this disclosure requirement is not applicable.

B5. TAXATION

Taxation comprises the following:

	3 Months Ended 31/08/2018 RM'000
Income tax expense:	
Malaysian income tax	(5,684)
Foreign income tax	(791)
Deferred tax	197
	<hr/> (6,278) <hr/>

The effective tax rate for the Group for the current quarter was higher than the statutory tax rate mainly due to unutilised business losses of certain subsidiaries. The business losses will be utilised when the subsidiaries have taxable profit.



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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 6 February 2018, the Company's indirect wholly-owned subsidiary, Splendid Pavilion Sdn Bhd entered into a conditional Sale and Purchase Agreement ("SPA") with GP Views Development Sdn Bhd for the acquisition of 2 parcels of freehold land measuring approximately 78 acres located at Pontian, State of Johor Darul Takzim for a purchase consideration of RM149 million ("Proposed Acquisition").

The Proposed Acquisition is yet to be completed pending the fulfillment of certain conditions precedent as stipulated in the SPA.

B7. GROUP BORROWINGS

The details of the Group borrowings are as follows:

	As at 31/08/2018 RM'000	As at 31/05/2018 RM'000
(a) (i) Short Term Borrowings		
Revolving credits	46,200	34,999
Banker acceptance	1,443	-
Trust receipt	-	169
Bank overdraft	-	8,326
Term loans	4,776	9,000
Hire purchase payables	6,238	11,061
	58,657	63,555
(ii) Long Term Borrowings		
Term loans	218,668	201,342
Hire purchase payables	20,322	18,514
	238,990	219,856
Total Borrowings	297,647	283,411

(b) Foreign currency borrowings included in the above are as follows:

	As at 31/08/2018		As at 31/05/2018	
	Foreign Currency '000	RM Equivalent '000	Foreign Currency '000	RM Equivalent '000
US Dollar	1,829	7,135	1,878	7,494
Indonesian Rupiah	154,742,104	43,328	154,742,104	44,255
		50,463		51,749

Bank borrowings for the current year to date increased to RM297.65 million as compared to RM283.41 million at the beginning of the financial year. This was mainly to finance property development expenditure for Property Division.



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B8. MATERIAL LITIGATION

As at 12 October 2018, being 7 days prior to the date of this announcement, 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 the current quarter under review.

In respect of the financial year ended 31 May 2018, the Board recommended a first and final dividend of 3 sen per share for approval of the shareholders at the forthcoming Annual General Meeting and if approved, will be paid on 7 December 2018. The entitlement date for the dividend payment is 16 November 2018.

B10. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share has been calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)				
- from continuing operations	16,542	18,494	16,542	18,494
- from discontinued operation	-	(155)	-	(155)
	<u>16,542</u>	<u>18,339</u>	<u>16,542</u>	<u>18,339</u>
Weighted average number of ordinary shares in issue ('000)	661,721	656,728	661,721	656,728
Basic earnings per share (sen)				
- from continuing operations	2.50	2.82	2.50	2.82
- from discontinued operation	-	(0.02)	-	(0.02)
	<u>2.50</u>	<u>2.79</u>	<u>2.50</u>	<u>2.79</u>



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B10. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the net profit for the financial year attributable to ordinary equity holder of the Company by the weighted average number of ordinary shares that would have been issued upon full conversion of the remaining Warrants 2016/2021 and employee share option.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017	3 Months Ended 31/08/2018	3 Months Ended 31/08/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)				
- from continuing operations	16,542	18,494	16,542	18,494
- from discontinued operation	-	(155)	-	(155)
	<u>16,542</u>	<u>18,339</u>	<u>16,542</u>	<u>18,339</u>
Weighted average number of ordinary shares in issue ('000)	661,721	656,728	661,721	656,728
Effect of dilution:				
Exercise of warrants	-	1,709	-	1,709
Employee share option	-	6,213	-	6,213
Adjusted weighted average number of ordinary shares ('000)	<u>661,721</u>	<u>664,650</u>	<u>661,721</u>	<u>664,650</u>
Basic earnings per share (sen)				
- from continuing operations	2.50	2.78	2.50	2.78
- from discontinued operation	-	(0.02)	-	(0.02)
	<u>2.50</u>	<u>2.76</u>	<u>2.50</u>	<u>2.76</u>

For the current quarter, the unexercised warrants and employee share option have no dilutive effect on the earnings per share as the exercise price is higher than the market price per ordinary share.



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B11. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The cost of sales included the following charges, made during the financial period:

	3 Months Ended 31/08/2018 RM'000
Depreciation of property, plant and equipment	4,111
Finance costs	563
Rental of land and premises	377
	<hr/>

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

	3 Months Ended 31/08/2018 RM'000
Depreciation and amortisation	1,545
Finance costs	427
Gain on disposal of property, plant and equipment	(1,053)
Income received from short term funds	(565)
Interest income	(986)
Property, plant and equipment written off	21
Net unrealised loss on foreign exchange	990
	<hr/>

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