



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Unaudited			Unaudited			Unaudited			Audited		
	INDIVIDUAL QUARTER						CUMULATIVE PERIOD					
	3 Months Ended 31/05/2020		3 Months Ended 31/05/2019		Variance		12 Months Ended 31/05/2020		12 Months Ended 31/05/2019		Variance	
	RM'000	RM'000		RM'000	RM'000	%	RM'000	RM'000		RM'000	RM'000	%
Revenue	115,595	184,704	-37	673,056	687,693	-2						
Cost of sales	(97,516)	(163,405)	-40	(557,260)	(572,750)	-3						
Gross profit	18,079	21,299	-15	115,796	114,943	1						
Other income	2,629	4,350	-40	12,709	15,828	-20						
Administrative expenses	(6,870)	(7,085)	-3	(30,513)	(26,129)	17						
Depreciation	(1,798)	(1,448)	24	(6,313)	(5,907)	7						
Operating expenses	(5,126)	(5,290)	-3	(19,901)	(17,581)	13						
Other expenses	(17)	(5,324)	>100	(6,988)	(5,493)	27						
Finance costs	(839)	(3,267)	-74	(4,201)	(4,873)	-14						
Share of results of joint ventures	478	735	-35	(1,126)	935	>100						
Profit before tax	6,536	3,970	65	59,463	71,723	-17						
Income tax expense	(6,183)	(6,849)	-10	(23,122)	(27,582)	-16						
Net profit for the financial year	353	(2,879)	>100	36,341	44,141	-18						
Other comprehensive income:												
Actuarial gain on defined benefit obligation	160	256	-38	160	256	-38						
Foreign currency translation	972	1,137	-15	845	1,855	-54						
Total comprehensive income for the financial year	1,485	(1,486)	>100	37,346	46,252	-19						
Net profit/(loss) attributable to:												
Equity holders of the Company	404	(2,811)	>100	36,125	44,061	-18						
Non-controlling interests	(51)	(68)	-25	216	80	>100						
Total comprehensive income attributable to:	353	(2,879)	>100	36,341	44,141	-18						
Equity holders of the Company	1,491	(1,482)	>100	37,088	46,067	-19						
Non-controlling interests	(6)	(4)	>100	258	185	39						
	1,485	(1,486)	>100	37,346	46,252	-19						
Earnings per share attributable to equity holders of the Company:												
- Basic (sen)	0.06	(0.42)	>100	4.98	6.66	-25						
- Diluted (sen)	0.06	(0.42)	>100	4.98	6.66	-25						

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2019.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2020

	Unaudited	Audited
	As At	As At
	31/05/2020	31/05/2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Investment in joint ventures	1,291	2,416
Concession assets	142,511	126,330
Property, plant and equipment	29,227	61,649
Right-of-use assets	21,102	-
Investment properties	76,109	78,277
Inventories - land held for property development	3,913	3,905
Non-trade receivables	2,891	2,662
Other investments	6,800	13,300
Goodwill on cosolidation	23,002	17,412
Deferred tax assets	25,712	18,340
	<u>332,558</u>	<u>324,291</u>
Current assets		
Inventories - completed properties and others	61,435	66,039
Inventories - property development costs	772,428	792,899
Contract costs	1,438	1,050
Trade and other receivables	142,483	163,190
Contract assets	157,335	215,298
Current tax assets	9,220	6,000
Short term funds	94,876	33,131
Deposits with licensed banks	101,610	98,415
Cash and bank balances	106,340	85,330
	<u>1,447,165</u>	<u>1,461,352</u>
TOTAL ASSETS	<u>1,779,723</u>	<u>1,785,643</u>



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2020 (Continued)

	Unaudited As At 31/05/2020 RM'000	Audited As At 31/05/2019 RM'000
EQUITY AND LIABILITIES		
Equity attributable to Equity Holders of the Company		
Share Capital	389,521	338,380
Reserves	425,215	395,456
	814,736	733,836
Non-controlling interests	4,767	4,509
Total equity	819,503	738,345
Non-current liabilities		
Bank borrowings	170,905	191,821
Lease liabilities	5,728	-
Deferred tax liabilities	2,929	4,174
Defined benefit obligations	2,878	2,573
Non-trade payables	175,223	199,801
	357,663	398,369
Current liabilities		
Trade and other payables	399,149	402,278
Contract liabilities	87,969	72,784
Bank borrowings	107,490	168,444
Lease liabilities	4,930	-
Current tax liabilities	3,019	5,423
	602,557	648,929
Total liabilities	960,220	1,047,298
TOTAL EQUITY AND LIABILITIES	1,779,723	1,785,643
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.13	1.11

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2019.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Share Capital	Share Option Reserves	Capital Reserves	Foreign Exchange Translation Reserves	Retained Profits	Total	Non-controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Unaudited)								
At 1 June 2019	338,380	4,455	1,347	(2,533)	392,187	733,836	4,509	738,345
Total comprehensive income	-	-	-	803	36,125	36,928	258	37,186
Actuarial gain on defined benefit obligation	-	-	-	-	160	160	-	160
Dividend on ordinary shares	-	-	-	-	(8,738)	(8,738)	-	(8,738)
Issue of ordinary shares	50,952	-	-	-	-	50,952	-	50,952
Issue of shares upon exercise of share option	145	-	-	-	-	145	-	145
Employees share option lapsed	-	(184)	-	-	184	-	-	-
Recognition of share option expenses	-	1,453	-	-	-	1,453	-	1,453
Transfer to share capital for employees share option exercised	44	(44)	-	-	-	-	-	-
At 31 May 2020	389,521	5,680	1,347	(1,730)	419,918	814,736	4,767	819,503



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (Continued)

	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
(Audited)								
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	-	-	-	-	1,931	1,931	-	1,931
As restated	338,380	3,721	1,347	(4,283)	367,650	706,815	4,324	711,139
Total comprehensive income	-	-	-	1,750	44,061	45,811	185	45,996
Actuarial gain on defined benefit obligation	-	-	-	-	256	256	-	256
Dividend on ordinary shares	-	-	-	-	(19,852)	(19,852)	-	(19,852)
Recognition of share option expenses	-	806	-	-	-	806	-	806
Employees share option lapsed	-	(72)	-	-	72	-	-	-
At 31 May 2019	338,380	4,455	1,347	(2,533)	392,187	733,836	4,509	738,345

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 2019.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Unaudited	Audited
	12 Months Ended 31/05/2020 RM'000	12 Months Ended 31/05/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	59,463	71,723
Adjustments for:		
Accretion of interest on:		
- amount owing to a director	47	155
- trade and other receivables	(76)	(57)
Bad debts written off	26	48
Increase/(Decrease) in liability for defined benefit obligations	464	384
Depreciation of:		
- concession assets	2,628	2,514
- investment properties	905	876
- property, plant and equipment	9,309	19,764
- right-of-use assets	4,736	-
Fair value loss on quoted investment	6,400	4,800
Finance costs	7,634	6,741
Gain on disposal of:		
- investment properties	(874)	-
- property, plant and equipment	(2,891)	(2,001)
- right-of-use assets	(157)	-
Impairment loss on:		
- goodwill	-	6
- investment properties	51	-
- trade and other receivables	278	153
Income received from short term funds	(2,053)	(1,885)
Interest income	(4,393)	(4,690)
Net unrealised (gain)/loss on foreign exchange	(519)	(721)
Property, plant and equipment written off	54	169
Share of results of joint ventures	1,126	(935)
Share option expenses	1,453	806
Operating profit before working capital changes	83,611	97,850
Changes in working capital:		
Contract assets/(liabilities)	73,149	(142,062)
Contract costs	(388)	160
Inventories	25,068	45,140
Payables	(28,473)	(21,368)
Receivables	20,375	(34,352)
Cash generated from operations	173,342	(54,632)
Net income tax paid	(37,467)	(29,712)
Net Operating Cash Flows	135,875	(84,344)



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR 31 MAY 2020 (Continued)

	Unaudited	Audited
	12 Months Ended 31/05/2020	12 Months Ended 31/05/2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- investment properties	(119)	(304)
- concession assets	(17,482)	(8,815)
- property, plant and equipment	(2,955)	(11,949)
- right-of-use assets	(54)	-
Investment in a subsidiary	(4,886)	-
Investment in quoted shares	-	(18,000)
Proceeds from disposal of:		
- investment properties	2,205	-
- other investment	100	-
- property, plant and equipment	3,063	7,826
- right-of-use assets	758	-
Income received from short term funds	2,053	1,885
Interest income	4,393	4,690
Net Investing Cash Flows	(12,924)	(24,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	94,128	116,175
Finance costs	(7,634)	(6,741)
Proceeds from issuance of:		
- ordinary share	50,952	-
- share options exercised	145	-
Repayment of:		
- bank borrowings	(141,962)	(43,892)
- hire purchase liabilities	-	(11,313)
- lease liabilities	(9,629)	-
Fixed deposits pledged as security values	(13,171)	(7,840)
Dividend paid	(8,738)	(19,852)
Net Financing Cash Flows	(35,909)	26,537
Net change in cash and cash equivalents	87,042	(82,474)
Effect of exchange rate changes	490	(995)
Cash and cash equivalents at the beginning of the financial year	125,595	209,064
Cash and cash equivalents at the end of the financial year	213,127	125,595



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR 31 MAY 2020 (Continued)

	Unaudited 12 Months Ended 31/05/2020	Audited 12 Months Ended 31/05/2019
Analysis of Cash and Cash Equivalents		
Cash and bank balances	106,340	85,330
Short term funds	94,876	33,131
Deposits with licensed banks	101,610	98,415
Bank overdrafts	(8,151)	(22,904)
	294,675	193,972
Less: Fixed deposits pledged as security values	(81,548)	(68,377)
Total	213,127	125,595

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2019.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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

A1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with *MFRS 134 - Interim Financial Reporting*, issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2019. The 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 2019.

A2. CHANGES IN ACCOUNTING POLICIES

A2.1 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 2019, except for the changes arising from the adoption of new Malaysian Financial Reporting Standards (“MFRSs”), Amendments/Improvements to MFRSs and IC Interpretations as follows:

Standard	Title
MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015-2017 Cycles	

IC Interpretations

IC 23	Uncertainty over Income Tax Treatments
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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, except as follows:-

The Group has adopted MFRS 16 using modified retrospective simplified approach to contracts that were previously identified as leases under MFRS 117 ‘Leases’ and IC Interpretation 4 ‘Determining Whether an Arrangement Contains a Lease’, without restating any comparative information. There were no financial impact to the retained earnings of the Group upon transition to MFRS 16 as at 1 June 2019 (date of initial application).

MFRS 16 has been applied in full to lease contracts entered into or changed on or after 1 June 2019.

(a) Lessee Accounting

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 June 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.



GADANG HOLDINGS BERHAD

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INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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

A2. CHANGES IN ACCOUNTING POLICIES (Cont’d)

- A2.1 For leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate applicable to the lessee companies at that date. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 June 2019, in accordance with practical expedients in applying MFRS 16 for the first time.

The impacts of reclassification resulting from the adoption of MFRS 16 at 1 June 2019 are summarised below:-

	As previously reported RM'000	MFRS 16 adjustments RM'000	As restated RM'000
The Group			
<i>Statement of Financial Position</i>			
Property, plant and equipment	61,649	(30,262)	31,387
Right-of-use assets	-	30,262	30,262
Bank borrowings:			
- current liabilities	168,444	(6,660)	161,784
- non-current liabilities	191,821	(13,265)	178,556
Lease liabilities:			
- current liabilities	-	6,660	6,660
- non-current liabilities	-	13,265	13,265

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as result of the adoption of MFRS 16.

- A2.2 MFRSs, Amendments/Improvements to MFRSs and IC Interpretations issued but not yet effective

Standard	Title	Effective Date
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 101	Classification of Liabilities as Current or Non- current	1 January 2022
Amendments to Reference to the Conceptual Framework in MFRSs		1 January 2020



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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

A2. CHANGES IN ACCOUNTING POLICIES (Cont’d)

A2.2 The Group will apply the above MFRSs, Amendments/Improvements to MFRSs and IC Interpretations that are applicable once they become effective. The adoption of the above MFRSs, Amendments/Improvements to MFRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group.

A3. AUDIT REPORT

The auditors' report on the Group's financial statements for the financial year ended 31 May 2019 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 31/05/2020	Exercisable as at 31/05/2020
		As at 29/02/2020	Granted	Exercised	Lapsed*		
0.86	16.12.2016	57,502,700	-	-	-	57,502,700	43,383,100
1.03	05.01.2018	12,612,400	-	-	-	12,612,400	9,459,300
		70,115,100	-	-	-	70,115,100	52,842,400

*due to resignation of employees

There was no conversion of Warrant 2016/2021 for the current quarter under review. The number of outstanding warrants as at 31 May 2020 was 129,254,039.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.

A9. SEGMENTAL REPORTING

12 months ended 31 May 2020 (Current Financial Year)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	492,475	156,136	24,445	-	673,056
Results					
Segment results	36,923	38,081	4,846	(15,060)	64,790
Finance costs	(2,060)	(1,905)	(215)	(21)	(4,201)
Share of results of joint ventures	(1,126)	-	-	-	(1,126)
Profit/(Loss) before tax	33,737	36,176	4,631	(15,081)	59,463
Income tax expense					(23,122)
Profit for the financial year					36,341

12 months ended 31 May 2019 (Previous Financial Year)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	479,546	184,919	23,228	-	687,693
Results					
Segment results	42,758	40,953	7,346	(15,396)	75,661
Finance costs	(2,753)	(1,716)	(341)	(63)	(4,873)
Share of results of joint ventures	935	-	-	-	935
Profit/(Loss) before tax	40,940	39,237	7,005	(15,459)	71,723
Income tax expense					(27,582)
Profit for the financial year					44,141



GADANG HOLDINGS BERHAD

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INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

PART A – EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 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 2019.

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 and year ended 31 May 2020, except for the following:-

On 5 December 2019, the Company’s wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd completed its acquisition of 100% equity interest representing 250,000 ordinary shares in Yi Sheng Foundation Pte Ltd (“Yi Sheng”) for a total cash consideration of SGD1.8 million (equivalent to RM5.53million). As a result of the acquisition, Yi Sheng 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.

A15. PROVISION OF FINANCIAL ASSISTANCE

Pursuant to paragraph 8.23(1)(ii) of Bursa Malaysia Securities Berhad’s Listing Requirements, the financial assistance provided by the Group is as follows:

Advances to sub-contractors

	As At 31/05/2020 RM'000
Non-interest bearing advances	11,436

The financial assistance provided does not have any material effect on the earnings, net assets and liquidity of the Group.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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 lower revenue of RM115.59 million as compared to RM184.70 million in the corresponding quarter of the preceding year. However, the profit before tax increased to RM6.54 million as compared to RM3.97 million in the corresponding quarter of the preceding year.

For the current year to date, revenue decreased to RM673.06 million as compared to RM687.69 million in the preceding year to date. Profit before tax decreased to RM59.46 million as compared to RM71.72 million in the preceding year to date. This was mainly due to the changes in the following operating items:-

- rental income of plant and machinery reduced by RM3.2 million
- staff cost increased by some RM4.38 million
- fair value loss on quoted investment increased by RM1.60 million

Tabulated below is the unaudited various divisional contributions:-

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	3 Months	3 Months	Variance	12 Months	12 Months	Variance
	Ended	Ended		Ended	Ended	
	31/05/2020	31/05/2019	31/05/2020	31/05/2019		
RM'000	RM'000	%	RM'000	RM'000	%	
REVENUE						
Construction Division	89,677	123,366	-27	492,475	479,546	3
Property Division	19,812	55,303	-64	156,136	184,919	-16
Utility Division	6,106	6,035	1	24,445	23,228	5
Investment Holding	-	-	-	-	-	-
	<u>115,595</u>	<u>184,704</u>	<u>-37</u>	<u>673,056</u>	<u>687,693</u>	<u>-2</u>
PROFIT/(LOSS) BEFORE TAX						
Construction Division	641	(474)	>100	33,737	40,940	-18
Property Division	6,613	11,340	-42	36,176	39,237	-8
Utility Division	348	2,007	>100	4,631	7,005	-34
Investment Holding	(1,066)	(8,903)	-88	(15,081)	(15,459)	-2
	<u>6,536</u>	<u>3,970</u>	<u>65</u>	<u>59,463</u>	<u>71,723</u>	<u>-17</u>

Construction Division

Revenue for the current quarter decreased to RM89.68 million as compared to RM123.37 million in the corresponding quarter of the preceding year, due to the decline and disruption in work progress billing arising from the impact of the Movement Control Order ("MCO"). However, profit before tax increased to RM0.64 million as compared to loss before tax of RM0.47 million in the corresponding quarter of the preceding year.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAY 2020

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)

Revenue for current year to date increased to RM492.47 million as compared to RM479.55 million in the preceding year to date. However, profit before tax decreased to RM33.74 million as compared to RM40.94 million in the preceding year to date. This was mainly due to higher operating cost and lower profit margin for some of the projects.

Property Division

In the current quarter, revenue decreased to RM19.81 million as compared to RM55.30 million in the corresponding quarter of the preceding year. Profit before tax declined to RM6.61 million as compared to RM11.34 million in the corresponding quarter of the preceding year, due to lower revenue billing as a result of Covid-19 induced MCO in this current quarter.

Revenue for the current year to date decreased to RM156.14 million as compared to RM184.92 million in the preceding year to date. In line with this, profit before tax decreased to RM36.18 million as compared to RM39.24 million in the preceding year to date.

Utility Division

For the current quarter, revenue increased marginally to RM6.11 million as compared to RM6.04 million in the corresponding quarter of the preceding year. However, profit before tax decreased to RM0.35 million as compared to RM2.01 million in the corresponding quarter of the preceding year.

Revenue for the current year to date increased to RM24.45 million as compared to RM23.23 million in the preceding year to date. However, profit before tax decreased to RM4.63 million as compared to RM7.01 million in the preceding year to date, due to unfavourable foreign exchange translation effect.

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

	Current Quarter 31/05/2020 RM'000	Preceding Quarter 29/02/2020 RM'000	Variance %
Revenue	115,595	212,144	-46
Operating profit	9,173	19,567	-53
Profit before interest and tax	7,375	17,903	-59
Profit before tax	6,536	16,852	-61
Profit after tax	353	10,085	-96
Profit attributable to equity holders of the Company	404	10,030	-96

The Group's revenue decreased to RM115.59 million in the current quarter as compared to RM212.14 million in the preceding quarter. The Group's profit before tax decreased to RM6.54 million as compared to RM16.85 million recorded in the preceding quarter, due to lower construction and property billing activities.



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

The MCO imposed by the Government, which commenced on 18 March 2020, had resulted in work suspension on all on-going construction and property development projects of the Group. During this MCO period, all works were virtually stopped, except for certain works deemed critical for public safety. All property sales galleries were closed and marketing activities were suspended. Whilst operations had resumed during the Conditional MCO ("CMCO"), the level of activities on site was generally lower as the Group adopted more stringent preventive measures under strict Standard Operating Procedures. The Covid-19 pandemic had also resulted in a drop in consumer spending and hence, lower sales and demand for the Group's property offerings. This had adversely affected the overall financial performance of the Group for the current quarter under review.

B3. BUSINESS PROSPECT FOR THE FINANCIAL YEAR ENDING 31 MAY 2021

The global economic climate impacted by the Covid-19 pandemic and the significant decline in oil prices have severely dampened investors' confidence and consumers' sentiment. Accordingly, the Group undertook a rationalization exercise to streamline operational effectiveness and productivity in order to stay profitable.

The Construction Division is expected to continue to be supported by its existing outstanding order book of RM875 million and will focus on timely project completion. The existing outstanding order book, which includes the recently secured two packages of ECRL contracts amounting to approximately RM81mil, will be able to sustain its operations for the next two years.

The Property Division has total unbilled sales of RM62.1 million and will mitigate the Covid-19 pandemic situation by adopting a digitalization strategy using proptech applications to drive sales.

The Utility Division's concession water treatment assets have not been significantly impacted by the Covid-19 pandemic in Indonesia and will continue to contribute a sustainable income stream to the Group. The construction of the 9MW mini-hydro power plant in Lintau, Sumatera, is progressing well and is scheduled for completion by the end of 2020.

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.



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B5. TAXATION

Taxation comprises the following:

	3 Months Ended 31/05/2020 RM'000	12 Months Ended 31/05/2020 RM'000
Income tax expense:		
Malaysian income tax	(9,679)	(29,173)
Foreign income tax	(717)	(2,567)
Deferred tax	4,213	8,618
	<u>(6,183)</u>	<u>(23,122)</u>

The Group's effective tax rate (excluding the results of joint ventures which is equity accounted net of tax) for the current quarter was higher than the statutory tax rate mainly due to business losses of certain subsidiaries and certain expenses not deductible for tax purposes.

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 29 March 2019, the Company announced that Achwell Property Sdn Bhd ("APSB"), a wholly-owned subsidiary of the Company had entered into a conditional settlement agreement, put option agreement and call option agreement with Capital City Property Sdn Bhd ("CCPSB") for the proposed variation to the terms of the Joint Venture Agreement between APSB and CCPSB for an integrated development in Bandar Johor Bahru, District of Johor Bahru, State of Johor Darul Takzim ("Proposed Variation").

The Proposed Variation is subject to the fulfilment of the conditions precedent as stipulated in the respective Agreements. On 26 September 2019, APSB and CCPSB mutually agreed to extend the conditional period which will expire on 28 September 2019, for another six months to 28 March 2020, for CCPSB to fulfill the remaining conditions precedent as set out in the Settlement Agreement.

CCPSB had failed to fulfil the remaining conditions precedent as set out in the Settlement Agreement by 28 March 2020. Hence, the Settlement Agreement lapsed on 28 March 2020 and became null and void, and the parties fall back to the original Joint Venture Agreement on their rights and obligations.

CCPSB has since applied for and obtained an ex-parte Judicial Management Order on 13 March 2020 ("Judicial Management Order"). This, coupled with several other factors, give rise to event(s) of default under the Joint Venture Agreement. APSB had by way of a letter dated 15 May 2020 issued a Notice of Default under the Joint Venture Agreement to CCPSB.

In the meantime, APSB has proceeded to file an application to intervene and to set aside the Judicial Management Order ("the Application"). The hearing of the Application is fixed for 27 August 2020.



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B7. UTILISATION OF PROCEEDS

The status of the utilisation of proceeds of RM50,952,440 raised from the Private Placement is as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation as at 31 May 2020 RM'000	Balance unutilised as at 31 May 2020 RM'000	Intended timeframe for utilisation from the date of listing
Construction projects expenditure	37,069	(21,800)	15,269	Within 24 months
Repayment of bank borrowings	13,500	(13,500)	-	Completed
Expenses relating to the Private Placement	383	(383)	-	Completed
	50,952	(35,683)	15,269	

B8. GROUP BORROWINGS

The details of the Group borrowings are as follows:

	As at 31/05/2020 RM'000	As at 31/05/2019 RM'000
(a) (i) Short Term Borrowings		
Revolving credits	86,110	72,700
Banker acceptance	738	-
Bank overdraft	8,151	22,903
Term loans	12,491	66,181
	<u>107,490</u>	<u>161,784</u>
Hire purchase payable	4,930	6,660
	<u>112,420</u>	<u>168,444</u>
(ii) Long Term Borrowings		
Term loans	170,905	178,555
Hire purchase payable	5,728	13,266
	<u>176,633</u>	<u>191,821</u>
Total Borrowings	<u>289,053</u>	<u>360,265</u>



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B8. GROUP BORROWINGS (Continued)

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

	As at 31/05/2020		As at 31/05/2019	
	Foreign Currency '000	RM Equivalent '000	Foreign Currency '000	RM Equivalent '000
US Dollar	711	3,112	1,295	5,475
Indonesian Rupiah	133,327,794	39,598	149,800,340	44,041
		<u>42,710</u>		<u>49,516</u>

Bank borrowings for the current year to date decreased to RM289.05 million as compared to RM360.27 million at the beginning of the financial year. The decrease is mainly due to repayments during the financial year.

B9. MATERIAL LITIGATION

As at 22 July 2020, 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.

B10. DIVIDEND

The Board has proposed a first and final dividend of 1 sen per share in respect of the financial year ended 2020 for approval of the shareholders at the forthcoming Annual General Meeting. The entitlement date and the payment date of the proposed dividend shall be announced later.



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B11. 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 31/05/2020	3 Months Ended 31/05/2019	12 Months Ended 31/05/2020	12 Months Ended 31/05/2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	404	(2,811)	36,125	44,061
Weighted average number of ordinary shares in issue ('000)	725,869	661,721	725,869	661,721
Basic earnings per share (sen)	0.06	(0.42)	4.98	6.66

(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 31/05/2020	3 Months Ended 31/05/2019	12 Months Ended 31/05/2020	12 Months Ended 31/05/2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	404	(2,811)	36,125	44,061
Weighted average number of ordinary shares in issue ('000)	725,869	661,721	725,869	661,721
Effect of dilution:				
Exercise of warrants	-	-	-	-
Employee share option	-	-	-	-
Adjusted weighted average number of ordinary shares ('000)	725,869	661,721	725,869	661,721
Diluted earnings per share (sen)	0.06	(0.42)	4.98	6.66

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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B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	3 Months Ended 31/05/2020 RM'000	12 Months Ended 31/05/2020 RM'000
Depreciation	1,968	11,265
Finance costs	514	3,433
Gain on disposal of:		
- property, plant and equipment	(11)	(11)
- right-of-use assets	(29)	(29)
Rental of land and premises	245	1,278
	245	1,278

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

	3 Months Ended 31/05/2020 RM'000	12 Months Ended 31/05/2020 RM'000
Bad debts written off	-	26
Depreciation	1,798	6,313
Accretion of interest on:		
- trade and other receivables	(76)	(76)
- amount owing to a director	47	47
Fair value loss on quoted investment	(400)	6,400
Finance costs	838	4,201
Gain on disposal of:		
- investment properties	(874)	(874)
- property, plant and equipment	87	(2,880)
- right-of-use assets	(128)	(128)
Impairment loss on:		
- investment properties	51	51
- trade and non-trade receivables	278	278
Income received from short term funds	(679)	(2,053)
Interest income	(669)	(4,393)
Net unrealised gain on foreign exchange	(190)	(519)
Property, plant and equipment written off	18	54
Share option expenses	-	1,453
	-	1,453

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.