



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2020 (The figures are unaudited)

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	3 Months Ended 29/02/2020 RM'000	3 Months Ended 28/02/2019 RM'000	Variance %	9 Months Ended 29/02/2020 RM'000	9 Months Ended 28/02/2019 RM'000	Variance %
Revenue	212,144	205,325	3	557,461	502,989	11
Cost of sales	(174,397)	(171,023)	2	(459,744)	(409,345)	12
Gross profit	37,747	34,302	10	97,717	93,644	4
Other income	2,078	2,428	-14	10,080	11,478	-12
Administrative expenses	(10,849)	(7,907)	37	(23,643)	(19,044)	24
Depreciation	(1,664)	(1,454)	14	(4,515)	(4,459)	1
Operating expenses	(5,471)	(3,842)	42	(14,775)	(12,291)	20
Other expenses	(1,790)	(42)	>100	(6,970)	(169)	>100
Finance costs	(1,051)	(614)	71	(3,363)	(1,606)	>100
Share of results of joint ventures	(2,148)	(433)	>100	(1,604)	200	>100
Profit before tax	16,852	22,438	-25	52,927	67,753	-22
Income tax expense	(6,767)	(8,918)	-24	(16,939)	(20,733)	-18
Net profit for the financial period	10,085	13,520	-25	35,988	47,020	-23
Other comprehensive income:						
Foreign currency translation	(587)	(838)	-30	(127)	718	>100
Total comprehensive income for the financial period	9,498	12,682	-25	35,861	47,738	-25
Net profit/(loss) attributable to:						
Equity holders of the Company	10,030	13,302	-25	35,722	46,872	-24
Non-controlling interests	55	218	-75	266	148	80
	10,085	13,520	-25	35,988	47,020	-23
Total comprehensive income attributable to:						
Equity holders of the Company	9,471	12,509	-24	35,597	47,549	-25
Non-controlling interests	27	173	-84	264	189	40
	9,498	12,682	-25	35,861	47,738	-25
Earnings per share attributable to equity holders of the Company:						
- Basic (sen)	1.41	2.01	-30	5.04	7.08	-29
- Diluted (sen)	1.41	2.01	-30	5.04	7.08	-29

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 29 FEBRUARY 2020

	Unaudited As At 29/02/2020 RM'000	Audited As At 31/05/2019 RM'000
ASSETS		
Non-current assets		
Investment in joint ventures	813	2,416
Concession assets	136,950	126,330
Property, plant and equipment	52,814	61,649
Investment properties	77,724	78,277
Inventories - land held for property development	3,913	3,905
Non-trade receivables	2,765	2,662
Other investments	6,400	13,300
Goodwill on consolidation	22,464	17,412
Deferred tax assets	22,556	18,340
	326,399	324,291
Current assets		
Inventories - completed properties and others	46,534	66,039
Inventories - property development costs	779,359	792,899
Contract costs	1,453	1,050
Trade and other receivables	152,053	163,190
Contract assets	209,929	215,298
Current tax assets	14,770	6,000
Short term funds	98,262	33,131
Deposits with licensed banks	110,943	98,415
Cash and bank balances	107,160	85,330
	1,520,463	1,461,352
TOTAL ASSETS	1,846,862	1,785,643



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020 (Continued)

	Unaudited As At 29/02/2020 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	423,724	395,456
	813,245	733,836
Non-controlling interests	4,773	4,509
Total equity	818,018	738,345
Non-current liabilities		
Bank borrowings	157,733	191,821
Deferred tax liabilities	3,991	4,174
Defined benefit obligations	2,561	2,573
Non-trade payables	199,691	199,801
	363,976	398,369
Current liabilities		
Trade and other payables	396,776	402,278
Contract liabilities	94,773	72,784
Bank borrowings	165,706	168,444
Current tax liabilities	7,613	5,423
	664,868	648,929
Total liabilities	1,028,844	1,047,298
TOTAL EQUITY AND LIABILITIES	1,846,862	1,785,643
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.12	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 PERIOD ENDED 29 FEBRUARY 2020 (The figures are unaudited)

	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
At 1 June 2019	338,380	4,455	1,347	(2,532)	392,186	733,836	4,509	738,345
Total comprehensive income	-	-	-	(125)	35,722	35,597	264	35,861
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 29 February 2020	389,521	5,680	1,347	(2,657)	419,354	813,245	4,773	818,018



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2020 (Continued) (The figures are unaudited)

	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
(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	-	-	-	-	2,596	2,596	-	2,596
As restated	338,380	3,721	1,347	(4,283)	368,315	707,480	4,324	711,804
Total comprehensive income	-	-	-	677	46,872	47,549	189	47,738
Dividend on ordinary shares	-	-	-	-	(19,852)	(19,852)	-	(19,852)
Recognition of share option expenses	-	785	-	-	-	785	-	785
Employees share option lapsed	-	(72)	-	-	72	-	-	-
At 28 February 2019	338,380	4,434	1,347	(3,606)	395,407	735,962	4,513	740,475

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 PERIOD ENDED 29 FEBRUARY 2020 (The figures are unaudited)

	9 Months Ended 29/02/2020 RM'000	9 Months Ended 28/02/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	52,927	67,753
Adjustments for:		
Bad debts written off	26	-
Increase/(Decrease) in liability for defined benefit obligations	(13)	(80)
Depreciation of:		
- concession assets	1,904	1,872
- investment properties	671	677
- property, plant and equipment	11,237	13,749
Fair value loss on quoted investment	6,800	-
Finance costs	6,282	2,946
Gain on disposal of property, plant and equipment	(2,967)	(1,056)
Income received from short term funds	(1,374)	(1,597)
Interest income	(3,724)	(3,210)
Net unrealised (gain)/loss on foreign exchange	(329)	(857)
Property, plant and equipment written off	36	42
Share of results of joint ventures	1,604	(200)
Share option expenses	1,453	785
Operating profit before working capital changes	74,533	80,824
Changes in working capital:		
Contract assets/(liabilities)	27,358	(77,709)
Contract costs	(403)	4
Inventories - completed properties and others	19,505	(1,545)
Inventories - property development costs	13,532	11,023
Payables	(5,527)	(53,539)
Receivables	11,018	(13,359)
Cash generated from operations	140,016	(54,301)
Net income tax paid	(28,163)	(21,390)
Net Operating Cash Flows	111,853	(75,691)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(2,985)	(1,038)
- concession assets	(12,611)	(6,223)
- investment properties	(119)	-
Borrowing cost capitalised in investment property	-	(2,228)
Investment in a subsidiary	(5,085)	-
Proceeds from disposal of:		
- other investment	100	-
- property, plant and equipment	3,844	6,665
Income received from short term funds	1,374	1,597
Interest income	3,724	3,210
Net Investing Cash Flows	(11,758)	1,983



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD 29 FEBRUARY 2020 (Continued) (The figures are unaudited)

	9 Months Ended 29/02/2020 RM'000	9 Months Ended 28/02/2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	192,718	80,729
Finance costs	(6,282)	(2,946)
Proceeds from issuance of:		
- ordinary share	50,952	-
- share options exercised	145	-
Repayment of:		
- bank borrowings	(206,658)	(28,157)
- hire purchase liabilities	(8,276)	(9,138)
Fixed deposits pledged as security values	(9,067)	(10,928)
Dividend paid	(8,738)	(19,852)
Net Financing Cash Flows	4,794	9,708
Net change in cash and cash equivalents	104,889	(64,000)
Effect of exchange rate changes	317	1,061
Cash and cash equivalents at the beginning of the financial period	125,595	209,064
Cash and cash equivalents at the end of the financial period	230,801	146,125
Analysis of Cash and Cash Equivalents		
Cash and bank balances	107,160	96,975
Short term funds	98,262	35,870
Deposits with licensed banks	110,943	98,797
Bank overdrafts	(8,120)	(14,051)
	308,245	217,591
Less: Fixed deposits pledged as security values	(77,444)	(71,466)
Total	230,801	146,125

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 29 FEBRUARY 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

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
Amendments to MFRS 140	Transfer of Investment Property
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.

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 Reference to the Conceptual Framework in MFRSs		1 January 2020

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.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

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 29/02/2020	Exercisable as at 29/02/2020
		As at 30/11/2019	Granted	Exercised	Lapsed*		
0.86	16.12.2016	59,917,800	-	-	(2,415,100)	57,502,700	43,383,100
1.03	05.01.2018	13,203,600	-	-	(591,200)	12,612,400	9,459,300
		73,121,400	-	-	(3,006,300)	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 29 February 2020 was 129,254,039.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

A8. DIVIDEND PAID

At the Company’s Annual General Meeting held on 6 November 2019, the shareholders of the Company approved the first and final dividend of 1.2 sen per share in respect of the financial year ended 31 May 2019. The Company paid the dividend of RM8,736,732 on 6 December 2019.

A9. SEGMENTAL REPORTING

9 months ended 29 February 2020 (Current Financial Period)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	402,798	136,324	18,339	-	557,461
Results					
Segment results	36,566	30,863	4,458	(13,993)	57,894
Finance costs	(1,866)	(1,300)	(175)	(22)	(3,363)
Share of results of joint ventures	(1,604)	-	-	-	(1,604)
Profit /(Loss) before tax	33,096	29,563	4,283	(14,015)	52,927
Income tax expense					(16,939)
Profit for the financial period					35,988

9 months ended 28 February 2019 (Previous Financial Period)

	Construction Division RM'000	Property Division RM'000	Utility Division RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	356,180	129,616	17,193	-	502,989
Results					
Segment results	41,360	29,091	5,264	(6,556)	69,159
Finance costs	(146)	(1,194)	(266)	-	(1,606)
Share of results of joint ventures	200	-	-	-	200
Profit /(Loss) before tax	41,414	27,897	4,998	(6,556)	67,753
Income tax expense					(20,733)
Profit for the financial period					47,020

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.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

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 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 29/02/2020 RM'000
Non-interest bearing advances	12,735

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 29 FEBRUARY 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 higher revenue of RM212.14 million as compared to RM205.33 million in the corresponding quarter of the preceding year. However, the profit before tax decreased to RM16.85 million as compared to RM22.44 million in the corresponding quarter of the preceding year.

For the current year to date, revenue increased to RM557.46 million as compared to RM502.99 million in the preceding year to date. However, the profit before tax decreased to RM52.93 million as compared to RM67.75 million in the preceding year to date. This was mainly due to the following:-

- lower profit margin reported for on-going construction projects
- fair value loss on quoted investment of RM6.80 million
- expensed of borrowing cost on investment properties of RM1.65 million

Tabulated below is the unaudited various divisional contributions:-

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	3 Months Ended 29/02/2020 RM'000	3 Months Ended 28/02/2019 RM'000	Variance %	9 Months Ended 29/02/2020 RM'000	9 Months Ended 28/02/2019 RM'000	Variance %
REVENUE						
Construction Division	145,820	163,601	-11	402,798	356,180	13
Property Division	60,171	35,892	68	136,324	129,616	5
Utility Division	6,153	5,832	6	18,339	17,193	7
Investment Holding	-	-	-	-	-	-
	<u>212,144</u>	<u>205,325</u>	<u>3</u>	<u>557,461</u>	<u>502,989</u>	<u>11</u>
PROFIT/(LOSS) BEFORE TAX						
Construction Division	6,970	18,385	-62	33,096	41,414	-20
Property Division	14,423	5,091	>100	29,563	27,897	6
Utility Division	731	1,636	-55	4,283	4,998	-14
Investment Holding	(5,272)	(2,674)	97	(14,015)	(6,556)	>100
	<u>16,852</u>	<u>22,438</u>	<u>-25</u>	<u>52,927</u>	<u>67,753</u>	<u>-22</u>

Construction Division

For the current quarter, revenue decreased to RM145.82 million as compared to RM163.60 million in the corresponding quarter of the preceding year. Profit before tax decreased to RM6.97 million as compared to RM18.39 million in the corresponding quarter of the preceding year.

Revenue for current year to date increased to RM402.80 million as compared to RM356.18 million in the preceding year to date. However, profit before tax decreased to RM33.10 million as compared to RM41.41 million in the preceding year to date. This was mainly due to lower profit margin reported for on-going projects.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 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)

Property Division

For the current quarter, revenue increased to RM60.17 million as compared to RM35.89 million in the corresponding quarter of the preceding year. Profit before tax increased to RM14.42 million as compared to RM5.09 million in the corresponding quarter of the preceding year.

Revenue for the current year to date increased to RM136.32 million as compared to RM129.62 million in the preceding year to date, due to higher sales achieved in the current year. In line with this, profit before tax increased to RM29.56 million as compared to RM27.90 million in the preceding year to date.

Utility Division

For the current quarter, revenue increased to RM6.15 million as compared to RM5.83 million in the corresponding quarter of the preceding year. However, profit before tax decreased to RM0.73 million as compared to RM1.64 million in the corresponding quarter of the preceding year.

Revenue for the current year to date increased marginally to RM18.34 million as compared to RM17.19 million in the preceding year to date. Profit before tax decreased to RM4.28 million as compared to RM5.00 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 29/02/2020 RM'000	Preceding Quarter 30/11/2019 RM'000	Variance %
Revenue	212,144	197,718	7
Operating profit	19,567	17,620	11
Profit before interest and tax	17,903	16,236	10
Profit before tax	16,852	15,087	12
Profit after tax	10,085	10,949	-8
Profit attributable to equity holders of the Company	10,030	10,846	-8

The Group's revenue increased to RM212.14 million in the current quarter as compared to RM197.72 million in the preceding quarter. The Group's profit before tax increased to RM16.85 million as compared to RM15.09 million recorded in the preceding quarter, due to higher sales achieved for property development activities.



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

B3. BUSINESS PROSPECT FOR THE FINANCIAL YEAR ENDING 31 MAY 2020

The Movement Control Order (“MCO”) since 18 March 2020, and subsequent Conditional Movement Control Order (“CMCO”) had impacted the Group’s construction and property development projects with the sudden suspension of its on-going activities. Operations have since re-commenced, but under strict Standard Operating Procedures, which had disrupted operational efficiency, resulted in sub-optimal utilisation of assets and the dislocation of resources.

As a result of the MCO and CMCO, the Construction and Property Divisions have experienced delays in completing its projects on schedule. Management has been proactive in taking actions to mitigate the delays and have also implemented stringent cost control measures.

Whilst the Construction Division’s existing outstanding order book of RM887 million would be able to sustain its operations for the next two years, the award of new large infrastructure contracts has been slow. This will be a major challenge for the division.

The Property Division has total unbilled sales of RM107.8 million. Sales of its townhouse project in Putra Perdana was encouraging until the MCO was implemented. The freeze on selling activities during the MCO and CMCO, as well as the lower economic activity in the foreseeable future will have a significant impact on property sales. Management will continuously evaluate its current on-going projects and new launch initiatives in order to sustain its operations.

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.

B5. TAXATION

Taxation comprises the following:

	3 Months Ended 29/02/2020 RM'000	9 Months Ended 29/02/2020 RM'000
Income tax expense:		
Malaysian income tax	(8,604)	(19,494)
Foreign income tax	(617)	(1,850)
Deferred tax	2,454	4,405
	(6,767)	(16,939)

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.



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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED

- (a) 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").

On 3 February 2020, all the conditions precedent as stated in the SPA have been met and the SPA has become unconditional.

- (b) 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 fulfillment 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 was unable to fulfil the remaining conditions precedent as set out in the Settlement Agreement by 28 March 2020.

Effective from 13 March 2020, CCPSB was placed under judicial management for a period of six months.

Accordingly, APSB is in the midst of seeking advice from its lawyers with regards to its rights under the Joint Venture Agreement (including the supplemental thereto).

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 29 February 2020 RM'000	Balance unutilised as at 29 February 2020 RM'000	Intended timeframe for utilisation from the date of listing
Construction projects expenditure	37,069	(10,200)	26,869	Within 24 months
Repayment of bank borrowings	13,500	(13,500)	-	Completed
Expenses relating to the Private Placement	383	(383)	-	Completed
	50,952	(24,083)	26,869	



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B8. GROUP BORROWINGS

The details of the Group borrowings are as follows:

	As at 29/02/2020 RM'000	As at 31/05/2019 RM'000
(a) (i) Short Term Borrowings		
Revolving credits	99,090	72,700
Banker acceptance	3,779	-
Bank overdraft	8,120	22,903
Term loans	49,814	66,181
Hire purchase payables	4,903	6,660
	<u>165,706</u>	<u>168,444</u>
(ii) Long Term Borrowings		
Term loans	150,736	178,555
Hire purchase payables	6,997	13,266
	<u>157,733</u>	<u>191,821</u>
Total Borrowings	<u>323,439</u>	<u>360,265</u>

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

	As at 29/02/2020		As at 31/05/2019	
	Foreign Currency '000	RM Equivalent '000	Foreign Currency '000	RM Equivalent '000
US Dollar	857	3,587	1,295	5,475
Indonesian Rupiah	138,569,058	40,739	149,800,340	44,041
		<u>44,326</u>		<u>49,516</u>

Bank borrowings for the current year to date decreased to RM323.44 million as compared to RM360.27 million at the beginning of the financial year. The decrease is mainly due to repayments during the 3 months ended 29 February 2020.

B9. MATERIAL LITIGATION

As at 7 May 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.



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B10. DIVIDEND

No interim dividend has been declared for the current quarter under review.

B11. PURCHASE AND SALE OF QUOTED SECURITIES

Investment in quoted securities held by the Group as at 29 February 2020, was as follows:

	As At 29/02/2020 RM'000
Quoted investment in Malaysia at cost	18,000

The quoted investment represents 20,000,000 shares or appropriately 10% equity interest in DWL Resources Berhad. As at 29 February 2020, the market value was RM6,400,000.

B12. 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 29/02/2020	3 Months Ended 28/02/2019	9 Months Ended 29/02/2020	9 Months Ended 28/02/2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	10,030	13,302	35,722	46,872
Weighted average number of ordinary shares in issue ('000)	709,375	661,721	709,375	661,721
Basic earnings per share (sen)	1.41	2.01	5.04	7.08



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B12. 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 29/02/2020	3 Months Ended 28/02/2019	9 Months Ended 29/02/2020	9 Months Ended 28/02/2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	10,030	13,302	35,722	46,872
Weighted average number of ordinary shares in issue ('000)	709,375	661,721	709,375	661,721
Effect of dilution:				
Exercise of warrants	-	-	-	-
Employee share option	-	-	-	-
Adjusted weighted average number of ordinary shares ('000)	709,375	661,721	709,375	661,721
Diluted earnings per share (sen)	1.41	2.01	5.04	7.08

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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B13. 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 29/02/2020 RM'000	9 Months Ended 29/02/2020 RM'000
Depreciation of property, plant and equipment	2,321	9,297
Finance costs	1,121	2,919
Rental of land and premises	263	1,033
	<hr/>	<hr/>

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

	3 Months Ended 29/02/2020 RM'000	9 Months Ended 29/02/2020 RM'000
Bad debts written off	-	26
Depreciation	1,663	4,515
Fair value loss on investment in quoted shares	1,800	6,800
Finance costs	1,051	3,363
Gain on disposal of property, plant and equipment	(260)	(2,967)
Income received from short term funds	(543)	(1,374)
Interest income	(1,073)	(3,724)
Net unrealised gain on foreign exchange	129	(329)
Property, plant and equipment written off	-	36
Share option expenses	-	1,453
	<hr/>	<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.