

**WIJAYA BARU GLOBAL BERHAD (8184-W)**  
**(Incorporated in Malaysia)**

**Notes to the Interim Financial Statements**  
**For the quarter ended 30 June 2011**

**Explanatory Notes Pursuant to the Financial Reporting Standard (“FRS”) 134**

**1. Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of leasehold land and building.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010. These explanatory notes attached to the interim financial statements 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 December 2010.

**2. Changes in Accounting Policies**

The significant accounting policies and presentation adopted by the Group in this interim financial statement are consistent with those adopted in the audited financial statements for the year ended 31 December 2010 except for the following new and revised Malaysia Financial Reporting Standards (FRSs), amendments and other interpretations that are effective and applicable for financial year beginning on or after 1 January 2011.

Revised FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments : Recognition and Measurement

IC Interpretation

IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to Interpretation

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction)

The adoption of the other FRSs, IC Interpretation and Amendments to FRS do not have significant impact on the financial statements of the Group other than the additional disclosures as required by the relevant FRS.

The Group has not adopted the following FRSs, IC Interpretation and Amendments to FRSs that are effective for financial statements commencing on 1 January 2012. The directors anticipate that the Standards and Interpretations will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

FRS 124	Related Party Disclosures (revised)
IC Interpretation 15	Agreements for the Construction of Real Estate

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report of the annual financial statements of the Group for the financial year ended 31 December 2010 was not subject to any qualification.

**4. Seasonal or Cyclical Factors**

The business of the Group was not affected by any significant seasonal or cyclical factors during the quarter under review.

**5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

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

**6. Changes in Estimates**

There were no changes in the estimates that have had a material effect in the current quarter results under review.

**7. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter under review.

**8. Dividends Paid**

There was no dividend paid or declared during the current quarter ended 30 June 2011 (30 June 2010: Nil).

**9. Segmental Reporting**

Segmental information is presented in respect of the Group's business segment.

Business Activity	2nd Quarter 3 months ended				Cumulative 6 months ended			
	30/06/2011		30/06/2010		30/06/2011		30/06/2010	
	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Timber	-	(204)	12,046	319	-	(419)	24,091	464
Investment holding	-	(765)	-	(859)	-	(1,420)	-	(1,733)
Property development	-	(4)	-	-	-	(7)	-	-
Medical centre	-	-	3,275	(2,396)	-	-	6,310	(4,735)
Others	124	(66)	146	29	248	(102)	293	141
	124	(1,039)	15,467	(2,907)	248	(1,948)	30,694	(5,863)
Share of net results of an associated company	-	1,946	-	4,234	-	6,466	-	4,680
	124	907	15,467	1,327	248	4,518	30,694	(1,183)

No geographical segment information is presented as the Group operates principally in Malaysia.

**10. Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 31 December 2010.

**11. Subsequent Material Events**

There were no material events subsequent to the end of the current financial quarter under review to the date of announcement which were likely to substantially affect the results and the operations of the Group.

**12. Changes in Composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review.

**13. Changes in Contingent Liabilities and Contingent Assets**

There were no additional contingent liabilities or contingent assets since 31 December 2010 till the date of announcement of this quarterly report.

**14. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2011 are as follows:

	RM'000
Approved and contracted for:	
Automatic Instant Rice Cooking and Packaging Plant	
- Plant and equipment (USD9,799,600)*	<u>30,830</u>

\* The foreign exchange rate used as at 30 June 2011 is as follows:  
USD 1.00 : RM3.1460

**Additional Explanatory Notes in compliance with Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**15. Review of Performance**

**Revenue**

The Group recorded lower revenue of RM0.248 million for cumulative quarter ended 30 June 2011, a decrease of RM30.446 million or 99.19% as compared to the corresponding cumulative quarter ended 30 June 2010.

For the current quarter ended 30 June 2011, the Group recorded a revenue of RM0.124 million compared to RM15.467 million in the corresponding quarter ended 30 June 2010, representing a decrease of RM15.343 million.

It was mainly due to the expiry of Usama Industries Sdn. Bhd.'s timber license on 9 July 2010 and the disposal of Medical Centre on 1 November 2010, thus resulting in the substantial decrease in revenue during current and cumulative quarter ended 30 June 2011.

**Profit / (Loss) before taxation**

The Group recorded a favourable pre-tax profit of RM4.518 million for the cumulative quarter ended 30 June 2011, which represents an increase of RM5.701 million as compared to a pre-tax loss of RM1.183 million recorded in the corresponding cumulative quarter ended 30 June 2010.

It was mainly due to the higher share of profit from associated company, Wijaya Baru Sdn. Bhd. ("WBSB"). Besides that, the variance was also due to the reduction in Group losses with the disposal of its losing concern medical centre. Hence, there is positively contribution to the Group in cumulative quarter ended 30 June 2011.

For the current quarter ended 30 June 2011, the Group recorded a pre-tax profit of RM0.907 million, a decrease of RM0.420 million as compared to RM1.327 million recorded in the corresponding current quarter ended 30 June 2010.

The variation of RM0.420 million was mainly due to a slightly lower contribution from Wijaya Baru Sdn. Bhd. in current quarter ended 30 June 2011.

**16. Variation of Results against Preceding Quarter**

Group's pre-tax profit for current quarter ended 30 June 2011 was RM0.907 million as compared to Group's pre-tax profit of RM3.611 million for the preceding quarter ended 31 March 2011.

The variation of RM2.704 million was mainly due to lower contribution from WBSB in current quarter ended 30 June 2011.

**17. Current Year Prospects**

With the disposal of Medical Centre on 1 November 2010, the Group is aggressively looking for new business ventures in both locally and overseas which can contribute positively to the Group's future performance.

Meanwhile, we anticipate that our associated company will continue to contribute positively to the overall performance of the Group in the next quarter.

With the disposal of its losing concern medical centre and the positive contribution of its associate company, the prospects of the Group for the year 2011 should show some improvement.

**18. Profit Forecast and Profit Guarantee**

There is no profit forecast and profit guarantee that is applicable to the Group.

**19. Taxation**

Taxation comprises the following:

	Current Quarter (3 months ended)		Cumulative Quarter (6 months ended)	
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Current tax:				
Malaysian income tax	2	803	3	1,566
	<u>2</u>	<u>803</u>	<u>3</u>	<u>1,566</u>
Under/ (Over) provision of Malaysian income tax in prior years	-	-	-	-
	<u>2</u>	<u>803</u>	<u>3</u>	<u>1,566</u>
Deferred tax	391	(320)	778	(644)
Total income tax expense	<u>393</u>	<u>483</u>	<u>781</u>	<u>922</u>

The Group's effective tax rate is higher than the statutory tax rate mainly due to the absence of the Group's tax relief in respect of losses suffered by certain companies and certain expenses which are not deductible for tax purpose.

Included in the income tax figure for the quarter ended 30 June 2011 are the net adjustment for deferred tax charges in respect of ICULS liability component and revaluation of leasehold land.

**20. Sale of Unquoted Investments and / or Properties**

There was no sale of unquoted investments or properties during the quarter under review.

**21. Purchase or Disposal of Quoted Securities**

There was no purchase or sale of quoted securities during the quarter under review.

**22. Corporate Proposals**Status of Corporate Proposals Announced but Not CompletedMemorandum of Understanding (“MoU”) in the Socialist Republic of Vietnam

<u>Proposed Projects</u>	<u>Status</u>
a) Nhieu Loc-Thi Nghe Canal Waste water Treatment plant at District 2	No major development since last announcement.
b) Environmental hygiene project for the catchment of Son bridge, Bong bridge, Lang and Van Thanh canal at Binh Thanh District	No major development since last announcement.

**23. Group Borrowings and Debts Securities**

Group borrowings are as follows:-

	As at 30/06/2011 RM'000	As at 31/12/2010 RM'000
(a) Current borrowing – secured Hire purchase payable	-	44
(b) Non-current borrowing – secured Hire purchase payable	-	-

(c) There were no borrowings or debt securities denominated in foreign currencies.

**24. Financial Instruments****(a) Derivatives**

There were no outstanding derivatives as at 30 June 2011 except for the Company has provided various financial guarantees to suppliers for the guarantee of credit facilities granted to its former subsidiary. As at 30 June 2011, the amount of financial guarantee granted to its former subsidiary amounted to RM600,000/-.

As per Share Sale Agreement (disposal of the Medical Centre) dated 1 November 2010, the purchaser undertakes and covenants with the Company to discharge the Company as guarantor for the credit facilities within three months from the date of the Agreement. However, the purchaser is still preparing the documents to discharge the corporate guarantee. Pending the discharge, the purchaser indemnifies and keeps the Company indemnified of any claims, liabilities, damages, costs and expenses which may arise under the credit facilities.

As at today, it was not probably that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is RM Nil.

**24. Financial Instruments (cont'd)****(b) Gain / (losses) arising from fair value changes in financial liabilities**

The Group policy is to recognize the followings financial assets and liabilities at amortised cost.

The changes in accounting policies in line with the adoption of FRS139, have the effect of reducing the current quarter net profit by RM0.291 million only as stated below:

	<b>Current Quarter ended 30/06/2011 RM'000</b>
Gain arising from staff loan	9
Loss arising from other payables	(300)
Net loss from fair value adjustment	<u>(291)</u>

The above gain/(loss) were arising from the re-measurement of fair value of staff loan and other payables.

**25. Material Litigation**

Other than the cases shown below, there was no other material litigation pending as at 17 August 2011 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**(A) Usama Industries Sdn. Bhd. Cases****(1) Civil Suit No: 22-98-2006-II at the High Court of Kuching, and Appeal to the Court of Appeal by the Plaintiff, Suit No. Q-02-1307-09 Usama Industries Sdn. Bhd.(“UISB”) vs Jati Bahagia Sdn. Bhd.(“JBSB”)**

This case is about the Usama Industries Sdn. Bhd.(“UISB”) claiming against Jati Bahagia Sdn. Bhd. for the sum of RM21,814,790.48 with interest as at June 2006 for premium underpaid.(However, due to the time barred of the earlier period, the claim had been reduced to RM17,820,140.00)

This case was originally filed under Civil Suit No: 22-164-2004. The Writ of Summons was not served and had expired. The previous solicitors' firm Messrs Victor Wong & Co. had filed a new writ under Civil Suit No: 22-98-2006 and updated the claim to June 2006 for RM21,814,790.48. Judgment in default of Appearance was obtained on 10 October 2006. The Defendant had filed an Application to set aside the Judgment and the Judgment was set aside.

The Defendant's solicitors had also filed their Defence and Counter-claim for a sum of RM6,688,300.18.

The case really turns to the interpretation of the Variation Agreement no. 2, on whether the payment of the premium to be paid by the Defendant to the Plaintiff is based on the market price of Meranti as published in the International Tropical Timber Organisation (“ITTO”) journal or the sale price of the Meranti as alleged by the Defendant. The Plaintiff's solicitors contention is that the price should be based on the market price of Meranti as published by ITTO in the Asia Pacific region.



**25. Material Litigation (cont'd)****(A) Usama Industries Sdn. Bhd. Cases (cont'd)****(1) Civil Suit No: 22-98-2006-II at the High Court of Kuching, and Appeal to the Court of Appeal by the Plaintiff, Suit No. Q-02-1307-09**

Usama Industries Sdn. Bhd.(“UISB”) vs Jati Bahagia Sdn. Bhd.(“JBSB”)

As to the counterclaim of the Defendant, the Plaintiff is pleading estoppel in that all payments paid by the Defendant to the Plaintiff were based on the volume of timber calculated and tabulated by the Defendant to the Plaintiff. The case was heard on 27 and 28 April 2009 and the Court had on 15 June 2009 dismissed the Plaintiff's case. The Plaintiff had filed the Notice of Appeal on 16 June 2009. At the same time the Court had also dismissed the Defendant's counter-claim and the Defendant had also filed a Cross-Appealed on 17 August 2009.

Both parties are now waiting for the Court of Appeal to fix the date of hearing.

The outcome of the above legal case has no adverse financial impact to the Group.

**(2) Civil Suit No: 22-11-2009 at the High Court in Sabah and Sarawak at Miri (Formerly under Civil Suit No:S22-32-2007 at the High Court in Sabah and Sarawak at Sibul) Usama Industries Sdn. Bhd.(“UISB”) vs Victor L.F. Wong trading as Victor Wong & Chiew Advocates and Solicitors and Victor Wong & Chiew Advocates and Solicitors (a firm) (“Defendants”)**

Usama Industries Sdn. Bhd. filed a suit against Victor L.F. Wong trading as Victor Wong & Chiew (1<sup>st</sup> Defendant) and Victor Wong & Chiew Advocates and Solicitors (2<sup>nd</sup> Defendant) for professional negligence and claiming Special Damages in the sum of RM27,440,000.00, General Damages, interest at such and for such period as the Court shall think fit and costs. This is due to the fact that Victor L.F. Wong had failed to take active steps or sufficient actions to prosecute our claims nor serve the summons of the three cases after the same had been filed, sealed and issued by the High Court in Kuching i.e. Kuching High Court Suit No.22-164-2004-II, 22-165-2004-II and 22-166-2004-I resulting in UISB's claim for damages against Jati Bahagia Sdn. Bhd. to become statute barred by virtue of Section 2 of the Limitation Act Ordinance. Victor Wong & Chiew, as Usama's solicitors had misinformed the Company on 14 November 2007 that the Writ Of Summons together with the Statement of Claim had been served on both the 1<sup>st</sup> and 2<sup>nd</sup> Defendants when that was not so.

In the meantime, as the defence of the Defendants has yet to be filed, our solicitors had filed in a Judgment in Default of Defence. Thereafter the High Court allowed the application of the Defendants to set aside the judgement in default and ordered the defendants to file the defence within two weeks from 5 May 2010.

The Defendants had filed their defence and counter-claim. Our solicitors have to file its Reply and Defence to the counter-claim by 21 May 2010.

The hearing of the case was fixed on 7 July 2010 and later adjourned to 22 September 2010.

On a video conference held on 11 February 2011, the Court granted an adjournment and the Court would also wish to know if there is any possibility of settlement out of the court. The Chief Justice had earlier attempted to mediate for a settlement but aborted the effort.

25. **Material Litigation (cont'd)**

(A) **Usama Industries Sdn. Bhd. Cases (cont'd)**

- (2) **Civil Suit No: 22-11-2009 at the High Court in Sabah and Sarawak at Miri (Formerly under Civil Suit No:S22-32-2007 at the High Court in Sabah and Sarawak at Sibul) Usama Industries Sdn. Bhd.(“UISB”) vs Victor L.F. Wong trading as Victor Wong & Chiew Advocates and Solicitors and Victor Wong & Chiew Advocates and Solicitors (a firm) (“Defendants”) – cont’d**

The hearing of the full trial which was fixed on 15 to 18 February 2011 had been postponed. The Court has fixed the next hearing date on 22 August 2011 for three days.

After the many adjournments requested by us, the case had finally been fixed for hearing on the 7 February 2012 to 10 February 2012.

The outcome of the above legal case has no adverse financial impact to the Group.

- (3) **Civil Suit No: 22-42-2009 at the High Court in Sabah and Sarawak at Sibul Usama Industries Sdn. Bhd.(“UISB”) vs Jati Bahagia Sdn. Bhd.(“JBSB”)**

UISB filed a Writ of Summons and Statement of Claim ("Writs") on 17 August 2009 which has been served on the advocates of Jati Bahagia Sdn Bhd on 2 September 2009.

This suit arose due to the breach of the Deed of Variation No. 2 dated 15 October 1998 by the Defendant. Despite repeated protests and demands, the Defendant refused to pay the Plaintiff premium for the logs purchased based on market price of Meranti timber of standard quality and above but continued to pay the Plaintiff premium based on the arbitrary price set up by the Defendant on Meranti timber which has no reference to the market price of Meranti in open market at all.

The Plaintiff claims against the Defendant for:-

1. The sum of RM15,570,644.00 being the amount of underpaid premium due and owing from the sale of logs under the Deed of Variation No. 2 from August 2006 to July 2009.
2. Interest at the rate of 8% per annum from the date of the Writs until Judgment and thereafter interests at the rate of 8% per annum from the date of the Judgment until full payment.
3. Such further and other relief as the Court deems fit and proper.
4. Costs.

Summons had been served and the case came up for case management on 19 April 2010. The case was originally fixed for hearing on 27 September 2010 and our lawyer had applied for an adjournment.

The case came up former mention on 22 November 2010 and during which time the court ordered the party to come out with agreed facts and issues.

The court adjourned the case until the hearing and the disposal of the Appeal in Case 1 above (Civil Suit No:22-98-2006-II and Civil Appeal No: Q-02-1307-09).

The outcome of the above legal case has no adverse financial impact to the Group.

**25. Material Litigation (cont'd)**

**(A) Usama Industries Sdn. Bhd. Cases (cont'd)**

**(4) Suit No: KCH-22-240-2010-III at the High Court in Sabah and Sarawak at Kuching. - Government of Malaysia vs Usama Industries Sdn. Bhd. ("UISB")**

On 10 January 2011, Usama Industries Sdn. Bhd. ("UISB"), a wholly-owned subsidiary of Wijaya Baru Global Bhd. had received a writ of summons dated 30 November 2010 and statement of claim dated 29 November 2010, which was filed by The Government of Malaysia (Lembaga Hasil Dalam Negeri Malaysia).

The Plaintiff claims against UISB to recover tax payable for the Year of Assessment 2003 for an amount of RM 5,314,772.91 (inclusive penalties).

The case has been fixed for Mention on 31 March 2011 and UISB is required to file the Defence on that date.

The case has been fixed for further Mention on 25 May 2011 and UISB is required to file its Defence on that date.

On 25 May 2011, as parties are engaged in negotiation for settlement, the court has adjourned this case for further Mention to 24 August 2011.

UISB does not expect any loss to arise from the legal suit. However, the expected losses, if any, are legal costs and fees arising from handling the legal suit.

The legal suit is not expected to have any materials financial and operational impact on UISB as the group has adequate resources to meet the commitment of the alleged claim.

**(5) Civil Suit No. SB-22-17 of 2011 at the High Court in Sabah and Sarawak at Sibiu - Usama Industries Sdn Bhd vs Jati Bahagia Sdn. Bhd.**

Usama Industries Sdn Bhd ("UISB"), a wholly-owned subsidiary of the Company had filed a Writ of Summons and Statement of Claim both dated 9 May 2011 against Jati Bahagia Sdn Bhd ("JBSB") which were duly served on JBSB's solicitors on 23 May 2011.

The suit arose due to the breach of the Deed of Variation No.2 dated 15 October 1998 by JBSB. Despite repeated protests and demands, JBSB refused to pay UISB premium for the logs felled, extracted and purchased based on market price of Meranti timber of SQ grade and above but continued to pay UISB premium based on the arbitrary price set up by JBSB on Meranti timber based on the individual private sale or by private treaties between the two private individuals.

UISB claims against JBSB for:-

1. The sum of RM4,322,627.13 being the amount of underpaid premium due and owing from the sale of logs under the Deed of Variation No.2 from August 2009 to June 2010.
2. Interest at the rate of 8% per annum from the date of the Writs until Judgement and thereafter interests at the rate 8% per annum from the date of the Judgement until full payment.
3. Such further and other relief as the Court deems fit and proper.
4. Costs.

**25. Material Litigation (cont'd)**

(5) **Civil Suit No. SB-22-17 of 2011 at the High Court in Sabah and Sarawak at Sibul - Usama Industries Sdn Bhd vs Jati Bahagia Sdn. Bhd. (cont'd)**

Parties are now dealing with the interlocutory matters like discovery etc.

In our solicitor's opinion that the outcome of this case will largely depend on the result of the Appeal in case 1 above (Civil Appeal No.: Q-02-1307-09).

No date of hearing has been fixed.

The outcome of the above legal case has no adverse financial impact to the Group.

(B) **Guangxia Chongqiang No. 1 Construction (Group) Co., Ltd ("GCCG") vs Chongqing Liangshan Wijaya Food Limited ("CLWFL")**

On April 2010, GCCG (hereinafter referred as Accuser) instituted a case of requiring the payment for the additional construction sum of Rmb3,340,119/- (out of original contract sum of Rmb6,968,793/-) and refund of the bid security of Rmb200,000/- and the liquidated damages of overdue payment at the Chongqing Second Intermediate People's Court ("the Court"). Meanwhile, the accuser applied to the Court for the preservative measures. The accuser provided a Letter of Guarantee of Rmb3,900,000/- as collateral offered by Chongqing Chengquan Credit Guarantee Company to the Court.

The Court had frozen the bank accounts of CLWFL in Agricultural Bank of China, Yuzhong District Branch (Account No.: 31010101040007043), and the account in Industrial Bank, Chongqing Branch Service Hall (Account No.: 346011400100035621 and 346010100211902).

On July 2010, the Court held a hearing for the case. The Court had given time to both parties to agree on a settlement.

On August 2010, both parties confirmed the single settlement of the construction cost (original contract sum plus additional construction cost) of Rmb8,274,805/- (after deducting the fine and remitting the utility bills) with the exception of the dispute in material and installation expenses.

On October 2010, presided by the Court, both parties selected Chongqing Tongcheng Tianxing Engineering Cost Consultation Co. ("valuer"), Ltd as the evaluation agency for evaluating the material and the unfinished part of the installation construction cost.

On February 2011, the valuer drew a conclusion that the engineering material difference was Rmb340,000/- and the unfinished part of the installation construction cost was Rmb35,957/-.

The Court had not fixed a date for second hearing.

The directors of the CLWFL and CLWFL's solicitors are of the view that based on the numerous evidences available so far, there is a good case against the Accuser.

In the mean time, CLWFL is coordinating with the Court to remove the freezing of the bank accounts to resume normal operating activities.

**25. Material Litigation (cont'd)**

**(C) Civil Suit No. 22-1581-2010 at the High Court in Shah Alam at Selangor - Taliworks Corporation Berhad vs Wijaya Baru Sdn. Bhd.**

On 11 January 2011, Wijaya Baru Sdn Bhd (“WBSB”), had been served with a writ of summons and statement of claim dated 14 December 2010, filed by Taliworks Corporation Berhad (“Plaintiff”) in the High Court of Shah Alam.

The Plaintiff claims against WBSB for alleged breach of the contract awarded by WBSB to the Plaintiff in relation to the “Construction of Subang South Pond For Cadangan Tebatan Banjir Lembah Kelang Dan Penyelenggaraan Untuk Sungai Kelang, Sg. Damansara, Sg. Kayu Ara, Sg. Penchala, Sg. Bahol, Main Drain Shah Alam Serta Lain-Lain Cabang Berkaitan – Pakej Sg. Damansara” (“the Works”). The amount claimed for under the suit and other relief are as follows:

- i) A Declaration that the time for completion of the Works has been set at large and the reasonable time to complete the Works is on 21 April 2009 and 8 May 2009 for the right and left Pond respectively or such other date as the court deems fit;
- ii) A Declaration that the time for WBSB to evaluate and pay the Plaintiff on each of its claims is 45 days from the date of submission of its claims or such other time period as the court deems fit;
- iii) An order for payment of the sum of RM13,811,903/- under the final account or such other sum as the court deems fit;
- iv) Further and/or in the alternative to prayer (iii) above, and award for damages for breach of contract to be assessed;
- iv) Interests;
- v) Costs;
- vi) Such further and/or other relief as the court deems fit and proper.

The claim of the Plaintiff arose from an alleged breach of terms and conditions of the letter of award pertaining to the Works on non-payment of monies allegedly due and owing to the Plaintiff.

The WBSB has appointed its solicitors to address the legal suit and file the necessary defence. On 15 March 2011, WBSB had served a Defence and Counterclaim on the Plaintiff. In the Counterclaim, WBSB claims that the Plaintiff failed to complete and carry out the Works in a satisfactory manner.

**25. Material Litigation (cont'd)****(C) Civil Suit No. 22-1581-2010 at the High Court in Shah Alam at Selangor - Taliworks Corporation Berhad vs Wijaya Baru Sdn. Bhd (Cont'd)**

On 01 June 2011, WBSB had entered into a settlement agreement with the Plaintiff to settle and compromise all disputes and claims in relation to the abovementioned civil suit as well as the contract for the Works ("Settlement Agreement"), whereby WBSB has agreed to pay the Plaintiff a sum of Ringgit Malaysia Six Million (RM6,000,000.00) ("Settlement Sum") as full and final settlement of all disputes and claims or other matters howsoever arising from and in relation to the legal suit as well as the Contract based on the terms of the Settlement Agreement contained therein. The Parties have further agreed that the Settlement Agreement and any payments made thereunder are made with no admission of liability by either party and upon the full payment of the Settlement Sum, neither party shall have any further claim against the other save and except for any claim for breach of the Settlement Agreement.

The Settlement Agreement was duly stamped on 29 June 2011.

Therefore, this Civil Suit will be withdrawn after full payment.

The legal suit is not expected to have any material financial and operational impact WBSB as the company has adequate resources to meet the commitment of the alleged claim.

**26. Dividend Payable**

No interim ordinary dividend has been declared for the financial period ended 30 June 2011 (30 June 2010: Nil).

**27. Earnings / (Loss) Per Share****(a) Basic Earning / (Loss) Per Share**

The basic earnings / (loss) per share for the current quarter and cumulative quarter ended 30 June 2011 are calculated by dividing the Group's net earnings /(loss) attributable to ordinary equity holders of the owners by the weighted average number of ordinary shares on issue during the current quarter and cumulative quarter ended 30 June 2011.

	<b>Current Quarter (3 months ended)</b>		<b>Cumulative Quarter (6 months ended)</b>	
	<b>30/06/2011</b>	<b>30/06/2010</b>	<b>30/06/2011</b>	<b>30/06/2010</b>
Net earnings / (loss) attributable to ordinary equity holders of the owners (RM'000)	514	844	3,737	(2,105)
Weighted average number of ordinary shares on issue ('000)	276,371	276,327	276,371	276,299
Basic earnings / (loss) per share (sen)	<u>0.19</u>	<u>0.31</u>	<u>1.35</u>	<u>(0.76)</u>

**27. Earnings / (Loss) Per Share**

## (b) Diluted Earnings / (Loss) Per Share

For the purpose of calculating diluted earnings / (loss) per share, the net earnings / (loss) for the current quarter and cumulative quarter ended 30 June 2011 attributable to ordinary equity holders of the owners and the weighted average number of ordinary shares on issue during the current quarter and cumulative quarter ended 30 June 2011 have been adjusted for the dilutive effects of all potential ordinary shares, i.e. ICULS and Warrants during the current quarter and cumulative quarter ended 30 June 2011.

	Current Quarter (3 months ended)		Cumulative Quarter (6 months ended)	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
Net earnings / (loss) attributable to ordinary equity holders of the owners (RM'000)	514	844	3,737	(2,105)
After tax effect of interest on ICULS (RM'000)	-	-	470	-
	<u>514</u>	<u>844</u>	<u>4,207</u>	<u>(2,105)</u>
Weighted average number of ordinary shares on issue ('000)	276,371	276,327	276,371	276,299
Effect of dilution: ICULS ('000)	-	-	86,386	-
Adjusted weighted average number of ordinary shares on issue and issuable ('000)	<u>276,371</u>	<u>276,327</u>	<u>362,757</u>	<u>276,299</u>
Basic earnings / (loss) per share (sen)	<u>0.19</u>	<u>0.31</u>	<u>1.16</u>	<u>(0.76)</u>

The effects on basic earning per share for current quarter ended 30 June 2011 arising from the assumed conversion of ICULS and Warrants are anti-dilutive.

**28. Realised and Unrealised Retained Earnings / (Accumulated Loss)**

	<b>As at 30/6/2011</b>	<b>As at 31/12/2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings/(Accumulated loss) of Company and its subsidiaries:		
- Realised profit / (loss)	(139,148)	(136,986)
- Unrealised profit / (loss)	2,010	2,577
Total shares of retained earnings/(Accumulated loss) from associated company :		
- Realised profit / (loss)	44,434	37,968
- Unrealised profit / (loss)	(6,702)	( 6,702)
Total Group Accumulated Loss	<u>(99,406)</u>	<u>(103,143)</u>

**29. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2011.