

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Financial Quarter Ended 31 January 2008

Notes To The Financial Statements

1. Basis of Preparation

- a) The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting.
- b) The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 July 2007.
- c) The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the preparation of the financial statements for the year ended 31 July 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) which are effective for the financial year beginning 1 August 2007 :

FRS 117 Leases
FRS 124 Related Party Disclosures
FRS 107 Cash Flow Statements
FRS 111 Construction Contracts
FRS 112 Income Taxes
FRS 118 Revenue
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the FRS 124, 107, 111, 112, 118, 120, 134 and 137, do not have any significant financial impact on the results of the Group.

The principal effect of the changes in accounting policies resulting from the adoption of FRS 117, is as follows:

(i) FRS 117 : Leases

Prior to 1 August 2007, leasehold land held for own use was disclosed as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss.

With the revised FRS 117, the unamortised carrying amounts of leasehold land are now classified as prepaid lease payment and amortised over the period of its remaining lease term. The reclassification of leasehold land as prepaid lease payment has been accounted for retrospectively and the comparatives in the balance sheet have been restated.

	<u>As previously reported</u> RM'000	<u>Reclassification FRS 117</u> RM'000	<u>As restated</u> RM'000
Balance Sheet			
<u>As at 31 July 2007</u>			
Property , plant and equipment	301,879	(7,727)	294,152
Prepaid lease payment	-	7,727	7,727

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2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the year ended 31 July 2007 was not subject to any qualification.

3. Seasonal or Cyclical Factors

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

4. Unusual Items

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

5. Changes in Estimates

There are no changes in estimates of amounts reported previously that have any material effect in the current quarter under review.

6. Changes in Debt and Equity Securities

There were no cancellations, repurchases, resale and repayment of debts and equity securities during the financial period, except for the following:

- a) The issuance of 14,005,000 and 10,858,000 new ordinary shares of RM1 each, pursuant to the exercise of the Employees' Share Option Scheme and the conversion of warrants respectively. The Warrants 2001/2007 had expired on 21 August 2007.
- b) The Company has increased its issued and paid-up share capital by way of a Bonus Issue of 994,963,054 new ordinary shares of RM1 on the basis of one (1) new ordinary share of RM1 each in Gamuda Berhad ("Bonus Shares") for every one (1) existing ordinary share of RM1 in Gamuda share held on the entitlement date of 25 October 2007. The Bonus Issue has been effected by capitalising the Company's share premium.
- c) Redeemable Unsecured Bonds of RM400 million was fully repaid on 28 September 2007 by utilising internal generated funds.

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7. Segmental Reporting

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

	Engineering and Construction	Property Development	Water related and Expressway Concessions	Inter- segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
6 months period ended 31 January 2008					
Revenue					
External	694,244	212,193	52,426	-	958,863
Inter segment	16,539	-	-	(16,539)	-
	<u>710,783</u>	<u>212,193</u>	<u>52,426</u>	<u>(16,539)</u>	<u>958,863</u>
Segment results					
Profit from operations	70,579	57,418	26,589	-	154,586
Finance costs	(1,269)	(1,068)	(4,620)	-	(6,957)
Share of results of associated companies	-	10,812	61,473	-	72,285
Profit before tax	<u>69,310</u>	<u>67,162</u>	<u>83,442</u>	<u>-</u>	<u>219,914</u>
<i>Percentage of segment results</i>	<i>32%</i>	<i>31%</i>	<i>38%</i>		
Income tax expense					(35,728)
Profit for the period					<u>184,186</u>
Attributable to:-					
Equity holders of the Company					178,170
Minority interests					<u>6,016</u>
					<u>184,186</u>

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8. Dividends Paid

	6 months ended 31 January	
	2008	2007
	RM'000	RM'000
For the year ending 31 July 2008: First interim dividend of 12.50 sen less 26% taxation (2007 : Final dividend of 9.0 sen less 27% taxation)	184,848	54,439

9. Valuation of Property, Plant and Equipment

The valuation of land and buildings has been brought forward without amendment from the previous audited financial statements.

10. Material Events Subsequent to Balance Sheet Date

There are no material events subsequent to the end of the quarter under review.

11. Changes in Composition of the Group

The changes of the Group for the current period ended 31 January 2008 are as follows:

- 1) On 26 September 2007, Gamuda-NamLong Development Limited Liability (“Gamuda-NamLong”), a 70% subsidiary of Gamuda, in the Socialist Republic of Vietnam was incorporated. The remaining 30% of the issued and paid up capital of Gamuda-NamLong is held by Nam Long Investment Corporation.

The principal activity of Gamuda-NamLong is that of development and sale of villas and houses in Ho Chi Minh City.

- 2) On 17 January 2008, Jade Homes Sdn Bhd, a wholly-owned subsidiary of Gamuda, has acquired the entire issued and paid up share capital of Jade Homes Resort Berhad (“JHRB”- formerly known as Parkland Greenery Sdn Bhd) comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00.

JHRB is presently dormant and is intended to be a proprietor and operator of a recreational clubhouse serving the Jade Hills housing development located in Kajang, Selangor Darul Ehsan.

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12. Changes in Contingent Liabilities or Contingent Assets

	<u>31 Jan 2008</u> RM'000	<u>31 July 2007</u> RM'000
Performance and retention sum guarantees	894,307	516,477

The contingent liabilities mainly relate to advance payment guarantees and performance bonds for the construction projects undertaken by the Group.

13. Review of Performance

For the current quarter under review, the Group recorded revenue and profit before tax of RM485.4 million and RM113.4 million respectively as compared to RM331.2 million and RM60.1 million respectively in the corresponding preceding quarter. For the current year to date, the Group recorded revenue and profit before tax of RM958.9 million and RM219.9 million respectively as compared to RM697.0 million and RM123.3 million respectively in the corresponding preceding period. The increase in profit before tax in the current quarter and current year to date is due to higher contributions from all divisions.

14. Comparison with Immediate Preceding Quarter's Results

For the current quarter under review, the Group recorded profit before tax of RM113.4 million as compared to RM106.5 million in the immediate preceding quarter. The higher profit before tax is mainly due to higher contributions from the construction division.

15. Current Year Prospects

Electrified Double Tracking Project

The construction works on the Electrified Double Tracking Project from Ipoh to Padang Besar is progressing on schedule. The authorities have handed over to the project company approximately 139km of land for the execution of the project. This represents 42% of the total length of 329km. To-date, contract works and services of approximately RM5 billion have been awarded to various subcontractors and suppliers.

Nam Theun 1 Project

The Group is currently working towards finalisation of the Concession Agreement and Power Purchase Agreement for the Nam Theun 1 project. These agreements can only be concluded after the Government of Lao People's Democratic Republic ("Lao Government") has resolved the cost-sharing issue in relation to the Ban Nabong Substation ("BNSS"). The Lao Government is currently finalising the engineering and financing details for the construction of BNSS with Electricity Generating Authority of Thailand ("EGAT") and Asian Development Bank respectively. BNSS provides the vital transmission linkup between the Thailand power grid and three power projects in Laos including Nam Theun 1. The Lao Government and the three power project promoters have agreed to engage a consultant to review and report on the impact of the delay in the construction of BNSS on the respective projects' cost and commercial operational dates. The consultant's report will form the basis for the promoters to seek an increase in tariff from EGAT. Except for the one year extension of Nam Theun 1's commercial operational date, the prospect of this project remains unchanged.

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Construction works shall commence upon signing of the Concession Agreement and Power Purchase Agreement which is expected to be concluded by the end of 2008.

Yen So Park Project

Construction works on the Yen So Park project has commenced and is progressing on schedule. The division intends to launch its maiden products in the next financial year while the financing for the project of approximately USD400 million is currently being finalised.

With the ongoing construction and property projects together with the strong contribution from the Water related and Expressway Concessions divisions, the Group's performance for this financial year is expected to be better than the previous financial year.

16. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

17. Tax Expense

The taxation is derived as below:

	3 months ended		6 months ended	
	31 January		31 January	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax	19,655	8,915	35,728	19,985

The Group's effective tax rate (excluding the results of associates which is equity accounted net of tax) for the current period is lower than the statutory tax rate mainly due to lower tax bracket from certain foreign companies.

18. Profits/(Losses) on Sale of Unquoted Investments/Properties

There is no sale of investments/properties for the current financial period under review.

19. Quoted Investments

There were no transactions on quoted investments in the current financial period under review.

20. Status of Corporate Proposal Announced

There is no corporate proposal announced but not completed at a date not earlier than 7 days from the issue of this report.

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21. Group Borrowings and Debt Securities

The details of the Group's borrowings as at end of current quarter are as follows:

	Foreign Currency '000	At 31 Jan 08 RM Equivalent '000
<u>Short Term Borrowings</u>		
Revolving Credit Facility (Unsecured)		
- denominated in US Dollar ("USD")	92,875	326,857
- denominated in Ringgit Malaysia ("RM")		150,000
Commercial Papers (Horizon Hills)		35,000
		<u>511,857</u>
<u>Long Term Borrowings</u>		
Medium Term Notes (Bandar Botanic)		300,000
Medium Term Notes (Horizon Hills)		45,000
Medium Term Notes (Gamuda Berhad)		180,000
Term Loan (Smart Project)*		161,500
		<u>686,500</u>
Total		<u>1,198,357</u>

* Note:

The term loan for Smart Project was obtained by a jointly controlled entity, Syarikat Mengurus Air Banjir & Terowong Sdn Bhd in relation to the motorway development of the Stormwater Channel and Motorway Works. The term loan is secured on the Smart Project and is on a non-recourse basis to Gamuda Group. The term loan is consolidated into Gamuda Group's borrowings as a result of the Group's adoption of the revised FRS 131-Interests in Joint Ventures whereby the interest in the jointly controlled entity is proportionately consolidated.

22. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments at a date not earlier than 7 days from the date of issue of this report.

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23. Material Litigation

By a notice dated 23 January 2006, MMC-Gamuda JV (“Joint Venture”) terminated Wayss & Freytag (Malaysia) Sdn Bhd (“W&F”) as the sub-contractor for the North Tunnel of the Smart Tunnel Project. Following the termination, the Joint Venture demanded full payment of RM16,580,982 (“Guaranteed Sum”) on the guarantee given by W&F as the performance bond (“Performance Bond”).

On 26 January 2006, Gamuda Berhad (“Gamuda”) was served with an Ex-parte Interim Injunction Order (“Interim Order”) by the solicitors of W&F obtained pursuant to Kuala Lumpur High Court Civil Suit No. D-22-93-06 (“Civil Suit”). The Interim Order restrained Gamuda and MMC Engineering Berhad (“MMC Engineering”) whether jointly or severally from receiving monies under the Performance Bond issued by BNP Paribas Bank (“Bank”) until the disposal of the Civil Suit or further order from the Court. Alternatively, it required Gamuda and MMC Engineering whether jointly or severally within twelve days of receipt of the Interim Order to pay back to the Bank any monies which they received under the Performance Bond.

Under the Civil Suit W&F sought to obtain against the Joint Venture, *inter-alia* an injunction restraining the Joint Venture from receiving monies under the Performance Bond and for damages.

In response to the Interim Order, the Joint Venture on the same date made an application to the High Court to set it aside. The High Court on 6 February 2006 ordered that the Interim Order be stayed pending the full and final disposal of W&F’s claim and pending the said disposal, the Guaranteed Sum be placed with the Joint Venture’s solicitors as stakeholder. On 26 January 2007, the Interim Order was dismissed and discharged by the High Court. With the dismissal and discharge, the stakeholder released the Guaranteed Sum to the Joint Venture and the Joint Venture is now at liberty to utilise the said proceeds. On 6 February 2007, W&F filed an appeal against the dismissal.

Pending the case management of the Civil Suit, W&F filed an application under Order 14A, Rules of High Court 1980 for determination on a point of law or construction of the sub-contract. The application was dismissed with costs on 13 December 2007. The case management of the Civil Suit is now fixed for 26 May 2008.

Other than the above litigation, there is no other material litigation since the last annual balance sheet date to a date not earlier than 7 days from the date of issue of this report.

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24. Earnings Per Share

	Current Quarter 31 January 2007	Current Year To Date 31 January 2007
Basic		
Net profit attributable to shareholders (RM'000)	90,107	178,170
Number of ordinary shares in issue as at 1 August 2007 ('000)	981,528	981,528
Effect of shares issued during the period ('000)	19,423	15,695
Effect of bonus issue shares during the period ('000)	994,963	994,963
Weighted average number of ordinary shares in issue ('000)	1,995,914	1,992,186
Basic earnings per ordinary share (sen)	4.51	8.94
Diluted		
Net profit attributable to shareholders (RM'000)	90,107	178,170
Weighted average number of ordinary shares in issue ('000)	1,995,914	1,992,186
- Assumed shares issued from exercise of ESOS ('000)	20,442	17,059
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,016,356	2,009,245
Fully diluted earnings per ordinary share (sen)	4.47	8.87