

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

### Notes To The Financial Statements

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#### 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
<b>Balance Sheet</b>			
<b><u>As at 31 July 2007</u></b>			
<b>Property , plant and equipment</b>	301,879	(7,727)	294,152
<b>Prepaid lease payment</b>	-	7,727	7,727

# **Gamuda Berhad (29579-T)**

## **Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008**

### **Notes To The Financial Statements**

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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 16,246,000 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.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

### Notes To The Financial Statements

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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
<b>9 months period ended 30 April 2008</b>					
<b>Revenue</b>					
External	1,130,066	311,568	79,509	-	1,521,143
Inter segment	44,666	-	-	(44,666)	-
	<u>1,174,732</u>	<u>311,568</u>	<u>79,509</u>	<u>(44,666)</u>	<u>1,521,143</u>
<b>Segment results</b>					
Profit from operations	110,252	83,603	40,504	-	234,359
Finance costs	(6,911)	(1,602)	(7,406)	-	(15,919)
Share of results of associated companies	-	23,891	92,283	-	116,174
Profit before tax	<u>103,341</u>	<u>105,892</u>	<u>125,381</u>	<u>-</u>	<u>334,614</u>
<i>Percentage of segment results</i>	<i>31%</i>	<i>32%</i>	<i>37%</i>		
Income tax expense					(70,662)
Profit for the period					<u>263,952</u>
Attributable to:-					
Equity holders of the Company					254,875
Minority interests					<u>9,077</u>
					<u>263,952</u>

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

### Notes To The Financial Statements

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#### 8. Dividend

- a) The Board of Directors declared a second interim dividend in respect of financial year ending 31 July 2008 as follows:
- i) A second interim dividend of 12.50 sen per ordinary share less 26% taxation;
  - ii) A second interim dividend of 11.50 sen\* per ordinary share less 27% was declared in previous corresponding period;
  - iii) Expected date of dividend payment is 31 July 2008;
  - iv) In respect of deposited securities, entitlement to dividends to be determined on the basis of the record of depositors as at book closure date to be determined later.
- b) The total dividend per share for the current financial year is 25.00 sen less 26% taxation. For the preceding year's corresponding period, a total dividend per share of 23.00 sen\* less 27% taxation was declared.

\*Comparative dividend per share has been adjusted for the bonus issue exercise on the basis of one (1) new ordinary share for every one (1) existing share held.

#### 9. Dividends Paid

	9 months ended 30 April	
	2008	2007
	RM'000	RM'000
<u>First Interim dividend</u> For the year ending 31 July 2008: 12.50 sen less 26% taxation.	184,848	-
<u>Interim Dividend</u> For the year ended 31 July 2007: 23% less 27% taxation	-	158,850
<u>Final Dividend</u> For the year ended 31 July 2006: 9% less 27% taxation	-	54,439

#### 10. Valuation of Property, Plant and Equipment

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

#### 11. Material Events Subsequent to Balance Sheet Date

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

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

### Notes To The Financial Statements

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

The changes of the Group for the current period ended 30 April 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.

#### 13. Changes in Contingent Liabilities or Contingent Assets

	<u>30 April 2008</u> RM'000	<u>31 July 2007</u> RM'000
Performance and retention sum guarantees	954,185	516,477

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

#### 14. Review of Performance

For the current quarter under review, the Group recorded revenue and profit before tax of RM562.3 million and RM114.7 million respectively as compared to RM297.3 million and RM68.3 million respectively in the corresponding preceding quarter. For the current year to date, the Group recorded revenue and profit before tax of RM1,521.1 million and RM334.6 million respectively as compared to RM994.3 million and RM191.6 million respectively in the corresponding preceding period. The increase in revenue and profit before tax in the current quarter and current year to date is due to higher contributions from all divisions.

#### 15. Comparison with Immediate Preceding Quarter's Results

For the current quarter under review, the Group recorded profit before tax of RM114.7 million as compared to RM113.4 million in the immediate preceding quarter. The higher profit before tax is mainly due to higher contributions from the Property division and the Water related and Expressway Concessions division.

## **Gamuda Berhad (29579-T)**

### **Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008**

#### **Notes To The Financial Statements**

---

#### **16. 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. Major earthworks and civil works have commenced. On land acquisition matters, the authorities have handed over to the project company approximately 50% of the total land required. The project is facing cost pressure arising from the higher material prices following the abolishment of the ceiling prices for steel and cement together with the fuel subsidy reform undertaken by the Malaysian Government recently. To-date, the project company has awarded about 75% of the contract works and services to various subcontractors and suppliers.

##### Nam Theun 1 Project

On 18 December 2006, the project company signed a Memorandum of Understanding (“Tariff MOU”) with Electricity Generating Authority of Thailand (“EGAT”) to establish and record the parties’ agreement on the key commercial terms under which a Power Purchase Agreement (“PPA”) would be finalised for the future purchase of hydroelectric power to be generated by Nam Theun 1 project. The PPA can only be concluded after the Government of Lao People’s Democratic Republic has resolved the cost sharing issue in relation to the construction of the Ban Nabong Substation (“BNSS”). BNSS provides the vital transmission linkup between the Thailand power grid and three power projects in Laos including Nam Theun 1. However, the Tariff MOU has since lapsed in mid June 2008 due to the delay in the construction of BNSS. Hence, the project company is in the midst of negotiating a new tariff with EGAT which will take into account the increase in construction cost as a result of the higher material prices worldwide. The new tariff is expected to be finalised by end of 2008.

##### Yen So Park Project

The project comprises of the design, financing and construction of the Yen So Park Development (“Park Development”), the Sewage Treatment Plant (“STP”) and the development of a commercial and residential parcels within the Hanoi city zone (“Property Development”) encompassing an area of approximately 500 acres. Construction works for the Park Development has commenced with the handover of its land. The project company is currently calling for tender to construct the works for the STP and construction is expected to commence by July 2008. The Vietnam economy is currently overheating with severe inflation and budget deficit. The government is taking drastic steps to cool down the economy and stabilize the Vietnamese Dong. Despite the unstable environment presently, the Group is confident of the long term growth of the Vietnamese economy and the long term viability of the project remains unaffected.

##### Overall Prospects

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

#### **17. Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

## **Gamuda Berhad (29579-T)**

### **Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008**

#### **Notes To The Financial Statements**

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#### **18. Tax Expense**

The taxation is derived as below:

	<b>3 months ended 30 April</b>		<b>9 months ended 30 April</b>	
	<b>2008 RM'000</b>	<b>2007 RM'000</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Malaysia income tax	34,934	16,982	70,662	36,967

The Group's effective tax rate (excluding the results of associates which is equity accounted net of tax) for the current period is higher than the statutory tax rate primarily due to certain expenses not being deductible for tax purposes.

#### **19. Profits/(Losses) on Sale of Unquoted Investments/Properties**

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

#### **20. Quoted Investments**

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

#### **21. 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.

## Gamuda Berhad (29579-T)

### Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

#### Notes To The Financial Statements

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#### 22. Group Borrowings and Debt Securities

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

	Note	Foreign Currency '000	At 30 Apr 08 RM Equivalent '000
<u>Short Term Borrowings</u>			
Revolving Credits:			
- denominated in US Dollar ("USD")		110,875	381,661
- denominated in Ringgit Malaysia ("RM")	1		206,041
Commercial Papers (Horizon Hills)			35,000
			<u>622,702</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)	2		161,500
			<u>686,500</u>
Total			<u>1,309,202</u>

Note:

1. The revolving credit for Electrified Double Tracking Project which was obtained by a jointly controlled entity, MMC-Gamuda Joint Venture Sdn. Bhd. in relation to design, construction, testing, commissioning and maintenance of the electrified double track between Ipoh and Padang Besar. The revolving credit is secured on the project and is on a non-recourse basis to Gamuda Group.
2. 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 revolving credit and term loan are 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.



# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

### Notes To The Financial Statements

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#### 23. Off Balance Sheet Financial Instruments

The Group has entered into forward foreign currency contracts to limit its exposure to potential changes in foreign exchange rates with respect to estimated receipts and payments denominated in foreign currency.

The details of the outstanding forward foreign currency contracts are as follows:

	Contract amount	Maturity period
Forwards used to hedge receivables in USD	USD 71.02 mil	June 2008 – Mar 2010
Forwards used to hedge payables in Vietnamese Dong	USD 10.27 mil	Oct 2008 – Mar 2009

Any exchange gains and losses relating to the anticipated transactions are recognised in the income statement in the same period the forward contracts are settled.

There is minimal credit and market risk as the contracts are entered with a reputable bank.

#### 24. 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.

The Civil Suit is now fixed for trial on 17 May 2010 and 18 May 2010.

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.

## Gamuda Berhad (29579-T)

### Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 2008

#### Notes To The Financial Statements

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#### 25. Earnings Per Share

	<b>Current Quarter 30 April 2008</b>	<b>Current Year To Date 30 April 2008</b>
<b>Basic</b>		
Net profit attributable to shareholders (RM'000)	76,705	254,875
Number of ordinary shares in issue as at 1 August 2007 ('000)	981,528	981,528
Effect of shares issued during the period ('000)	26,727	19,372
Effect of bonus issue shares during the period ('000)	994,963	994,963
Weighted average number of ordinary shares in issue ('000)	2,003,218	1,995,863
Basic earnings per ordinary share (sen)	3.83	12.77
<b>Diluted</b>		
Net profit attributable to shareholders (RM'000)	76,705	254,875
Weighted average number of ordinary shares in issue ('000)	2,003,218	1,995,863
- Assumed shares issued from exercise of ESOS ('000)	12,214	14,721
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,015,432	2,010,584
Fully diluted earnings per ordinary share (sen)	3.81	12.68