

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Financial Quarter Ended 31 January 2010

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 financial year ended 31 July 2009.
- 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 2009 except for the adoption of FRS 8 – Operating Segments which became effective for financial periods beginning on and after 1 July 2009. The adoption of FRS 8 does not have any financial impact on the Group.

2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the year ended 31 July 2009 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 of equity securities during the financial year, except for the issuance of 8,228,000 new ordinary shares of RM1 each, pursuant to the exercise of the Employees' Share Option Scheme.

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7. Segmental Analysis

	Engineering and Construction	Property Development and Club Operations	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 2010					
Revenue					
External	923,208	244,473	59,521	-	1,227,202
Inter segment	10,869	-	-	(10,869)	-
	<u>934,077</u>	<u>244,473</u>	<u>59,521</u>	<u>(10,869)</u>	<u>1,227,202</u>
Segment results					
Profit from operations	43,113	42,789	30,531	(1,406)	115,027
Finance costs	(11,017)	(5,326)	(5,762)	1,406	(20,699)
Share of results of associated companies	-	6,587	72,757	-	79,344
Profit before tax	<u>32,096</u>	<u>44,050</u>	<u>97,526</u>	<u>-</u>	<u>173,672</u>
Percentage of segment results	18%	25%	57%		
Taxation					<u>(37,462)</u>
Profit for the period					<u>136,210</u>
Attributable to:-					
Equity holders of the Company					131,050
Minority interests					<u>5,160</u>
					<u>136,210</u>
6 months period ended 31 January 2009					
Revenue					
External	962,460	193,274	49,961	-	1,205,695
Inter segment	2,227	6,427	-	(8,654)	-
	<u>964,687</u>	<u>199,701</u>	<u>49,961</u>	<u>(8,654)</u>	<u>1,205,695</u>
Segment results					
Profit from operations	27,850	35,524	27,693	-	91,067
Finance costs	(12,646)	(2,567)	(6,993)	-	(22,206)
Share of results of associated companies	-	8,004	61,752	-	69,756
Profit before tax	<u>15,204</u>	<u>40,961</u>	<u>82,452</u>	<u>-</u>	<u>138,617</u>
Percentage of segment results	11%	30%	59%		
Taxation					<u>(30,295)</u>
Profit for the period					<u>108,322</u>
Attributable to:-					
Equity holders of the Company					104,092
Minority interests					<u>4,230</u>
					<u>108,322</u>

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8. Valuation of Property, Plant and Equipment

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

9. Material Events Subsequent to Balance Sheet Date

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

10. Changes in Composition of the Group

There were no material changes in the composition of the Group during the financial period ended 31 January 2010.

11. Dividend

- a) The Board of Directors does not recommend any dividend for the current financial quarter. No dividend was declared in the previous corresponding quarter.
- b) The total dividend per share for the current period is 6.00 sen less 25% taxation. For the preceding year's corresponding period, a total dividend per share of 4.00 sen less 25% taxation was declared.

12. Dividend paid

	6 months ended 31 January	
	2010 RM'000	2009 RM'000
Interim Dividends		
Second interim dividend for the year ended 31 July 2009 paid on 18 August 2009 : 4% less 25% taxation (First interim dividend for the year ended 31 July 2009 paid on 3 February 2009 : 4% less 25% taxation)	60,405	60,185

13. Changes in Contingent Liabilities or Contingent Assets

	31 January 2010 RM'000	31 July 2009 RM'000
Performance and retention sum guarantees	709,840	676,315

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

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14. Review of Performance

For the current quarter under review, the Group recorded revenue and profit before tax of RM603.2 million and RM90.2 million respectively as compared to RM591.7 million and RM66.6 million respectively in the comparative quarter. For the current year to date, the Group recorded revenue and profit before tax of RM1,227.2 million and RM173.7 million respectively as compared to RM1,205.7 million and RM138.6 million respectively in the comparative year. The increase in profit before tax is due to higher contributions from all divisions.

15. Comparison with Immediate Preceding Quarter's Results

For the current quarter under review, the Group's profit before tax of RM90.2 million, is higher than the immediate preceding quarter's profit before tax of RM83.5 million. The higher profit before tax is mainly due to higher contributions from the construction division and the property division.

16. Current Year Prospects

Overall Prospects

With the existing construction projects progressing on schedule and the recovery of the property market, the Group's performance is expected to perform well in the remaining quarters of the current financial year. The status of the major projects undertaken by the Group is as follows:

a) Construction Division

Electrified Double Track Project

The work progress has improved and to-date 93% of the land has been handed over to the project company. The work progress is expected to accelerate in the next 2 quarters.

New Doha International Airport Project (Qatar)

The project is progressing on schedule with 80% of the works completed. Progress payments from the Qatar Government continue to be on time.

Yenso Park and Sewage Treatment Plant Projects (Vietnam)

Yenso Park and Sewage Treatment Plant projects are progressing well. The recent devaluations of the Vietnamese Dong have no significant near term impact on the Group.

b) Property Division

The Group's property division continues to benefit from improved market sentiments. The products in good demand are semi-detached houses and bungalow homes in gated and guarded parcels. The property division's performance is expected to improve further in the remaining quarters of the financial year.

c) Water-related Concession Division

The offer dated 15 July 2009 from the Selangor State Government ("SSG") to Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("Splash") in respect of the taking over of the water assets and operations of Splash had lapsed on 30 November 2009.

On 24 March 2010, Splash has made an offer of RM10,750 million to the Federal Government and the SSG to take over the water services industry of the Selangor State.

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17. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

18. Taxation

The taxation is derived as below:	3 months ended 31 Jan		6 months ended 31 Jan	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia income tax	19,998	15,792	37,462	30,295

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 quarter under review.

20. Quoted Investments

There was no transaction on quoted investment in the current quarter year under review.

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21. Status of Corporate Proposals

- a) On 22 December 2009, the Company announced its proposal to undertake a renounceable rights issue of up to 267,696,915 Warrants at an issue price of RM0.10 per Warrant on the basis of one Warrant for every eight existing Ordinary Shares of RM1.00 each held at an entitlement date to be announced later ("the Proposal").

Bank Negara Malaysia had vide its letter dated 23 February 2010, approved the issuance of the Warrants to non-resident shareholders of the Company pursuant to the Proposal. Bursa Securities had also vide its letter dated 23 February 2010, approved the admission of the Warrants to the Official List of the Main Market of Bursa Securities, the listing and quotation of the Warrants on the Main Market of Bursa Securities, and the listing of the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities. The Proposal is now pending approval by the shareholders at an Extraordinary General Meeting to be held on 5 April 2010.

- b) On 10 March 2010, Gamuda Land (HCMC) Sdn Bhd (formerly known as Klasik Mentari Sdn Bhd) ("Gamuda HCMC"), a wholly-owned subsidiary of the Company, has entered into the following agreements:-

- (1) Sale of Shares Agreement ("SSA") with Sai Gon Thuong Tin Real Estate Joint Stock Company ("Sacomreal") for the proposed acquisition by Gamuda HCMC of a 60% equity interest in Sai Gon Thuong Tin Tan Thang Investment Real Estate Joint Stock Company ("Tan Thang Company") from Sacomreal for a total cash consideration of USD82.8 million ("Consideration");
- (2) an Escrow Agreement with Sacomreal and The Hong Leong Bank Vietnam Limited to create an escrow account to facilitate the payment of the Consideration in accordance with the terms of the SSA;
- (3) a Shareholders' Agreement with Sacomreal and Ms. Chau Kim Yen to regulate their rights and obligations vis-à-vis each other in the Tan Thang Company.

Upon the completion of the proposed acquisition, the equity of Tan Thang Company shall be held as follows:

Gamuda HCMC	60%
Sacomreal	30%
Ms Chau Kim Yen	10%
	<u>100%</u>

Tan Thang Company has the rights for the investment and construction of a parcel of land located at Son Ky Ward, Tan Phu District, Ho Chi Minh City, Vietnam, measuring approximately 825,216.5 square metres. The project comprises developments of residential, sports and educational complex with an estimated gross development value of RM6 billion.

- c) On 24 March 2010, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), an associated company of Gamuda Berhad has made an offer of RM10,750 million to the Federal Government and the Selangor State Government ("SSG") to take over the water services industry of the Selangor State.

The salient terms of the offer are stated in the announcement dated 24 March 2010.

Other than the above corporate proposals, there is no other corporate proposal announced but not completed.

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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:-

		At 31 Jan 2010	
		Foreign Currency	RM Equivalent
	Note	'000	'000
<u>Short Term Borrowings</u>			
Revolving Credits		64,500	223,645
- denominated in US Dollar ("USD")			
Commercial Papers (Horizon Hills)			35,000
			<u>258,645</u>
<u>Long Term Borrowings</u>			
Medium Term Notes (Bandar Botanic)			300,000
Medium Term Notes (Horizon Hills)			100,000
Medium Term Notes (Gamuda)			480,000
Term Loan (Smart Project)	1		161,500
Term Loan (Jade Homes)			222,536
			<u>1,264,036</u>
Total			<u>1,522,681</u>

Note:

1. 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 interests in the jointly controlled entities are proportionately consolidated.

23. Off Balance Sheet Financial Instruments

Currency forwards

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 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	USD6.4 million	March 2010

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

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24. Material Litigations

- a) On 31 October 2008 Wayss & Freytag (Malaysia) Sdn Bhd (“W&F”) filed a Writ of Summons and a Statement of Claim (“the Court Action”) against the MMC-Gamuda Joint Venture (“JV”) for inter-alia, a court declaration that the JV is in breach of the sub-contract dated 16 April 2003 (“the Sub-Contract”) by failing to make payment for the sum of RM102,366,880.42 awarded by the Dispute Adjudication Board (“DAB”) to W&F in respect of various claims arising out of the Sub-Contract and for damages of the same amount.

On 15 May 2009, the Court allowed the JV’s application for stay of proceedings of the Court Action and unconditionally stayed the Court Action initiated by W&F.

On 1 June 2009, W&F filed an appeal against the Court’s decision to stay the proceedings.

On 30 October 2009, the court dismissed W&F’s appeal against the Court’s earlier decision to stay the Court Action. The Court Action has now been fixed for mention on 6 September 2010.

On 17 December 2008, in accordance with the terms of the Sub-Contract, the JV commenced arbitration proceedings by serving on W&F a notice of arbitration. W&F also commenced arbitration proceedings by filing its Notice of Arbitration on 15 January 2009. A preliminary meeting between the Arbitral Tribunal members and the parties’ respective solicitors was held on 17 September 2009. At the preliminary meeting, the Arbitral Tribunal had set down various directions for the conduct of the arbitration. Among other things, it was directed that the arbitration proceedings commenced by both parties be heard together over the period 4 July 2011 till 15 July 2011.

- b) Bahrain Asphalt Establishment B.S.C (Closed) (“BAE”) had on 4 March 2010 served a Request For Arbitration against Gamuda Berhad (“Company”) (as the 1st Respondent), WCT Berhad (as the 2nd Respondent) and Gamuda-WCT Joint Venture, Qatar (“the JV”) (as the 3rd Respondent), to refer certain alleged disputes to arbitration in Qatar. The Company’s and WCT Berhad’s interests in the JV are in the proportions of 51% and 49% respectively.

BAE was appointed as the sub-contractor for the works known as the granular sub-base and flexible pavement works (“Sub-contract Works”) for the JV’s project known as “Dukhan Highway From Shahaniya to Zekreet” which involves the construction of a 43 km new highway from Shahaniya to Zekreet in Qatar.

BAE is claiming from the Respondents, jointly and severally, a total quantified sum of QAR 109,267,214 (approximately RM101,058,548) comprising:-

- (a) QAR 94,867,841 for alleged prolongation, escalation, collateral and associated costs for 728 days’ delay in completion of the Sub-contract works;
- (b) QAR 13,434,404 for alleged Gabbro Aggregate overcharge/wrongful deductions;
- (c) QAR 964,969 for alleged wrongful deduction for supply of bitumen;

and further unquantified sums for legal costs, arbitration costs and interest (collectively referred to as “the Claims”).

The Company is of the opinion that the Request For Arbitration by BAE is pre-mature as the preconditions stipulated in the arbitration clause have not been met. In addition to the fact that the request is pre-mature, the Company is also of the view that the Respondents have a good defence against the Claims.

Accordingly, the Company intends to pursue all available legal avenues to oppose the Request For Arbitration and, if necessary, to challenge the Claims.

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

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25. Earnings Per Share

	Current Quarter 31 January 2010	Current Year To Date 31 January 2010
Basic		
Net profit attributable to shareholders (RM'000)	68,033	131,050
Number of ordinary shares in issue as at 1 August 2009 ('000)	2,009,257	2,009,257
Effect of shares issued during the period ('000)	7,638	6,694
Weighted average number of ordinary shares in issue ('000)	2,016,895	2,015,951
Basic earnings per ordinary share (sen)	3.37	6.50
Diluted		
Net profit attributable to shareholders (RM'000)	68,033	131,050
Weighted average number of ordinary shares in issue ('000)	2,016,895	2,015,951
Assumed shares issued from exercise of ESOS ('000)	5,037	5,996
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,021,932	2,021,947
Fully diluted earnings per ordinary share (sen)	3.36	6.48