

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Financial Quarter Ended 30 April 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 9,191,000 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
9 months period ended 30 April 2010					
Revenue					
External	1,283,794	367,848	88,722	-	1,740,364
Inter segment	12,317	-	-	(12,317)	-
	<u>1,296,112</u>	<u>367,848</u>	<u>88,722</u>	<u>(12,317)</u>	<u>1,740,364</u>
Segment results					
Profit from operations	64,813	69,742	47,825	(2,139)	180,241
Finance costs	(14,031)	(7,877)	(8,675)	2,139	(28,444)
Share of results of associated companies	-	10,038	103,125	-	113,163
Profit before tax	<u>50,782</u>	<u>71,903</u>	<u>142,275</u>	<u>-</u>	<u>264,960</u>
Percentage of segment results	19%	27%	54%		
Taxation					<u>(52,782)</u>
Profit for the period					<u>212,178</u>
Attributable to:-					
Equity holders of the Company					204,082
Minority interests					<u>8,096</u>
					<u>212,178</u>
9 months period ended 30 April 2009					
Revenue					
External	1,422,247	288,566	74,248	-	1,785,061
Inter segment	11,460	-	-	(11,460)	-
	<u>1,433,707</u>	<u>288,566</u>	<u>74,248</u>	<u>(11,460)</u>	<u>1,785,061</u>
Segment results					
Profit from operations	42,570	55,356	41,178	-	139,104
Finance costs	(21,248)	(5,327)	(9,632)	-	(36,207)
Share of results of associated companies	-	8,716	90,128	-	98,844
Profit before tax	<u>21,322</u>	<u>58,745</u>	<u>121,674</u>	<u>-</u>	<u>201,741</u>
Percentage of segment results	11%	29%	60%		
Taxation					<u>(44,668)</u>
Profit for the period					<u>157,073</u>
Attributable to:-					
Equity holders of the Company					150,395
Minority interests					<u>6,678</u>
					<u>157,073</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 30 April 2010.

11. Dividends

a) The Board of Directors declares a second interim dividend in respect of financial year ending 31 July 2010 as follows:

- i) A second interim dividend of 6.00 sen per ordinary share less 25% taxation;
- ii) A second interim dividend of 4.00 sen per ordinary share less 25% was declared in previous corresponding period;
- iii) The payment date of the second interim dividend is 18 August 2010.
- iv) In respect of deposited securities, entitlement to dividends to be determined on the basis of the record of depositors as at 6 August 2010.

The total dividend per share for the current period is 12.00 sen less 25% taxation. For the preceeding year's corresponding period, a total dividend per share of 8.00 sen less 25% taxation was declared.

12. Dividends paid

	9 months ended 30 April	
	2010	2009
	RM'000	RM'000
<u>Interim Dividends</u>		
First interim dividend for the year ending 31 July 2010, paid on 8 February 2010: 6% less 25% taxation. (First interim dividend for the year ended 31 July 2009, paid on 3 February 2009: 4% less 25% taxation)	90,787	60,185
<u>Second Interim Dividends</u>		
Second interim dividend for the year ended 31 July 2009, paid on 18 August 2009: 4% less 25% taxation. (Nil because the second interim dividend for the year ended 31 July 2008 of 12.5% less 26% was paid on 31 July 2008)	60,405	-
	<hr/> 151,192	<hr/> 60,185

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13. Changes in Contingent Liabilities or Contingent Assets

	<u>30 April 2010</u> RM'000	<u>31 July 2009</u> RM'000
Performance and retention sum guarantees	683,166	676,315

The contingent liabilities mainly relate to 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 RM511.2 million and RM91.3 million respectively as compared to RM579.4 million and RM63.1 million respectively in the preceeding year comparative quarter. For the current year to-date, the Group recorded revenue and profit before tax of RM1,740.4 million and RM265.0 million respectively as compared to RM1,785.1 million and RM201.7 million respectively in the preceding year corresponding period. The increases in profit before tax for the current quarter and current year to-date are 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 RM91.3 million is slightly higher than the immediate preceding quarter's profit before tax of RM90.2 million.

16. Current Year Prospects

Overall Prospects

With the existing construction projects progressing on schedule and the recovery of the property market, the Group is expected to perform well in the remaining quarter 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

Under the terms of the contract signed by the project company and the Government of Malaysia, all land should be handed over to the project company in 2008 but, to date, only 95% has been handed over (representing a delay of 2 years). The work progress is expected to accelerate in the next quarter.

New Doha International Airport Project (Qatar)

The project is progressing on schedule with 84% of the works completed. Collections from the Qatari Government continue to be on time.

Yenso Park and Sewage Treatment Plant Projects (Vietnam)

Work progress for Yenso Park and Sewage Treatment Plant is on track.

b) Property Division

The Group's property division continues to benefit from the improved market sentiments. Due to the strategic locations of our landbank, the products that were launched such as semi detached houses and bungalow homes have in particular, Bandar Botanic, attracted significant demand.

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c) Water-related Concession Division

As previously reported, 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. Subsequently, on 24 March 2010, Splash made an offer of RM10,750 million to take over water assets and operations of the water services industry of the Selangor State/Federal Territory. The offer was submitted to the Federal Government (“FG”) and the SSG.

On 20 April 2010, Splash submitted a ‘re-aligned offer’ to the FG and the SSG which is basically the same offer as the one dated 24 March 2010 except that the water assets purchased by Splash are now sold to Pengurusan Aset Air Bhd, and then leased back for operations. Splash will become ‘asset light’, and thus ‘re-aligned’ within the spirit of the Water Services Industry Act 2006.

On 17 May 2010, the FG wrote to inform Splash that they will be making new offers to all water players. As such the FG will not be considering Splash’s offer as yet in order to allow new offers to be made to Splash and the other water players in Selangor.

To date, Splash is still awaiting the new offers to be proposed to all water players in Selangor.

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 30 April		9 months ended 30 April	
	2010 RM’000	2009 RM’000	2010 RM’000	2009 RM’000
Malaysian & foreign income tax	15,320	14,373	52,782	44,668

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 267,645,139 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 the entitlement date of 30 April 2010 (“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 Malaysia Securities Berhad (“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 was approved by the shareholders at an Extraordinary General Meeting that was held on 5 April 2010.

At the close of acceptance of the Warrants application on 18 May 2010, the total valid acceptances and excess applications received were 2,774,538,608 Warrants. This represents an over subscription of 2,522,232,595 (or 999.7%) of the total number of Warrants available for subscription.

On 1 June 2010, the Company’s 252,306,013 Warrants issued pursuant to the Proposal above has been completed with the listing and quotation of the Warrants on the Main Market of Bursa Securities.

- 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%
	<hr/>
	100%

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 (USD1.7 billion).

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- c) On 24 March 2010, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“Splash”), an associated company of Gamuda Berhad made an offer of RM10,750 million to take over water assets and operations of the water services industry of the Selangor State/Federal Territory. The offer was submitted to the Federal Government (“FG”) and the Selangor State Government (“SSG”).

On 20 April 2010, Splash submitted a ‘re-aligned offer’ to the FG and the SSG which is basically the same offer as the one dated 24 March 2010 except that the water assets purchased by Splash are now sold to Pengurusan Aset Air Bhd, and then leased back for operations. Splash will become ‘asset light’, and thus ‘re-aligned’ within the spirit of the Water Services Industry Act 2006.

On 17 May 2010, the FG wrote to inform Splash that they will be making new offers to all water players. As such the FG will not be considering Splash’s offer as yet in order to allow new offers to be made to Splash and the other water players in Selangor.

To date, Splash is still awaiting the new offers to be proposed to all water players in Selangor.

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

22. Group Borrowings and Debt Securities

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

		At 30 April 2010
		RM
		Equivalent
		‘000
	Note	
Short Term Borrowings		
Commercial Papers (Horizon Hills)		35,000
Medium Term Notes (Bandar Botanic)		300,000
		<hr/> 335,000
Long Term Borrowings		
Medium Term Notes (Horizon Hills)		100,000
Medium Term Notes (Gamuda)		800,000
Term Loan (Smart Project)	1	161,500
Term Loan (Jade Homes)		220,243
		<hr/> 1,281,743
Total		<hr/> <hr/> 1,616,743

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.

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23. Off Balance Sheet Financial Instruments

(a) Interest rate swap contracts

The Group has entered into the following Interest Rate Swap ("IRS") contracts to hedge the payment of interest on bank borrowings from a floating rate to a fixed rate.

Interest Rate Swap	Interest		Amount in foreign currency USD'000	Maturities more than 3 years RM'000	Contract date	Maturity dates
	From floating rate	To fixed rate				
USD	3-month LIBOR	2.355% to 2.495%	30,000	100,000	Nov 2009 to May 2010	Nov 2014 to May 2015

b) Forward foreign currency contracts

The Group has also entered into forward foreign currency contracts in Euro currency to minimise its exposure to foreign currency risks as a result of transactions denominated in foreign currency expected to occur in the future.

Underlying transactions	Foreign currency	Amount in foreign currency €'000	Maturities within 1 year RM'000	Contract date	Maturity date
Materials	Buy EURO	9,069	38,717	27 April 2010	June 2010 to Oct 2010

There is minimal credit risk as these contracts were entered into with licensed financial institutions.

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24. Material Litigations

- a) On 31 October 2008 Ways & 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.

The Company is of the opinion that the JV has a good chance of succeeding in its claims against W&F.

- 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.

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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.

25. Earnings Per Share

	Current Quarter 30 April 2010	Current Year To Date 30 April 2010
Basic		
Net profit attributable to shareholders (RM'000)	73,032	204,082
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)	8,592	7,327
Weighted average number of ordinary shares in issue ('000)	2,017,849	2,016,584
Basic earnings per ordinary share (sen)	3.62	10.12
Diluted		
Net profit attributable to shareholders (RM'000)	73,032	204,082
Weighted average number of ordinary shares in issue ('000)	2,017,849	2,016,584
Assumed shares issued from exercise of ESOS ('000)	5,897	8,173
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,023,746	2,024,757
Fully diluted earnings per ordinary share (sen)	3.61	10.08