

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

1. Basis of Preparation

- 1.1) The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.
- 1.2) The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2011.
- 1.3) The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the audited financial statements for the year ended 31 July 2011 except for the adoption of the following Amendments to Financial Reporting Standards (FRSs), new Interpretations and Amendments to Interpretations:

Effective for annual periods beginning on or after 1 January 2011:

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRSs	'Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether An Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

Effective for annual periods beginning on or after 1 July 2011:

Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The above Amendments to FRSs, new Interpretations and Amendments to Interpretations are expected to have no significant impact on the financial performance and position of 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 2011 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 were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

5. Changes in Estimates

There were 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 for the current quarter, except for the issuance of 759,000 and 425 new ordinary shares of RM1 each, pursuant to the exercise of the Employees' Share Option Scheme and the conversion of warrants respectively.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

7. Segmental Analysis

	Engineering and Construction	Property Development and Club Operations	Water and Expressway Concessions	Inter- segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 October 2011					
Revenue					
External	382,665	225,244	34,085	-	641,994
Inter segment	3,378	-	-	(3,378)	-
	<u>386,043</u>	<u>225,244</u>	<u>34,085</u>	<u>(3,378)</u>	<u>641,994</u>
Segment results					
Profit from operations	45,934	57,198	20,102	-	123,234
Finance costs	(3,192)	(2,750)	(8,050)	-	(13,992)
Share of results of associated companies	-	4,347	53,572	-	57,919
Profit before taxation	<u>42,742</u>	<u>58,795</u>	<u>65,624</u>	<u>-</u>	<u>167,161</u>
Percentage of segment results	26%	35%	39%		
Taxation					(33,081)
Profit for the period					<u>134,080</u>
Profit attributable to:-					
Owners of the Company					132,319
Minority Interests					<u>1,761</u>
					<u>134,080</u>
3 months period ended 31 October 2010					
Revenue					
External	466,418	137,423	30,361	-	634,202
Inter segment	4,665	-	-	(4,665)	-
	<u>471,083</u>	<u>137,423</u>	<u>30,361</u>	<u>(4,665)</u>	<u>634,202</u>
Segment results					
Profit from operations	30,975	27,531	14,625	-	73,131
Finance costs	(5,205)	(4,619)	(4,810)	-	(14,634)
Share of results of associated companies	-	3,023	48,171	-	51,194
Profit before taxation	<u>25,770</u>	<u>25,935</u>	<u>57,986</u>	<u>-</u>	<u>109,691</u>
Percentage of segment results	23%	24%	53%		
Taxation					(19,245)
Profit for the period					<u>90,446</u>
Profit attributable to:-					
Owners of the Company					88,532
Minority Interests					<u>1,914</u>
					<u>90,446</u>

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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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 were 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 for the current quarter ended 31 October 2011.

11. Dividend

a) The Board of Directors declares an interim dividend in respect of financial year ending 31 July 2012 as follows:

- i) A single tier interim dividend of 6.00 sen per ordinary share (Total cash payout is 6.00 sen per ordinary share).
- ii) An interim dividend of 3.00 sen less 25% taxation and single tier dividend of 3.00 sen per ordinary share was declared in previous corresponding period (Total cash payout was 5.25 sen per ordinary share);
- iii) The payment date of the interim dividend is 18 January 2012;
- iv) In respect of deposited securities, entitlement to dividends to be determined on the basis of the record of depositors as at 6 January 2012.

The total dividend per share for the current financial period is single tier dividend of 6.00 sen per ordinary share. (Total cash payout is 6.00 sen per ordinary share). For the preceding year's corresponding period, a total dividend per share was 3.00 sen less 25% taxation and single tier dividend of 3.00 sen (Total cash payout was 5.25 sen per ordinary share) was declared.

12. Dividend Paid

The taxation is derived as below:

	3 months ended 31 October	
	2011 RM'000	2010 RM'000
<u>Second Interim Dividends</u>		
Second interim dividend for the year ended 31 July 2011 was paid on 28 July 2011.	-	91,275
(Second interim dividend for the year ended 31 July 2010, paid on 18 August 2010 :6% less 25% taxation)	-	91,275
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	-	91,275

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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13. Review of Performance

For the current quarter, the Group recorded revenue and profit before taxation of RM642.0 million and RM167.2 million respectively as compared to RM634.2 million and RM109.7 million respectively in the preceding year comparative quarter. The increase in profit before taxation for the period was due to higher contributions from all divisions.

14. Comparison with Immediate Preceding Quarter's Results

The Group recorded profit before taxation of RM167.2 million for the current quarter which was higher than the immediate preceding quarter's profit before taxation of RM151.1 million. The increase in profit before taxation resulted from higher contributions from the construction and property divisions.

15. Current Year Prospects

Overall Prospects

The Group expects to achieve a stronger performance this year supported by its ongoing construction projects, continued strong property sales and steady earnings from the water and expressway concessions divisions.

The status of projects and prospects for the respective divisions of the Group are as follows:

(a) CONSTRUCTION DIVISION

Klang Valley Mass Rapid Transit Project

To-date, 9 packages for preparatory and preliminary works have been successfully tendered and awarded to various contractors.

Tenders have been called for some of the remaining 80 works packages comprising elevated civil works, stations, systems and the underground works package. The awards to the successful bidders are expected to be made from early 2012 and substantially completed by the 4th quarter of 2012.

The Project Delivery Partner ("PDP") agreement has been finalised and will be signed upon obtaining the necessary approvals.

Electrified Double Tracking Railway Project

Progress is on schedule with 71% of the works completed. The scheduled completion date for the main section of works from Padang Besar to Ipoh (Spine line) is June 2014, whereas completion of the section of works from Bukit Mertajam to Butterworth (Spur line) is November 2014.

New Doha International Airport Project (Qatar)

The project is 98% completed and the company is preparing to hand over the completed works to the client in January 2012.

Yen So Sewage Treatment Plant Project (Hanoi, Vietnam)

95% completed to date, the project has entered the testing and commissioning phase and the completed works is expected to be handed over to the client in May 2012.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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(b) PROPERTY DIVISION

Gamuda Land continues to realise robust sales across all its ongoing projects. In the current quarter, the division achieved sales of RM450 million. Unbilled sales at the end of this quarter exceeds RM1 billion.

Gamuda Land's Celadon City project in Ho Chi Minh City, Vietnam was launched. Initial sales reflected the sluggish property sector in the country, especially for apartments, but sales momentum is expected to pick up in the coming months. The initial investment in Celadon City by the region's leading mall operator – Aeon Co. of Japan is a strong sign of confidence in the project and the country. In Hanoi, the soft launch of landed properties at our Gamuda City project had received strong response with all 72 units offered being fully taken up within days. We expect both projects to do well as their masterplans and product designs are superior and well differentiated from the market.

Infrastructure works in Gamuda City and Celadon City are progressing on schedule and building construction works have commenced in Celadon City.

(c) WATER AND EXPRESSWAY CONCESSIONS DIVISION

(i) Expressway

Traffic volumes remain stable and resilient. A long term solution to resolve the issue of toll increases from the Government is still pending.

(ii) Water

There has been no material development on the water restructuring exercise in Selangor.

16. **Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

17. **Taxation**

The taxation is derived as below:

	3 months ended 31 October	
	2011 RM'000	2010 RM'000
Malaysian & foreign income tax	33,081	19,245

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.

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

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

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

19. Quoted Investments

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

20. Status of Corporate Proposals

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.

On 2 July 2010, Splash wrote to the FG and the SSG to inform that they have yet to receive any new offer with respect to their letter dated 17 May 2010. In turn Splash stated that its current offer to the FG and the SSG will remain good until 31 December 2010.

On 6 January 2011, a conditional offer ("Offer") was made by the SSG to acquire all the voting shares in Splash at a cash offer price of RM5.95 per share.

On 28 January 2011, Splash replied that it was unable to accept the Offer as it undervalued the company and is also well below the previous offer made by the SSG to Splash dated 15 July 2009, which Splash had then accepted in good faith.

Acqua SPV Bhd, a wholly owned subsidiary of Pengurusan Aset Air Bhd (PAAB) has acquired all of Splash's bonds and is in the midst of restructuring them to ease Splash's immediate debt commitments.

As at today, there has been no new development on this matter.

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

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

21. Group Borrowings and Debt Securities

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

			As at 31 October 2011
	Notes	Foreign Currency '000	RM Equivalent '000
<u>Short Term Borrowings</u>			
Revolving Credits			
-		176,000	540,108
denominated in US Dollar (Gamuda)			19,963
Commercial Papers (Horizon Hills)			49,915
Medium Term Notes (Horizon Hills)			36,532
Term Loan (Jade Homes)			1,615
Term Loan (Smart project)			<u>648,133</u>
 <u>Long Term Borrowings</u>			
Medium Term Notes (Horizon Hills)			64,616
Term Loan (Smart project)	1		159,481
Term Loan (Jade Homes)			153,170
Term Loan (Tan Thang)			176,922
-	2	1,201,917,600	800,000
denominated in Vietnam Dong			<u>1,354,189</u>
Medium Term Notes (Gamuda)			<u>2,002,322</u>
Total			<u>2,002,322</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.
2. The term loan was obtained by Sai Gon Thuong Tin Tan Thang Investment Real Estate Joint Stock Company (Tan Thang Company), a 60% owned subsidiary of Gamuda Group. The term loan is on a recourse basis to Gamuda Group in proportion to the Group's shareholding in the Tan Thang Company.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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22. Derivative Financial Instruments and Fair Value Changes in Financial Liabilities

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		Contract amount in foreign currency USD'000	Maturities more than 3 years RM'000	Fair value of Derivative Liabilities RM'000	Contract date	Maturity dates
	From floating rate	To fixed rate					
USD	3-month LIBOR	1.845% to 2.495%	45,000	138,096	6,051	Nov 2009 to July 2010	Nov 2014 to July 2015

The basis of fair value measurement is the difference between the contracted IRS rates and the market IRS rates. The losses are due to the unfavourable fluctuation in market interest rates.

There is minimal credit risk as the IRS were entered into with reputable banks.

23. Changes in Contingent Liabilities or Contingent Assets

There is no significant contingent liabilities or contingent assets.

24. Capital Commitments

The amount for commitments for capital expenditure not provided for in the interim financial statements as at 31 October 2011 are as follows:

	RM'000
Approved and contracted for :	
- Land	98,745
- Others	4,372
	<u>103,117</u>

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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25. Realised and Unrealised Profit or Losses

The breakdown of retained profit of the Group as at 31 October 2011 into realised and unrealised profits or losses are as follows:

	<u>Notes</u>	<u>As at 31 October 11 RM'000</u>	<u>As at 31 July 11 RM'000</u>
Total share of retained profits of the Company and its subsidiary			
- Realised		1,008,683	986,449
- Unrealised	1	<u>10,353</u>	<u>(30,390)</u>
		<u>1,019,036</u>	<u>956,059</u>
Total share of retained profits from jointly controlled entities			
- Realised		115,986	152,886
- Unrealised	1	<u>3,686</u>	<u>1,880</u>
		<u>119,672</u>	<u>154,766</u>
Total share of retained profits from associated companies			
- Realised		996,375	745,036
- Unrealised	1	<u>(248,528)</u>	<u>(248,214)</u>
		<u>747,847</u>	<u>496,822</u>
Less : Consolidated adjustments	2	(294,889)	(148,300)
Total Group retained profits		<u>1,591,666</u>	<u>1,459,347</u>

Note 1 Unrealised profits/losses are mainly deferred tax provision and translation gains or losses of monetary items denominated in a currency other than the functional currency.

Note 2 Consolidation adjustments are mainly elimination of pre-acquisition profits or losses, minorities share of retained profits or accumulated losses and other adjustments arising from the business combination.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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26. 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.

In the meantime, while the Court Action has been stayed, W&F’s application for summary judgment filed on 25 November 2008 has been fixed for mention on 12 December 2011 pending the arbitration between the JV and W&F.

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. Subsequently, by mutual agreement of the parties and with the concurrence of the Arbitral Tribunal, the first tranche of the hearing was held from 18 July 2011 till 29 July 2011 and the second tranche of the arbitration hearing held from 7 December 2011 to 9 December 2011. The parties have their closing submissions on 31 October 2011. The parties will be exchanging their reply closing submissions by 31 January 2012.

Separately, on 14 October 2010, W&F applied to the Arbitral Tribunal for its decision on 3 preliminary issues. The main issue raised by W&F is whether the JV is obliged to comply with the DAB’s decisions by forthwith paying to W&F the amount of RM100,540,372.28 (as awarded by the DAB) and interest. The Arbitral Tribunal heard the parties on the preliminary issues on 16 February 2011. The Arbitral Tribunal has in its letter dated 7 March 2011 concluded that it does not have jurisdiction to entertain the preliminary issues raised by W&F. Consequently, the JV does not need to pay W&F the amount of RM100,540,372.28.

The Company is of the opinion that the JV has a good chance of succeeding in both W&F’s application on the preliminary issues and in its claims against W&F in the arbitral proceedings.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

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26. Material Litigations

- 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.

The Arbitral Tribunal has been constituted on 19 July 2010.

BAE's statement of claim was submitted on 10 February 2011, BAE claims from the Respondents, jointly and severally, a total quantified sum of QAR144,718,369.60 (RM117,771,809) comprising:-

- (a) QAR110,178,160 for alleged prolongation, escalation, collateral and associated costs for 728 days delay in completion of the Sub-contract works;
- (b) QAR13,400,205 for alleged Gabbro Aggregate overcharge/wrongful deductions;
- (c) QAR964,970 for alleged wrongful deduction for supply of bitumen;
- (d) QAR9,187,662.52 for alleged wrongful deductions from payments due to the Claimant for the supply of dune sand;
- (e) QAR5,923,081 for alleged incorrect measurement of the subcontract works for the purpose of payment;
- (f) QAR5,064,291.08 for retention money allegedly owed to BAE;

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

On 5 May 2011, the Respondents have submitted a counter claim of a total quantified sum of QAR34,940,773.34 (RM28,434,801) for breach of contract by BAE.

Evidence in respect of the claims has been submitted. Further evidence in support of the Company's case will be submitted in due course. Once further evidence is submitted, the parties may seek to amend the amounts claimed.

The Company is of the opinion that there are significant technical difficulties for BAE to overcome in pursuing its claims against the Respondents in the Request for Arbitration.

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 the issue of this report.

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 31 October 2011

Notes To The Interim Financial Statements

(The figures have not been audited)

27. Earnings Per Share

	Current Quarter
	31 October 2011
Basic	
Profit attributable to owners of the Company (RM'000)	<u>132,319</u>
Number of ordinary shares in issue as at 1 August 2011 ('000)	2,064,824
Effect of shares issued during the period ('000)	<u>696</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,065,520</u>
Basic earnings per ordinary share (sen)	<u>6.41</u>
Diluted	
Profit attributable to owners of the Company (RM'000)	<u>132,319</u>
Weighted average number of ordinary shares in issue ('000)	2,065,520
Assumed shares issued from exercise of ESOS ('000)	13,398
Assumed shares issued from conversion of Warrant ('000)	<u>34,918</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	<u>2,113,836</u>
Fully diluted earnings per ordinary share (sen)	<u>6.26</u>