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STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Ordinary Resolution in respect of the above proposal will be tabled at the Company’s 38th Annual General Meeting to be held at Permai Room, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 4 December 2014 at 10.00 a.m. Notice of the 38th Annual General Meeting together with the Form of Proxy are enclosed in the Annual Report 2014. The Form of Proxy must be completed and lodged at the Registered Office of the Company not less than 48 hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending the meeting and voting in person if you are able to do so.

This Statement is dated 7 November 2014

DEFINITIONS

For the purpose of this Statement, except where the context otherwise requires, the following definitions shall apply: -

Act	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting
Annual Report 2014	:	The Annual Report of Gamuda issued for the financial year ended 31 July 2014
Authorised Period	:	The period where authority is granted by the Shareholders for the Proposed Share Buy-back which is effective upon the passing of the Ordinary Resolution in the forthcoming AGM and may continue to be in force until:- (a) the conclusion of the next AGM of the Company; or (b) the expiration of the period within which the next AGM after that date is required by law to be held; or (c) revoked or varied by ordinary resolution passed by the Shareholders in general meeting, whichever occurs first.
Board	:	The board of directors of Gamuda
EPS	:	Earnings Per Share
Gamuda or Company	:	Gamuda Berhad
Gamuda Group or Group	:	Gamuda and its subsidiary companies, collectively
Bursa Securities	:	Bursa Malaysia Securities Berhad
Listing Requirements	:	Bursa Securities Main Market Listing Requirements as amended from time to time and any re-enactment thereof
NA	:	Net Assets
Proposed Share Buy-back	:	Proposed renewal of the existing authority granted to the Company to purchase up to ten percent (10%) of its own issued and paid-up share capital
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s)	:	Ordinary share(s) of RM1.00 each in Gamuda
Shareholders	:	Shareholders of Gamuda
The Code	:	Malaysian Code on Take-Overs and Mergers 2010



GAMUDA BERHAD

(Company No. 29579-T)

(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT

in relation to the

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (“PROPOSED SHARE BUY-BACK”)

1. INTRODUCTION

At the 37th AGM of the Company held on 5 December 2013, the Shareholders had approved the authority for the Company to buy back up to ten percent (10%) of its issued and paid-up share capital. The said approval will expire at the conclusion of the forthcoming 38th AGM of the Company scheduled to be held on 4 December 2014.

Accordingly, the Board had on 29 October 2014, announced its intention to seek Shareholders’ approval for the Proposed Share Buy-back at the forthcoming 38th AGM.

This Statement serves to provide you with the relevant information on the Proposed Share Buy-back, to set out your Board’s recommendation thereon and to seek your approval for the Proposed Share Buy-back to be tabled at the forthcoming 38th AGM. The Notice of AGM together with the Form of Proxy are enclosed.

2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back is expected to have the effect of stabilising the supply and demand as well as the price of the Shares of the Company on Bursa Securities, which may in turn have a favourable impact on the Share price of the Company. It is to be carried out when the Share price is transacted at levels which do not reflect the potential earning capability and/or underlying asset value of the Group.

The purchased Shares may be cancelled or held as treasury shares. If held as treasury shares, they could be resold on Bursa Securities with the intention of realising a potential gain. In the event the treasury shares are distributed as share dividends, it would serve to reward the Shareholders.

3. SOURCE OF FUNDS

The Proposed Share Buy-back will allow the Board to purchase Gamuda Shares at any time within the Authorised Period. The Board proposes to allocate an amount of funds not exceeding the retained profits and/or share premium account of the Company for the purchase of its own Shares pursuant to the Proposed Share Buy-back. Based on the latest audited financial statements as at 31 July 2014, the retained profits and share premium account of the Company were RM666,773,000 and RM626,328,000 respectively.

The amount of funds allocated for the purchase of its own Shares pursuant to the Proposed Share Buy-back shall be financed from internally generated funds and/or external borrowings, the proportion of which will only be determined later depending on the available internally generated funds, actual number of Shares to be purchased and other relevant cost factors. In the event the Proposed Share Buy-back is to be partly financed by external borrowings, the Company expects that it will be capable of repaying such borrowings and that such borrowings are not expected to have any material effect on the cash flow of the Gamuda Group.

4. ADVANTAGES AND DISADVANTAGES

The Proposed Share Buy-back, if implemented, will reduce the financial resources of the Group. This may result in the Group foregoing future investment opportunities and any income that may be derived from the deposit of funds in interest bearing instruments. The Proposed Share Buy-back may also reduce the amount of financial resources available for repayment of the Group's borrowings, for working capital or, for distribution in the form of dividends to Shareholders.

However, the financial resources of the Group may increase upon the resale of the purchased Shares held as treasury shares at higher prices than the purchase price. The other advantages of the Proposed Share Buy-back are stated in Section 2 above.

The Board will be mindful of the interest of Gamuda and its Shareholders in undertaking the Proposed Share Buy-back and in subsequent resale.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming that the Company purchases 232,404,167 Shares representing ten percent (10%) of its issued and paid-up share capital as at 15 October 2014, the effects of the Proposed Share Buy-back on the share capital, NA, working capital, earnings and dividends are set out as follows:-

5.1 Share Capital

In the event that all the Shares purchased are cancelled, the effect of the Proposed Share Buy-back on the issued and paid-up share capital of the Company would be as follows:-

	No. of ordinary shares of RM1.00 each
Issued and paid-up share capital as at 15 October 2014	2,324,041,679
Assuming the Proposed Share Buy-back of approximately 10% of the issued and paid-up share capital of the Company	(232,404,167)
Reduced issued and paid-up share capital	<u>2,091,637,512</u>

However, the Proposed Share Buy-back is not expected to have any effect on the issued and paid-up share capital of the Company if all the Shares purchased are retained as treasury shares.

5.2 NA

The Proposed Share Buy-back may increase or decrease the NA per share depending on the purchase price(s) of the Shares to be bought. NA per share is likely to decrease if the purchase price exceeds the NA per share at the relevant point in time. On the contrary, the NA per share is likely to increase when the purchase price is less than the NA per share at the relevant point in time.

5.3 Working Capital

The Proposed Share Buy-back will reduce the working capital of the Gamuda Group, the quantum of which depends on, amongst others, the purchase prices and the number of Shares purchased.

5.4 Earnings

The effects of the Proposed Share Buy-back on the earnings of the Gamuda Group are dependent on the purchase prices, the number of Shares purchased and the effective funding cost of the purchases. The reduced number of Shares applicable in computing the EPS subsequent to the Proposed Share Buy-back will generally have a positive impact, all else being equal, on the Group's EPS.

5.5 Dividends

Assuming the Proposed Share Buy-back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

For the financial year ended 31 July 2014, the Company had paid a first interim dividend of 6 sen per Share tax exempt under single-tier system on 28 January 2014 and a second interim dividend of 6 sen per Share tax exempt under single-tier system on 23 July 2014.

6. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The effects of the Proposed Share Buy-back on the shareholdings of the substantial Shareholders based on the Register of Substantial Shareholders as at 15 October 2014, assuming that Gamuda purchases the maximum ten percent (10%) of its issued and paid-up share capital, for illustration purposes, will be as follows:-

Substantial Shareholders	Proposed Share Buy-back							
	Before				After			
	No. of Shares				No. of Shares			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Amanahraya Trustees Berhad – Skim Amanah Saham Bumiputera	190,576,700	8.20	-	-	190,576,700	9.11	-	-
Employees Provident Fund Board	181,119,905	7.79	-	-	181,119,905	8.66	-	-
Kumpulan Wang Persaraan (Diperbadankan)	138,273,200	5.95	-	-	138,273,200	6.61	-	-
Raja Dato' Seri Eleena binti Sultan Azlan Shah	200,000	0.01	123,000,000*	5.29	200,000	0.01	123,000,000*	5.88
Generasi Setia (M) Sdn Bhd	123,000,000	5.29	-	-	123,000,000	5.88	-	-

* Deemed interest through Generasi Setia (M) Sdn Bhd

7. DIRECTORS' SHAREHOLDINGS

The effects of the Proposed Share Buy-back on the shareholdings of the Directors based on the Register of Directors' shareholdings as at 15 October 2014, assuming that Gamuda purchases the maximum ten percent (10%) of its issued and paid-up share capital, for illustration purposes, will be as follows:-

Directors	Proposed Share Buy-back							
	Before				After			
	No. of Shares				No. of Shares			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Dato' Mohammed Hussein	-	-	-	-	-	-	-	-
Dato' Lin Yun Ling	70,500,000	3.03	-	-	70,500,000	3.37	-	-
Dato' Ir. Ha Tiing Tai	19,275,876	0.83	14,200* ¹	* ³	19,275,876	0.92	14,200* ¹	* ³
Tan Sri Dato' Seri Dr. Haji Zainul Ariff bin Haji Hussain	120,000	0.01	-	-	120,000	0.01	-	-
Raja Dato' Seri Eleena binti Sultan Azlan Shah	200,000	0.01	123,000,000* ²	5.29	200,000	0.01	123,000,000* ²	5.88
Dato' Haji Azmi bin Mat Nor	480,000	0.02	-	-	480,000	0.02	-	-
Dato' Goon Heng Wah	13,980,000	0.60	5,104,032* ¹	0.22	13,980,000	0.67	5,104,032* ¹	0.24
Saw Wah Theng	757,400	0.03	-	-	757,400	0.04	-	-
Tunku Afwida binti Tunku A. Malek	-	-	-	-	-	-	-	-
Ir. Chow Chee Wah (Alternate to Dato' Lin Yun Ling)	435,000	0.02	-	-	435,000	0.02	-	-

Directors	Proposed Share Buy-back							
	Before				After			
	No. of Shares				No. of Shares			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Ir. Chan Kong Wah (Alternate to Dato' Goon Heng Wah)	400,000	0.02	-	-	400,000	0.02	-	-
Ir. Adrian Brian Lam (Alternate to Dato' Ir. Ha Tiing Tai)	169,000	0.01	-	-	169,000	0.01	-	-
Soo Kok Wong (Alternate to Saw Wah Theng)	91,000	* ³	-	-	91,000	* ³	-	-

*¹ Deemed interest through spouse

*² Deemed interest through Generasi Setia (M) Sdn Bhd

*³ Less than 0.01%

8. PUBLIC SHAREHOLDING SPREAD

As at 31 October 2014, the public shareholding spread of the Company was approximately 89.85%. If the Proposed Share Buy-back is implemented in full and assuming it will not reduce the number of Shares currently held by the Directors, the substantial Shareholders or persons connected with Directors and/or substantial Shareholders, the public shareholding spread of the Company is expected to be reduced to approximately 88.72%.

9. IMPLICATION RELATING TO THE CODE

The Proposed Share Buy-back will not give rise to any implication under the Code to Gamuda or any of its Shareholders.

10. PURCHASES IN THE LAST FINANCIAL YEAR

As stated in the Other Disclosures section of the Annual Report 2014, the Company had not purchased any of its own Shares in the last financial year ended 31 July 2014.

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as Shareholders as a consequence of the Proposed Share Buy-back, none of the Directors or substantial Shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-back, or in the resale of the treasury shares, if any.

12. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Share Buy-back, are of the opinion that the Proposed Share Buy-back is in the best interest of the Company and its Shareholders. Accordingly, they recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-back to be tabled at the forthcoming 38th AGM.

Yours faithfully

For and on behalf of the Board of
GAMUDA BERHAD

DATO' MOHAMMED HUSSEIN
Chairman