

**GADANG HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 278114-K)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2010**

*THE FIGURES HAVE NOT BEEN AUDITED*

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT QUARTER 31/08/2010 RM'000	PRECEDING YEAR CORRESPON - DING QUARTER 31/08/2009 RM'000	CURRENT YEAR TO DATE 31/08/2010 RM'000	PRECEDING YEAR CORRESPON - DING PERIOD 31/08/2009 RM'000
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
Revenue	82,633	58,410	82,633	58,410
Cost of sales	(67,962)	(49,966)	(67,962)	(49,966)
<b>Gross profit</b>	<b>14,671</b>	<b>8,444</b>	<b>14,671</b>	<b>8,444</b>
Other income	897	749	897	749
Administrative expenses	(4,658)	(3,547)	(4,658)	(3,547)
Selling and marketing expenses	(185)	(292)	(185)	(292)
Other expenses	(1,398)	-	(1,398)	-
Finance costs	(905)	(1,077)	(905)	(1,077)
Share of results of associate	-	(200)	-	(200)
<b>Profit before tax</b>	<b>8,422</b>	<b>4,077</b>	<b>8,422</b>	<b>4,077</b>
Income tax expenses	(1,996)	(1,096)	(1,996)	(1,096)
<b>Profit for the period</b>	<b>6,426</b>	<b>2,981</b>	<b>6,426</b>	<b>2,981</b>
Attributable to:				
Equity holders of the parent	6,405	3,550	6,405	3,550
Minority interest	21	(569)	21	(569)
	<b>6,426</b>	<b>2,981</b>	<b>6,426</b>	<b>2,981</b>
<b>Earnings per share attributable to equity holders of the parent (sen) :</b>				
Basic	5.43	3.01	5.43	3.01

*The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 May 2010.*

**GADANG HOLDINGS BERHAD**  
(Incorporated in Malaysia)  
(Company No : 278114-K)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2010**  
*THE FIGURES HAVE NOT BEEN AUDITED*

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT QUARTER 31/08/2010 RM'000	PRECEDING YEAR CORRESPON - DING QUARTER 31/08/2009 RM'000	CURRENT YEAR TO DATE 31/08/2010 RM'000	PRECEDING YEAR CORRESPON - DING PERIOD 31/08/2009 RM'000
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
<b>Profit for the period</b>	6,426	2,981	6,426	2,981
<b>Other comprehensive income:</b>				
Foreign currency translation	(719)	302	(719)	302
<b>Total comprehensive income for the period</b>	5,707	3,283	5,707	3,283
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	5,686	3,852	5,686	3,852
Minority interest	21	(569)	21	(569)
	5,707	3,283	5,707	3,283

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 May 2010.*

**GADANG HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 278114-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2010**

	<b>AS AT END OF FINANCIAL YEAR 31/8/2010 RM'000</b>	<b>AS AT LAST YEAR AUDITED REPORT 31/05/2010 RM'000</b>
	<b>UNAUDITED</b>	<b>AUDITED</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	71,187	70,600
Biological assets	2,349	1,399
Investment properties	15,418	15,418
Prepaid lease payments	2,438	2,450
Concession assets	35,133	35,855
Investment in associates	-	-
Other investment	226	226
Goodwill on consolidation	15,635	17,033
Deferred tax assets	819	856
	143,205	143,837
<b>Current assets</b>		
Property development costs	93,584	74,830
Amount due from customers on contracts	74,828	73,168
Inventories	9,560	15,695
Trade receivables	101,117	89,820
Other receivables	38,564	21,460
Tax recoverable	996	883
Deposit with licensed financial institutions	11,401	8,189
Cash and bank balances	16,205	17,797
	346,255	301,842
<b>TOTAL ASSETS</b>	489,460	445,679
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share Capital	118,016	118,016
Reserves	71,604	66,954
	189,620	184,970
<b>Minority Interests</b>	4,247	4,249
<b>Total Equity</b>	193,867	189,219
<b>Non-current liabilities</b>		
Bank borrowings	46,209	35,330
Deferred taxation liabilities	5,575	5,580
Defined benefit obligations	571	941
	52,355	41,851
<b>Current liabilities</b>		
Trade and other payables	118,855	124,067
Bank borrowings	121,518	88,439
Provision for taxation	2,865	2,103
	243,238	214,609
<b>Total liabilities</b>	295,593	256,460
<b>TOTAL EQUITY AND LIABILITIES</b>	489,460	445,679
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.65	1.60

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 May 2010.*

# GADANG HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 278114-K)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2010

*THE FIGURES HAVE NOT BEEN AUDITED*

	<b>CURRENT YEAR TO DATE 31/08/2010 RM'000</b>	<b>PRECEDING YEAR CORRESPON - DING PERIOD 31/08/2009 RM'000</b>
	<b>UNAUDITED</b>	<b>UNAUDITED</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	8,422	4,077
Adjustments for :-		
Non-cash items	(5,798)	(323)
Non-operating items	779	1,052
Operating profit before changes in working capital	3,403	4,806
Changes in working capital:-		
Net change in current assets	(42,209)	9,610
Net change in current liabilities	(270)	(9,237)
Tax paid	(1,347)	(1,118)
Net cash flows generated from operating activities	(40,423)	4,061
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of a subsidiary company	-	-
Other investments	(159)	779
Net cash flows used in investing activities	(159)	779
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank borrowings	44,671	1,829
Interest paid	(771)	(1,070)
Payment to hire purchase creditors	(2,004)	(242)
Share issue expenses	-	(4)
Dividend paid	-	-
Net cash flows (used in) / generated from financing activities	41,896	513
Net change in cash and cash equivalents	1,314	5,353
Effect of exchange rate changes	579	(965)
Cash and cash equivalents at beginning of financial year	8,748	1,650
Cash and cash equivalents at end of financial year	10,641	6,038
Cash and cash equivalents at the end of the financial year comprise the following:		
	<b>As at</b>	<b>As at</b>
	<b>31.08.2010</b>	<b>31.08.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	16,205	11,614
Deposit with licensed financial institutions	11,401	4,685
Bank overdraft	(16,965)	(10,261)
<b>Total</b>	<b>10,641</b>	<b>6,038</b>

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 May 2010.*

**GADANG HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 278114-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2010**

*THE FIGURES HAVE NOT BEEN AUDITED*

← **Attributable to Equity Holders of the Parent** →

	<b>Share Capital RM'000</b>	<b>ICULS 2003/2008 RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Share Premium RM'000</b>	<b>Foreign Exchange Reserve RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>	<b>Minority Interests RM'000</b>	<b>Total Equity RM'000</b>
<b>At 1 June 2010</b>									
As previously stated	118,016	-	1,347	8,816	(1,737)	58,528	184,970	4,249	189,219
Effects of adopting FRS 139	-	-	-	-	-	(1,615)	(1,615)	-	(1,615)
As restated	118,016	-	1,347	8,816	(1,737)	56,913	183,355	4,249	187,604
Profit for the period	-	-	-	-	-	6,405	6,405	21	6,426
Other comprehensive income	-	-	-	-	-	(719)	(719)	-	(719)
Total comprehensive income	-	-	-	-	-	5,686	5,686	21	5,707
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	579	-	579	(23)	556
Share issue expenses	-	-	-	-	-	-	-	-	-
Conversion of ICULS into ordinary shares	-	-	-	-	-	-	-	-	-
Issuance pursuant to:									
- ICULS	-	-	-	-	-	-	-	-	-
- ESOS	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
<b>At 31 August 2010</b>	<b>118,016</b>	<b>-</b>	<b>1,347</b>	<b>8,816</b>	<b>(1,158)</b>	<b>62,599</b>	<b>189,620</b>	<b>4,247</b>	<b>193,867</b>
<b>At 1 June 2009</b>									
As previously stated	118,016	-	1,347	8,816	(1,132)	43,612	170,659	5,212	175,871
Profit for the period	-	-	-	-	-	3,550	3,550	(569)	2,981
Other comprehensive income	-	-	-	-	-	302	302	-	302
Total comprehensive income	-	-	-	-	-	3,852	3,852	(569)	3,283
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	(965)	-	(965)	47	(918)
Share issue expenses	-	-	-	(4)	-	-	(4)	-	(4)
Conversion of ICULS into ordinary shares	-	-	-	-	-	-	-	-	-
Issuance pursuant to:									
- ICULS	-	-	-	-	-	-	-	-	-
- ESOS	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
<b>At 31 August 2009</b>	<b>118,016</b>	<b>-</b>	<b>1,347</b>	<b>8,812</b>	<b>(2,097)</b>	<b>47,464</b>	<b>173,542</b>	<b>4,690</b>	<b>178,232</b>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2010.*

# GADANG HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 278114-K)

## UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2010 NOTES TO THE INTERIM FINANCIAL REPORT

### PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

#### A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 May 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 May 2010.

The accounting policies adopted by the Group in the quarterly financial statements are consistent with those adopted in the financial statements for year ended 31 May 2010, except for the changes arising from the adoption of new / revised Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations that are effective for financial period beginning 1 June 2010 as follows:

##### (a) FRS 101, Presentation of Financial Statements (revised)

The revised FRS 101 requires all owner changes in equity to be presented in the statement of changes in equity, separately from non-owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (i.e. separate income statement and a statement of comprehensive income) and presented as a single line labeled as total comprehensive income in the statement of changes in equity.

The Group has adopted the two statements format for presentation of comprehensive income. Comparative information has been re-presented to be conformity with this revised FRS.

The adoption of this FRS has no impact on the financial position and results of the Group as it affects presentation of the financial statements only.

##### (b) FRS 139, Financial Statements: Recognition and Measurement and Amendments to FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of financial statements. Financial instruments are recognized initially at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

(b) **FRS 139, Financial Statements: Recognition and Measurement and Amendments to FRS 139, Financial Instruments: Recognition and Measurement (cont'd)**

(i) *Financial assets*

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in effective hedge, as appropriate.

The Group's categories its financial assets as follow:

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents which are subsequently measured at amortised cost using the effective interest method.

(ii) *Financial liabilities*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables, and borrowings that are classified as liabilities.

All the Group's financial liabilities are measured at amortised cost using the effective interest method.

In accordance with the transitional provisions of FRS 139 for the first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial period are recognized as adjustments of the opening balance of retained profits or another appropriate reserve and comparatives are not adjusted.

Accordingly, the effects of the initial adoption of FRS 139 on opening retained profits of the Group are as follows:

	Retained profits RM'000
Adjustments arising from adoption of FRS 139:	
- Impairment of trade receivable, net of tax	1,615

Impairment of trade receivables

Prior to 1 June 2010, provision for doubtful debts was recognized when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognized when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 June 2010, the Group has remeasured the allowance for the impairment losses as at that date in accordance with FRS 139 and the difference is recognized as adjustments to the opening balance of retained earnings as at that date

The initial application of the other new / revised FRSS, Amendment to FRSS and IC Interpretations has no material impact to the financial statements of the Group.

**A2. AUDIT QUALIFICATION**

The auditors' report on the Group's annual financial statements for the year ended 31 May 2010 was not subject to any audit qualification.

**A3. SEASONAL OR CYCLICAL FACTORS**

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

**A4. EXCEPTIONAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

**A5. CHANGES IN ESTIMATES**

There were no changes in estimates of the amounts reported in prior financial year that may have a material effect in the current quarter.

**A6. ISSUANCE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 31 August 2010.

**A7. DIVIDEND PAID**

There was no payment of dividend in the current quarter.

**A8. SEGMENT REVENUE AND RESULTS**

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	<b>Year ended 31 August 2010</b>	<b>External RM'000</b>	<b>Internal* RM'000</b>	<b>Total RM'000</b>	<b>PBT^ RM'000</b>	<b>Taxation RM'000</b>
Earthworks, engineering and construction works	68,886	14,848	83,734	5,040	(1,371)	3,669
Property investment and development	10,232	354	10,586	3,008	(497)	2,511
Manufacturing and trading in protective and decorative coating	5	-	5	(110)	-	(110)
Water concession	3,510	247	3,757	427	(155)	272
Plantation	-	-	-	(105)	-	(105)
Management and investment	-	1,145	1,145	136	(85)	51
Elimination	-	(16,594)	(16,594)	26	112	138
Consolidated	82,633	-	82,633	8,422	(1,996)	6,426

Note : \* Inter-segment sales  
 ^ Profit/(Loss) before tax  
 # Profit/(Loss) after tax



**A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements for the year ended 31 May 2010.

**A10. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There were no material events subsequent to the end of the quarter under review, except for the following corporate exercise:-

The Company received 100% subscription rate over the total of 78,675,427 Rights Shares together with 19,668,739 Warrants available for subscription under the Rights Issue. The Rights Issue was completed on 4 October 2010 following the admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the listing of and quotation for the 78,675,427 Rights Shares and 19,668,739 Warrants on the Main Market of Bursa Securities on 4 October 2010.

**A11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the period ended 31 August 2010.

**A12. CHANGES IN CONTINGENT LIABILITIES**

Corporate guarantees given by the Company to trade suppliers and various financial institutions for credit and hire purchase facilities granted to subsidiary companies are as follows :-

	<u>RM'000</u>
As at 31 May 2010	241,114
Increase during the financial period	48,743
As at 31 August 2010	<u><u>289,857</u></u>

**A13. CAPITAL COMMITMENTS**

	As at 31 August 2010 <u>RM'000</u>
<b>Approved and contracted for</b>	
- Purchase of land for property development	13,000
- Capital expenditure for Engineering Division	8,750
<b>Approved and not contracted for</b>	
- Oil palm plantations development	20,000
	<u>41,750</u> =====

<b>PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS</b>
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**B1. REVIEW OF PERFORMANCE**

The Group registered a revenue of RM82.63 million for the current period, an increase of 41% as compared to RM58.41 million recorded in the previous corresponding period. In line with the higher revenue, the Group's gross profit recorded a substantial increase of 74% mainly due to stronger gross profit margins achieved by the Construction Division during the current period.

Accordingly, the Group registered a healthy increase in profit before taxation to RM8.42 million as compared to RM4.08 million recorded in the previous corresponding period.

**B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

The Group recorded a decrease in revenue by 6% to RM82.63 million as compared to RM87.87 million registered in the preceding quarter. The lower revenue was a result of the completion of existing development projects by the Property Division.

However, the Group recorded a substantial decrease in operating expenses against the preceding quarter due to cost management activities implemented.

In line with the above, the Group registered a higher profit before taxation of RM8.42 million for the current quarter, against RM4.00 million in the preceding quarter.

**B3. PROSPECTS**

The Board of Directors views this financial year to be challenging for the Construction Division as major infrastructure projects are to be implemented by the Government under the Economic Transformation Programme. As for the Property Division, the focus will be on developing the existing land banks of the Group with market driven and affordable properties.

Barring unforeseen circumstances, better financial performance is expected for the financial year.

**B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT AND SHORTFALL IN PROFIT GUARANTEE**

This is not applicable to the Group.

**B5. TAXATION**

Taxation comprises the following:-

	Current quarter RM'000	Financial year-to-date RM'000
Current tax:		
Malaysian income tax	1,304	1,304
Foreign tax	155	155
Under / (over) provision for prior years	538	538
Deferred taxation	-	-
	<u>1,996</u>	<u>1,996</u>

The effective tax rate for the Group for the financial period is higher than the statutory tax rate because certain expenses are not allowable as deduction for tax purposes.

**B6. SALES OF UNQUOTED INVESTMENTS/PROPERTIES**

There were no disposals of unquoted investments or properties during the period under review.

**B7. QUOTED SECURITIES**

There were no dealings in quoted securities during the period under review.

**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

The corporate proposals announced on 10 February 2010 which have been completed as at the date of this announcement are as follows:-

- (1) Proposed Renounceable Two-call Rights Issue of up to 78,677,194 new ordinary shares of RM1.00 each (“shares”) in Gadang (“Rights Shares”) at an indicative issue price of RM1.00 per rights share on the basis of two (2) Rights Shares for every three (3) existing shares in Gadang (“Gadang Shares”) together with up to 19,669,299 free detachable warrants (“Warrants”) on the basis of one (1) warrant for every four (4) Rights Shares subscribed on an entitlement dated to be determined later (“Proposed Rights Issue”);
- (2) Proposed increase in the authorized share capital of Gadang from RM200,000,000 comprising 200,000,000 Gadang shares to RM400,000,000 comprising 400,000,000 Gadang shares by the creation of an additional 200,000,000 Gadang shares;
- (3) Proposed amendments to the Memorandum and Articles of Association of the Company; and
- (4) Proposed Exemption pursuant to Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 to Tan Sri Dato’ Kok Onn (“TSDKO”) and persons acting in concert with him (“PAC”) from the obligation to extend a mandatory take-over offer for all the remaining Gadang shares not already owned by TSDKO and PAC upon the completion of the Proposed Rights Issue.

(collectively referred to as “the Proposals”)

The approvals required for the Proposals as follows have been obtained:-

- i) Bank Negara Malaysia via its letter dated 31 May 2010 for the issue of Warrants to non-resident subscribing shareholders of the Company;
- ii) Bursa Malaysia Securities Berhad (“Bursa Securities”) via its letter dated 16 July 2010 for the admission of the Warrants to the Official List of Bursa Securities and the approval-in-principle for the listing of and quotation for the Rights Shares and Warrants to be issued under the Proposed Rights Issue and new Shares to be issued upon the exercise of the Warrant on Bursa Securities;
- iii) The shareholders of the Company at the Extraordinary General Meeting (“EGM”) dated 12 August 2010 for all the resolutions as sets out in the Notice of EGM dated 21 July 2010; and
- iv) Securities Commission (“SC”) via its letter dated 17 August 2010 for the Proposed Exemption.

The Company received 100% subscription rate over the total of 78,675,427 Rights Shares together with 19,668,739 Warrants available for subscription under the Rights Issue. The Rights Issue was completed on 4 October 2010 following the admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad (“Bursa Securities”), and the listing of and quotation for the 78,675,427 Rights Shares and 19,668,739 Warrants on the Main Market of Bursa Securities on 4 October 2010.

**B9. GROUP BORROWINGS**

The details of the Group borrowings are as follows: -

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
Short term borrowings	121,518	-	121,518
Long term borrowings	46,210	-	46,210
	<u>167,728</u>	<u>-</u>	<u>167,728</u>

Borrowings denominated in foreign currency :

	<b>Rp'000</b>	<b>RM'000</b>
	<b>Equivalent</b>	
Indonesian Rupiah (Rp)	<u>18,510,160</u>	<u>6,441</u>

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at the date of this report.

**B11. MATERIAL LITIGATIONS**

The details of material litigations which are still pending as at the date of this announcement are as follows:-

**(i) Kuala Lumpur High Court Suit No. S3-22-240-2000**

Parties :

**L'Grande Development Sdn Bhd ("L'Grande") vs Bukit Cerakah Development Sdn Bhd ("BCD") ("Original Action")**

**BCD vs L'Grande and Gadang Engineering (M) Sdn Bhd ("GESB") ("Action By Counterclaim")**

**GESB vs BCD and Pembinaan Era Dinamik Sdn Bhd ("PED") ("Counterclaim Within Counterclaim")**

**Nature :** L'Grande has commenced a suit against BCD (now known as Puncak Alam Housing Sdn Bhd) on 11 April 2000 for the recovery of the sum due and owing to L'Grande arising from a building contract in respect of a particular project. BCD sought a counterclaim against L'Grande. In BCD's defence, BCD has made various allegations of defective works done by L'Grande which included imputing blame on the part of GESB, being the sub-contractor involved in carrying out the earthworks for the said project. GESB applied to Court for an order to be added as a defendant to the counterclaim to be given the right to properly refute the serious allegations made against GESB ("said application"). The said application was granted on 10 June 2002. GESB then sought a counterclaim against BCD and PED on the basis of non-payment of sums due and owing to GESB.

GESB has sought to enter summary judgment against PED for the outstanding sums. The court has dismissed GESB's application against PED on 22 January 2003. GESB has since lodged an appeal on 28 January 2003. GESB's appeal to the Judge in Chambers against that decision was dismissed on 21 June 2004. GESB has since filed its appeal to the Court of Appeal on 23 June 2004, which was called up for hearing on 14 July 2008. After hearing submissions, the Court of Appeal dismissed GESB's appeal. The Court of Appeal took the view that this was a case not suitable for disposal by summary application.

**B11. MATERIAL LITIGATIONS (Cont'd)**

**Claim :** GESB's claim against PED is for sum of RM4,746,519.35 whereas the claim against BCD is essentially for a declaration that it is liable for the debts of PED.

**Status :** When the matter was called up on 29 June 2009 before the Deputy Registrar for case management, the Official Receiver informed the Court that L'Grande has been wound up and that they were currently in discussions with L'Grande on the way forward in respect of this action. Accordingly, the Official Receiver requested that the matter be put on hold pending the outcome of their discussions with L'Grande.

GESB's solicitors informed the Court that as L'Grande was not involved in the Counterclaim Within Counterclaim, GESB's action against BCD and PED could be proceeded with.

The next mention date pending settlement between the parties has been fixed on 8 November 2010.

**(ii) Kuala Lumpur High Court Suit No. S-22-615-2009**

Parties:

**Gadang Engineering (M) Sdn Bhd ("GESB") ("Plaintiff") vs Bluwater Developments Berhad (Formerly known as Mines Resort Berhad) ("Bluwater") ("Defendant")**

**Nature:** GESB filed a claim against Bluwater on 25 August 2009 for the amount of RM33,900,543.57 in relation to the works done by GESB for Bluwater with respect to the Mines Heritage Project (Package A and B). The cause papers were served on Bluwater as the defendant in this matter on 16 October 2009. GESB applied for a Mareva injunction against Bluwater and was granted an ex-parte Mareva injunction on 16 October 2009. Bluwater applied for discharge of the injunction order which was allowed on 30 October 2009. GESB appealed to the Court of Appeal against the discharge order and the appeal is pending.

On 4 November 2009, Bluwater applied for a stay pending arbitration. GESB applied for summary judgment on 6 November 2009. The court had, on 10 March 2010, allowed Bluwater's application for stay pending arbitration on condition that the arbitration must be completed within one (1) year, failing which, GESB will be at liberty to proceed with the application for summary judgment. The requests for arbitration have been served on 23 March 2010.

**Claim:** GESB's filed a claim against Bluwater for the amount of RM33,900,543.57 in relation to the works done by GESB for Bluwater with respect to the Mines Heritage Project (Package A and B).

**Status:** By a letter dated 11 May 2010, the President of Persatuan Arkitek Malaysia informed both parties the name and particulars of the appointed arbitrator. By a letter dated 18 May 2010, the Learned Arbitrator requested that both parties attend a preliminary meeting in early June 2010 before the commencement of the arbitration proceedings. At the preliminary meeting held on 3 June 2010, the Learned Arbitrator provided directions for parties to comply in this arbitration proceeding. Pursuant to the Learned Arbitrator's directions, GESB filed its points of claim on 18 June 2010. Bluwater is to reply with its points of defense and counterclaim on or before 16 July 2010. GESB filed its points of reply and defense to counterclaim on 6 August 2010. The next tentative dates for the hearings will be in October 2010 and November 2010 respectively.

**B12. DIVIDEND**

The Board of Directors does not recommend any payment of dividend for the first quarter ended 31 August 2010.

**B13. EARNINGS PER SHARE****Basic earnings per share**

The basic earnings per share has been calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would have been in issue upon full conversion of the ICULS 2003/2008 and share options granted under ESOS, calculated as follows :-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT QUARTER 31/08/2010 RM'000	PRECEDING YEAR CORRESPOND - DING QUARTER 31/08/2009 RM'000	CURRENT YEAR TO DATE 31/08/2010 RM'000	PRECEDING YEAR CORRESPOND - DING PERIOD 31/08/2009 RM'000
Net profit attributable to ordinary equity holders of the parent	6,405	3,550	6,405	3,550
Number of ordinary share at beginning of period	118,016	118,016	118,016	118,016
Issued pursuant to ESOS	-	-	-	-
Issued pursuant to ICULS	-	-	-	-
Weighted average number of ordinary shares	118,016	118,016	118,016	118,016
Basic earning per share (sen)	5.43	3.01	5.43	3.01

BY ORDER OF THE BOARD,  
Tan Seok Chung  
Company Secretary  
28 October 2010