

General AnnouncementReference No **MI-090907-60133**

Submitting Merchant Bank : KENANGA INVESTMENT BANK BERHAD
 Company Name : **HDM-CARLAW CORPORATION BERHAD (ACE Market)**
 Stock Name : CARLAW
 Date Announced : 07/09/2009

Type : Reply to query
 Reply to Bursa : NE-090904-37600
 Malaysia's Query Letter
 - Reference ID
 Subject : HDM-CARLAW CORPORATION BERHAD ("HDMC" OR "COMPANY")

(i) Default in Payments - Guidance Note 5 ("GN5"); and
 (ii) Litigation

Contents : Default in Payment – GN5

1. The location, size and age of the factory building will be announced once the information is available.

2. A valuation has been done on the factory building. The details of the independent valuer, date of the report, method of valuation and its market value of the factory building will be announced once the information is available.

3. The disposal of the factory building will not affect the operations of the Company as the Company can opt for rental of factory space if required.

4. Other than the following trade creditors, there are no other legal actions that has been instituted against HDMC –

- The Company had on 5 January 2009 and 8 January 2009 announced that the Company had received a Summons and Statement of Claim (Summon No. 1-72-4237-08) dated 20 November 2008 from Lotus City Bearings (M) Sdn Bhd against HDMCM for a total claim amounting to RM11.384.40. The suit is still pending.

- The Company had on 25 February 2009, 27 February 2009, 3 March 2009 and 30 June 2009 announced that the Company had received a Summons and Statement of Claim (Summon No. 22-70-2009) dated 3 February 2009 from Hock Kheng Construction Sdn Bhd against HDMC for a total claim amounting to RM276,179.80. On 2 June 2009, the suit against HDMC was withdrawn.

5. Yes, the default in payment will affect the business, financials and operations of the Company (i.e the Company will have limited access to suppliers' credit). However, HDMC has begun verbal negotiations with

financial institutions to restructure the loans.

Writ of Summons and Statement of Claims (“Litigation”)

1. The total cost of investment in HDMCM is approximately RM1,285,600 divided into 1,285,600 ordinary shares of RM1.00 each.
2. The litigation is expected to have adverse material financial and operational impact on HDM Group.
3. The losses if any, will be limited to the claims. The amount of losses, which is already provided for in the balance sheet, will be limited to what is owing to RHB Bank Bhd including any interest outstanding.
4. The company has appointed a solicitor to defend the claims and will propose to restructure the loans and regularize the interest payable.

This announcement is date 7 September 2009.

Query Letter
content

: We refer to the announcements dated 3 September 2009 in respect of the above matter.

In this connection, kindly furnish Bursa Malaysia Securities Berhad ("Bursa Securities") with the following additional information for public release:-

Default in Payment - GN5

1. To state the location, size and age of factory building;
2. Whether any valuation was carried out on the factory building. If so, the name of the independent valuer, date and method of valuation and its market value;
3. Whether the disposal of factory building will affect the operation of your Company;
4. Details of legal actions that has been instituted against HDMC; and
4. To clarify on whether the Default in Payment will affect the business, financial and operations of your Company.

Writ of Summons and Statements of Claim ("Litigation")

1. Total cost of investment of your Company in HDMCM;
2. The financial and operational impact of the Litigation on your Group;
3. The expected losses, if any arising from the Litigation; and

4. The steps taken and proposed to be taken by your Company in respect of the
Litigation.

Please furnish Bursa Securities with your reply within one (1) market day from
the date hereof.

Yours faithfully

CHONG FUI TZY
Head, Issuers
Listing Division
Regulation

HTH/NAE

c.c. Head, Market Surveillance, Securities Commission (via fax)

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