

**Subject: HDM-CARLAW CORPORATION BERHAD (“HDMC” or “COMPANY”)
ANNOUNCEMENT PURSUANT TO GUIDANCE NOTE 5 (“GN5”) OF THE
BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING
REQUIREMENTS.**

1. Introduction

The Board of Directors of the Company HDMC wishes to announce that HDMC and HDM-Carlaw (Malaysia) Sdn Bhd (“**HDMCM**”) had on 1 September 2009, received a Writ of Summons and Statement of Claim (Guaman Sivil No. 22-165-2009) in relation to the suit from RHB Bank Berhad (“**RHB**”). The Writ of Summons and Statement of Claim is for:-

1. RM494,942.77 being the outstanding loan amount to RHB Bank Berhad from HDMC as at 22 December 2008;
2. Interest at a rate of 3.5% p.a. on top of the original interest rate of the borrowing of 6.50% p.a. (subject to change) to be charged on the outstanding loan amount as at 23 December 2008 until the loan are fully repaid;
3. Costs; and
4. Any relief that the High Court deem fit.

Details of the default is per below:-

Lender: RHB
Facility: Overdraft facility
Borrower: HDMCM
Interest rate: 6.50% (subject to change)
Default interest rate: 3.50% on top of 6.50%
Tenure: Overdraft, repayment on demand
Security: RM500,000
Guarantor: HDM
Default amount (principal & interest): RM 515,737.00

2. Default in Payments

Below are the information required to be disclosed as per Guidance Note 5:-

2.1 Date of default

1 June 2009

2.2 Reasons for the default

HDMC is unable to service and repay its debts to RHB as the Group is experiencing operational difficulties and cash flow deficiency due to operational losses incurred in the last two (2) quarters, which reduced turnover and low margins.

2.3 Measures taken to address the default

HDMC proposes to dispose its factory building which carries a market valuation of RM4.7 million. The sales proceeds are intended to be used to settle HDMC Group’s outstanding bank loans.

2.4 Legal implications of the default including the extent of the listed corporation's liability in respect of the obligations incurred under the agreements for the indebtedness

In respect of the defaulted loan where the Company is the principal borrower and a guarantor for the defaulted loans of HDMC and HDMCM ("the Debt"), the Company is fully liable for the Debts.

Except for some trade creditors who had instituted legal actions against HDMC, none of the other trade creditors or banks have taken legal action against HDMC.

2.5 Business, financial and operational impact of the Default on HDMC

The default is a direct consequence of the dwindling business, financials and operations of HDMC

2.6 In the event the Default is in respect of secured loan stocks or bonds, the lines of action available to the guarantors or security holders against the listed corporation

Not applicable. The default is not in respect of secured loan stocks or bonds.

2.7 In the event the Default is in respect of payments under a debenture, to specify whether the Default will empower the debenture holder to appoint a receiver or receiver and manager

Not applicable. No debenture has been issued by the Group

2.8 Whether the Default constitutes an event of default under a different agreement for indebtedness (cross default) and the details for such other default, where applicable

The default could constitute a technical default for other loan facilities granted by other lenders to the Group.

2.9 Where the Default is in respect of a subsidiary or associated company, a confirmation as to whether the subsidiary or associated company is a major subsidiary or major associated company, as the case may be

HDMCM is a major subsidiary of the Company.

2.10 Where the Default is in respect of a listed corporation, major subsidiary or major associated company, as the case may be, a statement as to whether the listed corporation is solvent ("Solvency Declaration"). In the event the listed issuer is solvent, a statement that the listed issuer undertakes to provide to the Exchange, the Solvency Declaration duly executed by its board of directors within 3 market days from this announcement. For this purpose, a listed corporation is regarded as being "solvent" if the majority directors have formed the opinion that the listed corporation will be able to pay all its debts as and when they fall due within a period of 12 months from the date of the announcement

In the present circumstances, it is unlikely that the Group will be able to pay all its debts as and when they fall due within the period of twelve (12) months from the date of this announcement.

This announcement is dated 3 September 2009.