

**SOKOUK HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2011
(UNAUDITED)**

**WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Sokouk Holding Company - K.S.C. (Holding)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company - K.S.C. (Holding) (the parent company) and its subsidiaries (the group) as of March 31, 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.



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Emphasis of matter

We draw attention to Note 4 to the accompanying interim consolidated financial information which described the uncertainty relating to the amount due from the associate. Our conclusion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the period ended March 31, 2011 that might have had a material effect on the business of the Group or on its financial position.

Ali Owaid Rukheyes
Licence No. 72-A
Member of the International Group
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Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
June 5, 2011

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2011
 (All amounts are in Kuwaiti Dinars)

| | Note | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|--|------|-------------------|-----------------------------------|--------------------|
| ASSETS | | | | |
| Cash on hand and at banks | | 1,692,216 | 1,337,645 | 1,096,473 |
| Accounts receivable and other debit balances | | 4,240,570 | 2,455,875 | 3,631,231 |
| Sokouk utilization rights | | 5,504,484 | 5,504,484 | 7,284,200 |
| Investments in Wakala | | 2,148,094 | 2,100,191 | 1,951,841 |
| Due from related parties | 3 | 26,174,301 | 27,375,429 | 43,918,823 |
| Investments available for sale | | 8,759,773 | 9,081,204 | 10,170,422 |
| Investment in associates | 4 | 12,113,640 | 12,316,056 | 16,768,389 |
| Investment property under development | | 13,785,604 | 13,702,313 | 16,502,500 |
| Investment in joint venture | | 1,839,746 | 1,886,878 | 2,622,632 |
| Property and equipment | | 886 | 1,445 | 4,100 |
| Goodwill | | - | - | 1,312,029 |
| Total assets | | 76,259,314 | 75,761,520 | 105,262,640 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities: | | | | |
| Due to financial institution | 5 | 2,290,613 | - | - |
| Accounts payable and other credit balances | | 2,149,023 | 2,459,264 | 2,563,581 |
| Due to related parties | 3 | 505,336 | 505,336 | 5,481,174 |
| Murabaha payables | | 7,147,628 | 7,442,189 | 5,745,037 |
| Provision for end of service indemnity | | 78,232 | 98,529 | 88,672 |
| Total liabilities | | 12,170,832 | 10,505,318 | 13,878,464 |
| Equity: | | | | |
| Capital | | 100,000,000 | 100,000,000 | 100,000,000 |
| Share premium | | 17,500,000 | 17,500,000 | 17,500,000 |
| Statutory reserve | | 2,229,106 | 2,229,106 | 2,229,106 |
| Voluntary reserve | | 2,229,106 | 2,229,106 | 2,229,106 |
| Foreign currency translation adjustments | | (78,770) | (55,911) | 12,956 |
| Cumulative changes in fair value | | 366,221 | 126,930 | 401,338 |
| Effect of changes in associates' equity | | (520,052) | (513,123) | (222,225) |
| Accumulated losses | | (58,799,301) | (57,407,995) | (31,883,404) |
| Equity attributable to equity holders of the parent company | | 62,926,310 | 64,108,113 | 90,266,877 |
| Non-controlling interests | | 1,162,172 | 1,148,089 | 1,117,299 |
| Total equity | | 64,088,482 | 65,256,202 | 91,384,176 |
| Total liabilities and equity | | 76,259,314 | 75,761,520 | 105,262,640 |

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information



Feras Fahad Al Bahar
 Chairman and Chief Executive Officer



Jassem Mohamed Al Duwaikh
 Vice Chairman

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011
(All amounts are in Kuwaiti Dinars)

| | Note | Three months ended March 31, | |
|--|------|---------------------------------|------------------|
| | | 2011 | 2010 |
| Other operating income | | 99,075 | 146,703 |
| Expenses and charges: | | | |
| General and administrative | | (174,137) | (186,335) |
| Depreciation and amortization | | (559) | (2,884) |
| | | <u>(174,696)</u> | <u>(189,219)</u> |
| Operating loss | | (75,621) | (42,516) |
| Dividend income from investments available for sale | | 20,128 | 23,296 |
| Impairment loss for investments available for sale | | (560,722) | - |
| Gain from investments in Wakala | | 31,140 | 32,971 |
| Group's share of results from associates | 4 | (195,487) | (870,013) |
| Group's share of results from joint venture | | (24,273) | (13,758) |
| Loss from sale of property and equipment | | - | (19,328) |
| Finance charges | | (128,081) | (130,937) |
| Foreign currency exchange (loss) gain | | (444,307) | 453,297 |
| Net loss for the period | | <u>(1,377,223)</u> | <u>(566,988)</u> |
| Attributable to : | | | |
| Parent Company's shareholders | | (1,391,306) | (588,092) |
| Non-controlling interests | | 14,083 | 21,104 |
| Net loss for the period | | <u>(1,377,223)</u> | <u>(566,988)</u> |
| | | <u>Fils</u> | <u>Fils</u> |
| Loss per share attributable to equity holders of the Parent Company | 6 | <u>(1.39)</u> | <u>(0.59)</u> |

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011
 (All amounts are in Kuwaiti Dinars)

| | | Three months ended March 31, | |
|--|------|---------------------------------|------------------|
| | Note | 2011 | 2010 |
| Net loss for the period | | (1,377,223) | (566,988) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (22,859) | 22,093 |
| Change in fair value of investments available for sale | | 239,291 | 205,300 |
| Change in associates' equity | 4 | (6,929) | 38,372 |
| Other comprehensive income for the period | | 209,503 | 265,765 |
| Total comprehensive loss for the period | | <u>(1,167,720)</u> | <u>(301,223)</u> |
| Attributable to : | | | |
| Shareholders of the parent company | | (1,181,803) | (322,327) |
| Non-controlling interests | | 14,083 | 21,104 |
| Total comprehensive loss for the period | | <u>(1,167,720)</u> | <u>(301,223)</u> |

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

(All amounts are in Kuwaiti Dinars)

| | Attributable to equity holders of the Parent Company | | | | | | | Total equity attributable to equity holders of the Parent Company | Non-controlling interests | Total equity |
|--|--|-------------------|-------------------|-------------------|--|----------------------------------|---|---|---------------------------|-------------------|
| | Capital | Share premium | Statutory reserve | Voluntary reserve | Foreign currency translation adjustments | Cumulative changes in fair value | Effect of changes in associates' equity | | | |
| Balance at December 31, 2010 | 100,000,000 | 17,500,000 | 2,229,106 | 2,229,106 | 126,930 | (513,123) | (57,407,995) | 64,108,113 | 1,148,089 | 65,256,202 |
| Total comprehensive (loss) income for the period | - | - | - | - | (55,911) | (6,929) | (1,391,305) | (1,181,803) | 14,083 | (1,167,720) |
| Balance at March 31, 2011 | 100,000,000 | 17,500,000 | 2,229,106 | 2,229,106 | (78,770) | (520,052) | (58,799,301) | 62,926,310 | 1,162,172 | 64,088,482 |
| Balance at December 31, 2009 | 100,000,000 | 17,500,000 | 2,229,106 | 2,229,106 | 196,038 | (260,597) | (31,295,312) | 90,589,204 | 1,096,195 | 91,685,399 |
| Total comprehensive income (loss) for the period | - | - | - | - | 22,093 | 38,372 | (588,092) | (322,327) | 21,104 | (301,223) |
| Balance at March 31, 2010 | 100,000,000 | 17,500,000 | 2,229,106 | 2,229,106 | 12,956 | (222,225) | (31,883,404) | 90,266,877 | 1,117,299 | 91,384,176 |

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011
(All amounts are in Kuwaiti Dinars)

| | Three months ended March 31, | |
|--|---------------------------------|------------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net loss for the period | (1,377,223) | (566,988) |
| Adjustments for: | | |
| Depreciation and amortization | 559 | 2,884 |
| Dividend income from investments available for sale | (20,128) | (23,296) |
| Impairment loss for investments available for sale | 560,722 | - |
| Gain from investments in Wakala | (31,140) | (32,971) |
| Group's share of result from associates | 195,487 | 870,013 |
| Group's share of result from joint venture | 24,273 | 13,758 |
| Loss from sale of property and equipment | - | 19,328 |
| Finance charges | 128,081 | 130,937 |
| Provision for end of service indemnity | 5,496 | 8,796 |
| | <u>(513,873)</u> | 422,461 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and other debit balances | 212,241 | 114,162 |
| Due from related parties | 1,201,128 | (361,303) |
| Accounts payable and other credit balances | (16,564) | (2,501,937) |
| Due to related parties | - | 2,359,063 |
| Cash generated from operations | <u>882,932</u> | 32,446 |
| End of service indemnity paid | (25,793) | (737) |
| Net cash generated from operating activities | <u>857,139</u> | 31,709 |
| Cash flows from investing activities: | | |
| Net paid for investments in Wakala | (16,763) | (47,122) |
| Dividend received | 20,128 | 23,296 |
| Paid for investment property under development | (83,291) | (49,061) |
| Proceeds from sale of property and equipment | - | 5,000 |
| Net cash used in investing activities | <u>(79,926)</u> | (67,887) |
| Cash flows from financing activities: | | |
| Net movement of Murabaha payables | (422,642) | (236,688) |
| Net cash used in financing activities | <u>(422,642)</u> | (236,688) |
| Net increase (decrease) in cash on hand and at banks | 354,571 | (272,866) |
| Cash on hand and at banks at the beginning of the period | <u>1,337,645</u> | 1,369,339 |
| Cash on hand and at banks at the end of the period | <u>1,692,216</u> | <u>1,096,473</u> |

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

MARCH 31, 2011

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Sokouk Holding Company – K.S.C (Holding) “the parent company”, (previously known as Sokouk Real Estate Development Company – K.S.C (Closed) and prior before as Al-Wasta Real Estate Development Company – K.S.C (Closed)), is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1 dated August 23, 1998 and registered on commercial register under Ref. No. 74323 dated August 29, 1998.

The parent company’s registered address is at P.O. Box 29110 Safat – Postal code 13152 - State of Kuwait.

The interim consolidated financial information were authorized for issue by the Board of Directors on June 5, 2011.

2. Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2010.

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2010.

3. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates, joint venture and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group’s management. Significant related parties balances and transactions are as follows:

| Interim condensed consolidated statement of financial position | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|---|---------------------------|--|---------------------------|
| <u>Due from related parties:</u> | | | |
| Due from associates | 38,501,730 | 39,756,740 | 44,111,503 |
| Due from joint ventures | 524,342 | 470,460 | 1,058,912 |
| Due from companies under common control | 475,234 | 475,234 | 559,208 |
| Provision for doubtful debts | (13,327,005) | (13,327,005) | (1,810,800) |
| Total due from related parties | 26,174,301 | 27,375,429 | 43,918,823 |

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

MARCH 31, 2011

(All amounts are in Kuwaiti Dinars)

| Interim condensed consolidated statement of financial position | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|--|-------------------|-----------------------------------|-------------------|
| Cash with portfolio manager | 147,858 | 1,559 | 12,344 |
| Investments available for sale managed by related parties | 1,608,030 | 1,921,609 | 2,195,602 |
| Investments in Wakala | 2,148,094 | 2,100,191 | 1,951,841 |
| <u>Due to related parties:</u> | | | |
| Due to principal shareholders | 505,336 | 505,336 | 2,717,254 |
| Due to companies under common control | - | - | 2,763,920 |
| Total due to related parties | 505,336 | 505,336 | 5,481,174 |
| Due to financial institution | 2,290,613 | - | - |
| Murabaha payables | 7,147,628 | 7,442,189 | 5,745,037 |

Due from / to related parties mainly result from purchase and sale of Sokouk utilization rights and investments.

Due from related parties includes an amount of USD 158,284,538 including a deferred revenue of USD 25,008,826 receivable from Munshaat Real Estate Company – K.S.C. (Closed), payable in five equal annual installments starting from January 1, 2010 up to January 1, 2014. During the period ended March 31, 2011 no installments have been paid. The management is currently having serious discussions with its associate Munshaat Real Estate Company – K.S.C. (Closed) to settle amount due from the associate.

There is an inherent uncertainty relating to going concern for due from Munshaat Real Estate Company – K.S.C. (Closed) (Note 4), during the period ended March 31, 2011. The total amount of the provision relating to due from Munshaat Real Estate Company K.S.C. (Closed) as at March 31, 2011 is KD 13,327,005.

| | Three months ended March 31, | |
|--|---------------------------------|-----------|
| | 2011 | 2010 |
| Interim condensed consolidated statement of income: | | |
| Other operating income | 127,725 | 79,730 |
| General and administrative expenses | (50,220) | (12,081) |
| Gain from investments in Wakala | 31,140 | 32,971 |
| Finance charges | (128,081) | (130,937) |
| Foreign currency exchange (loss) gain | (442,603) | 452,957 |

| | Three months ended March 31, | |
|-------------------------------------|---------------------------------|---------------|
| | 2011 | 2010 |
| Key management compensation: | | |
| Short term benefits | 33,114 | 60,924 |
| Termination benefits | 2,364 | 5,048 |
| | <u>35,478</u> | <u>65,972</u> |

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2011

(All amounts are in Kuwaiti Dinars)

4. Investment in associates

The investment in associates consists of the following:

| Name of the associate | Country of Incorporation | Percentage of holding % | | | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|---|--------------------------|-------------------------|-----------------------------|----------------|-------------------|-----------------------------|-------------------|
| | | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 | | | |
| Munshaat Real Estate Projects Co. – K.S.C. (Closed) | Kuwait | 27.67 | 27.67 | 27.67 | 10,649,013 | 10,932,044 | 15,558,325 |
| Mas Holding Company – K.S.C. | Kuwait | 40 | 40 | 40 | 1,464,627 | 1,384,012 | 1,210,064 |
| | | | | | <u>12,113,640</u> | <u>12,316,056</u> | <u>16,768,389</u> |

The movement during the period / year is as follows:

| | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|--|-------------------|-----------------------------|-------------------|
| Balance at the beginning of the period / year | 12,316,056 | 17,600,030 | 17,600,030 |
| Group's share of results from associates | (195,487) | (4,917,448) | (870,013) |
| Change in associates' equity | (6,929) | (56,857) | 38,372 |
| Change in associates equity from prior year restatements | - | (195,669) | - |
| Dividend received from an associate | - | (114,000) | - |
| Balance at the end of the period / year | <u>12,113,640</u> | <u>12,316,056</u> | <u>16,768,389</u> |

The auditors' report on review of interim consolidated financial information of Munshaat Real Estate Projects Company - K.S.C. (Closed) for the three months ended March 31, 2011 included an emphasis of matter relating to inherent uncertainty regarding continuation of going concern as follows:

"The interim consolidated financial information which indicates that the associate incurred a loss of KD 890,590 during the three months period ended March 31, 2011 and, as at that date has accumulated losses of KD 18,136,585 and its current liabilities exceeded its current assets by KD 112,334,080. Furthermore the associate is actively engaged with its lenders to restructure its entire debt obligations due to the default on the repayment of certain debt obligations and has also agreed with the Parent Company, whose debt has been defaulted, not to pursue the collection of its outstanding dues until the associate completes restructuring and rescheduling process. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the associate's ability to continue as going concern."

5. Due to financial institution

During the period the Group obtained the first installment of a new finance from a local Islamic Financial Institution (related party). The finance carry an annual finance cost of 7.4% and secured by the investment property under development.

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

MARCH 31, 2011

(All amounts are in Kuwaiti Dinars)

6. Loss per share attributable to equity holders of the Parent Company

There are no potential dilutive ordinary shares. The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding during the period is as follows:

| | Three months ended March 31, | |
|--|---------------------------------|----------------------|
| | 2011 | 2010 |
| Loss for the period attributable to equity holders of the parent company | <u>(1,391,306)</u> | <u>(588,092)</u> |
| | <u>Shares</u> | <u>Shares</u> |
| <u>Number of shares outstanding:</u> | | |
| Number of issued shares at the beginning of the period | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| Weighted average number of shares outstanding | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| | <u>Fils</u> | <u>Fils</u> |
| Loss per share attributable to equity holders of the parent company | <u>(1.39)</u> | <u>(0.59)</u> |

7. Capital commitments and contingent liabilities

The Group has capital commitments with respect to future capital expenditure related to the construction of a hotel in a joint venture and contingent liabilities regarding letters of credit for an associate as follows:

| | March 31, 2011 | December 31, 2010 (Audited) | March 31, 2010 |
|------------------------|-------------------|-----------------------------------|-------------------|
| Capital commitments | <u>2,922,259</u> | <u>3,470,320</u> | <u>3,560,839</u> |
| Contingent liabilities | <u>-</u> | <u>7,181</u> | <u>-</u> |
| | <u>2,922,259</u> | <u>3,477,501</u> | <u>3,560,839</u> |

8. General Assembly

The shareholders' General Assembly for the year ended December 31, 2010 had not been held until the date of preparation of these interim consolidated financial information. Accordingly, the consolidated financial statements for the year ended December 31, 2010 have not been approved. The interim consolidated financial information for the period ended March 31, 2011 do not include any adjustment which might have been required had the General Assembly approved the consolidated financial statements for the year ended December 31, 2010.

The shareholders' General Assembly held on May 17, 2010 approved non-distribution of cash dividends or bonus shares for the year ended December 31, 2009.