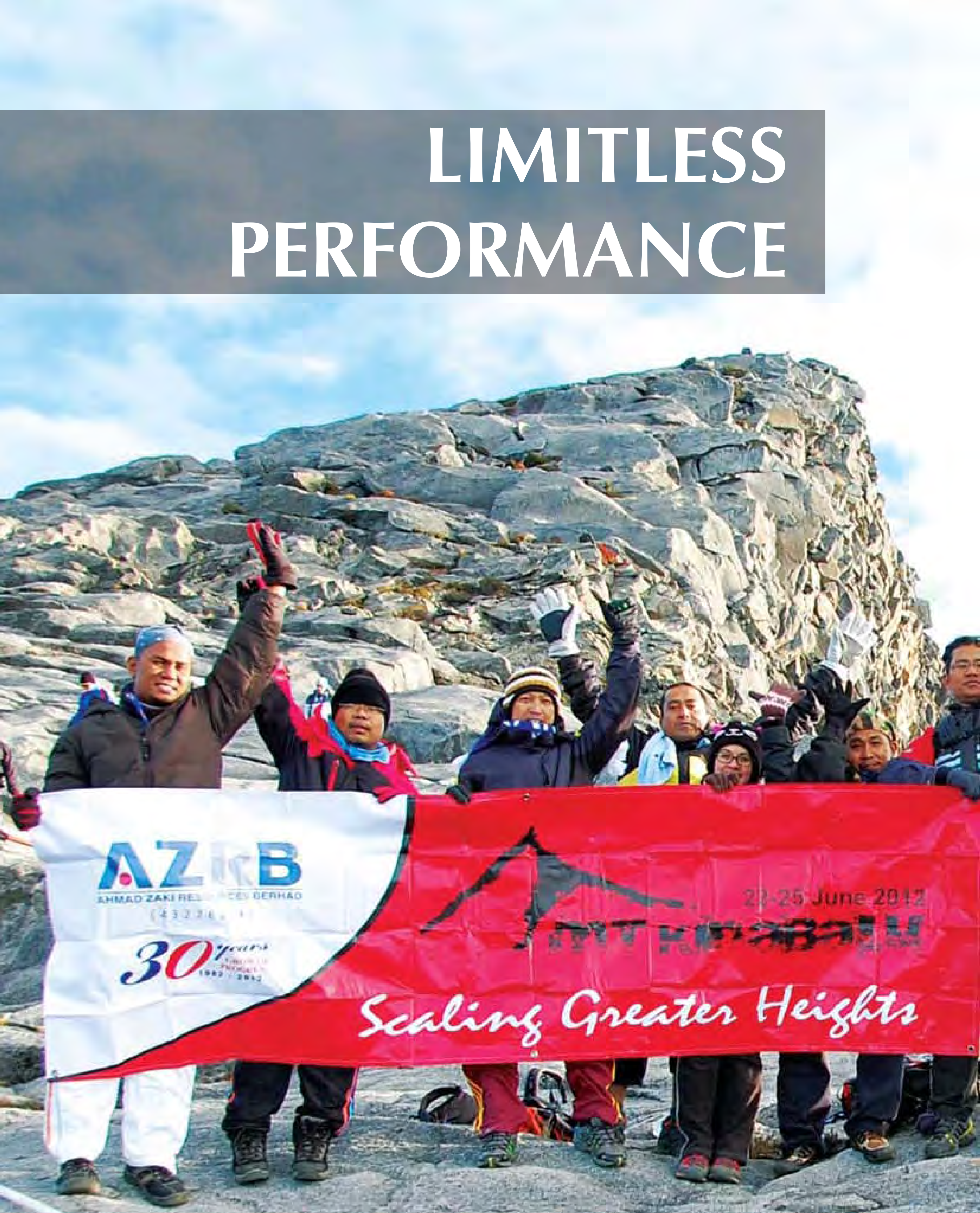
2012 ANNUAL REPORT

AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

LIMITLESS PERFORMANCE



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AZRB
22-25 June 2012
MT KINABALU
30 Years Old And Growing Stronger

Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of the Company will be held at Tun Sri Lanang 1 & 2, Ground Floor, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 27 June 2013 at 10:00 am for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. *Please refer to Note A*

2. To approve the payment of Directors' fees for the year ended 31 December 2012. *Resolution 1*

3. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-

   (i) Dato' Sri Haji Wan Zaki Bin Haji Wan Muda *Resolution 2*
   (ii) Dato' Wan Zakariah Bin Haji Wan Muda *Resolution 3*
   (iii) Dato' Haji Mustaffa Bin Mohamad *Resolution 4*

4. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *Resolution 5*

Special Business

To consider and if thought fit, to pass with or without modifications, the following resolutions:-

Ordinary Resolutions

5. **Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   "THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approval from the relevant authorities, where such approval is necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued." *Resolution 6*

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature**

   "THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 4 June 2013 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day to day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms. *Resolution 7*

AND THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 17th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company (being the 17th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest,

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. **Authority to Continue in Office as Independent Non-Executive Director**

"THAT authority be and is hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, to continue to act as Independent Non-Executive Directors of the Company:"

(i) Raja Dato' Seri Aman Bin Raja Haji Ahmad *Resolution 8*
(ii) Datuk (Prof.) A Rahman @ Omar Bin Abdullah *Resolution 9*
(iii) Dato' Haji Ismail @ Mansor Bin Said *Resolution 10*

Special Resolution

8. **Proposed Amendments to the Articles of Association of the Company**

"THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 4 June 2013 (the "Proposed Amendments") be and are hereby approved and adopted." *Resolution 11*

AND THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities. "

By Order of the Board

Haji Bahari bin Johari (LS 0008773)
Seuhailey binti Shamsudin (MAICSA 7046575)
Wong Maw Chuan (MIA 7413)
Company Secretaries

Kuala Lumpur
4 June 2013

Notes:

A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be presented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 20 June 2013 shall be eligible to attend, speak and vote at the 16th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes on Special Business:

6. **Resolution 6 - Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

   The ordinary resolution proposed under item 5, if passed will give powers to the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors would consider in the best interest of the Company. The approval is sought to avoid any delay and cost involved in convening a general meeting for such issuance of shares. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for the purpose of repayment of bank borrowings, funding future investment and working capital.

7. **Resolution 7 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The ordinary resolution proposed under item 6, if passed will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

8. **Resolutions 8 to 10 – Authority to Continue in Office as Independent Non-Executive Director**

   In line with the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

   (i) Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and hence, they would be able to provide an element of objectivity, independent judgement and balance to the Board;

   (ii) Their length of services on the Board of more than nine years does not in any way interfere with their exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said, having been with the Company for more than nine years, are familiar with the Group's business operations and have devoted sufficient times and commitments to their role and responsibilities as an Independent Director for informed and balance decision making; and

   (iii) They have exercised due care during their tenures as Independent Director of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

9. **Resolution 11 - Proposed Amendments to the Articles of Association of the Company**

   The Special Resolution proposed under item 8 is to amend the Articles of Association of the Company to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix I of the Circular to Shareholders dated 4 June 2013.

1. **Board Meetings held in the financial year ended 31 December 2012**

There were eight (8) Board Meetings held during the financial year ended 31 December 2012. Details of the attendance of the Directors are as follows:-

Executive Directors	Total Meeting Attended	% of Attendence
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	8/8	100%
Dato' Wan Zakariah bin Haji Wan Muda	8/8	100%
Dato' Haji Mustaffa bin Mohamad	7/8	87%
Dato' W Zulkifli bin Haji W Muda	6/8	75%
Non-Executive Directors		
Raja Dato' Seri Aman bin Raja Haji Ahmad	8/8	100%
Datuk (Prof.) A Rahman @ Omar bin Abdullah	5/8	62%
Dato' Haji Ismail @ Mansor bin Said	8/8	100%
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	8/8	100%

2. **Place, date and time of Meeting**

The 16th Annual General Meeting of the Company will be held at Tun Sri Lanang 1 & 2, Ground Floor, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 27 June 2013 at 10:00 am.

3. **Directors who are seeking for re-election or re-appointments of the 16th Annual General Meeting of the Company**

The Directors who are offering themselves for re-election at the Annual General Meeting of the Company are as follows:-

(i) Dato' Sri Haji Wan Zaki bin Haji Wan Muda
(ii) Dato' Wan Zakariah bin Haji Wan Muda
(iii) Dato' Haji Mustaffa bin Mohamad

Details of Directors are set out on pages 12 to 19 of this Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 170.

Corporate
INFORMATION

BOARD OF DIRECTORS

1.	Raja Dato' Seri Aman Bin Raja Haji Ahmad	*(Independent Non-Executive Chairman)*
2.	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	*(Executive Vice Chairman)*
3.	Dato' Wan Zakariah Bin Haji Wan Muda	*(Managing Director)*
4.	Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	*(Independent Non-Executive Director)*
5.	Datuk (Prof.) A Rahman @ Omar Bin Abdullah	*(Independent Non-Executive Director)*
6.	Dato' Haji Ismail @ Mansor Bin Said	*(Independent Non-Executive Director)*
7.	Dato' Haji Mustaffa Bin Mohamad	*(Executive Director)*
8.	Dato' W Zulkifli Bin Haji W Muda	*(Executive Director)*

AUDIT COMMITTEE

1.	Raja Dato' Seri Aman Bin Raja Haji Ahmad	*(Chairman)*
2.	Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	*(Member)*
3.	Datuk (Prof.) A Rahman @ Omar Bin Abdullah	*(Member)*
4.	Dato' Haji Ismail @ Mansor Bin Said	*(Member)*

COMPANY SECRETARIES

1.	Haji Bahari bin Johari	(LS 0008773)
2.	Seuhailey binti Shamsudin @ Azraain	(MAICSA 7046575)
3.	Wong Maw Chuan	(MIA 7413)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5,
Bangsar South City, 59200 Kuala Lumpur
Tel : 03-2283 6050
Fax : 03-2283 6072

REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
Alliance Bank Berhad
AmBank Group
OCBC Bank (Malaysia) Bhd
Malayan Banking Berhad

AUDITORS

KPMG
KPMG Tower, 8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor

STOCK EXCHANGE

Main Board of Bursa Malaysia Securities Berhad

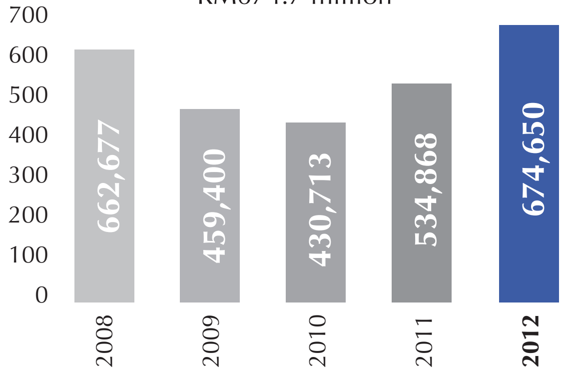
Corporate STRUCTURE

ENGINEERING AND CONSTRUCTION	
1. AHMAD ZAKI SDN BHD	100%
2. AZSB MACHINERIES SDN BHD	100%
3. UNGGUL ENERGY & CONSTRUCTION SDN BHD	100%
CONCESSION	
1. PENINSULAR MEDICAL SDN BHD	100%
EXPRESSWAYS	
1. EKVE SDN BHD	100%
PROPERTY DEVELOPMENT	
1. KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD	60%
2. AZRB PROPERTIES SDN BHD	100%
3. TREND VISTA DEVELOPMENT SDN BHD	100%
4. TEMALA DEVELOPMENT SDN BHD	70%
5. BETANAZ PROPERTIES SDN BHD	51%
OIL & GAS	
1. INTER-CENTURY SDN BHD	100%
2. ASTRAL FAR EAST SDN BHD	100%
PLANTATION	
1. PT ICHTIAR GUSTI PUDI	95%
OVERSEAS INVESTMENT	
1. AZRB CONSTRUCTION (INDIA) PVT LTD	100%
2. AZRB INTERNATIONAL VENTURES SDN BHD	100%
3. AHMAD ZAKI SAUDI ARABIA CO LTD	100%
QUARRY OPERATION	
1. TADOK GRANITE MANUFACTURING SDN BHD	100%
PROJECT MANAGEMENT	
1. PENINSULAR PROKONSULT SDN BHD	100%
INVESTMENT	
1. MAXI HERITAGE SDN BHD	20%
2. FASA TIMUR SDN BHD	50%

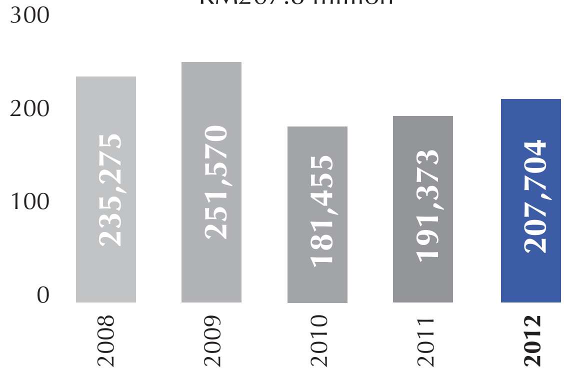
5 - Year
FINANCIAL HIGHLIGHTS

Group Five Year Summary	Year ended 31 December				
	2008	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	662,677	459,400	430,713	534,868	**674,650**
Profit/(Loss) before taxation	28,868	32,429	(49,914)	24,429	**37,775**
Profit/(Loss) attributable to owners of the Company	15,644	20,765	(61,630)	11,860	**18,679**
Paid up Capital	138,266	138,318	138,348	138,382	**138,471**
Shareholders' Fund	235,275	251,570	181,455	191,373	**207,704**
Net tangible assets per share (sen)	84	90	64	68	**74**

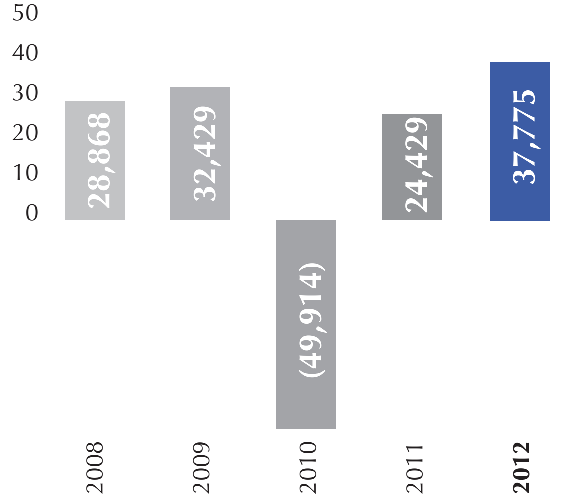
REVENUE
RM674.7 million



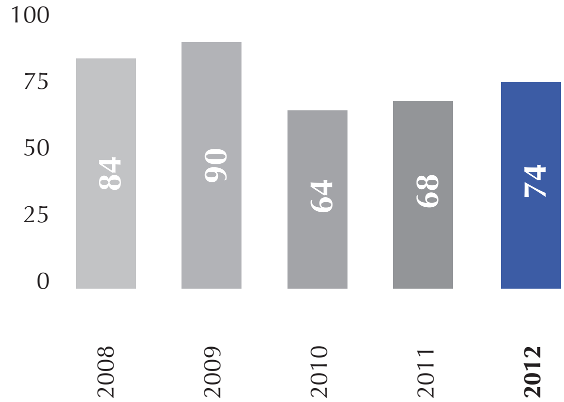
SHAREHOLDERS' FUNDS
RM207.8 million



PROFIT/(LOSS) BEFORE TAXATION
RM37.8 million

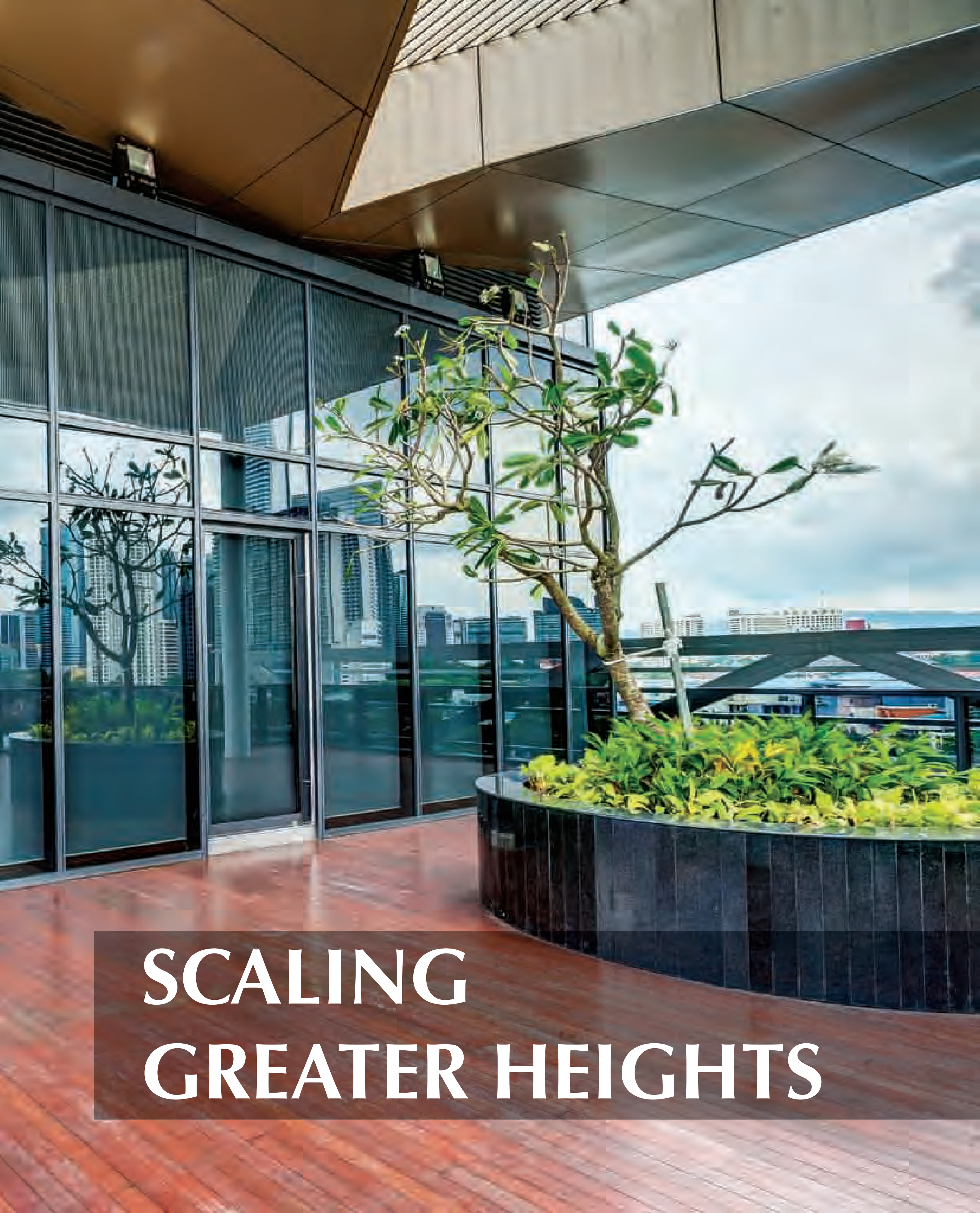


NET TANGIBLE ASSET PER SHARE
74 sen



Menara AZRB, Office Area

Menara AZRB, Reflection of KL City Skyline



SCALING GREATER HEIGHTS

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
SPMP, DPMP, PJK, AMN

Raja Dato' Seri Aman, a Malaysian, aged 67, was appointed Chairman and Independent Non-Executive Director and member of the Audit Committee on 26 February 2004 and subsequently assumed the Chairmanship of the Audit Committee on 8 April 2004. He is also the Chairman of Board Risk Committee and sits on the Remuneration and Nomination Committees as an ordinary member.

Raja Dato' Seri Aman is a Fellow of the Institute of Chartered Accountants in England and Wales and also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad (then known as Perwira Habib Bank Malaysia Berhad) in 1985 as Executive Director/CEO. He left Affin Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer. He was reappointed as Chief Executive Officer of Affin Bank Berhad in 1995 and retired in 2003.

Raja Dato' Seri Aman is also an Independent Non-Executive Director of Affin Holdings Berhad, Tomei Consolidated Berhad and Affin Investment Bank Berhad.

During the financial year ended 31 December 2012, he attended 8 out of 8 Board meetings held.

DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA
SSAP, SIMP, DPMT, PPN, PJK

Dato' Sri Haji Wan Zaki, a Malaysian, aged 64, was appointed the Executive Vice Chairman of AZRB on 24 March 1999. He subsequently held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of AZRB on 26 February 2004. He is presently the Chairman of the Remuneration Committee and an ordinary member of the Board Risk Committee.

Dato' Sri Haji Wan Zaki is the founder of Ahmad Zaki Sdn Bhd ("AZSB"). Dato' Sri Haji Wan Zaki began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd, a Pahang state-owned company. In 1973, he joined Perkayuan Pahang Sdn Bhd as a Financial Assistant and Marketing Officer and subsequently rose to the position of Marketing Manager. He left Perkayuan Pahang Sdn Bhd in 1977 to join Pesaka Terengganu Bhd as its Operation Manager where he served until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to focus on AZSB.

Dato' Sri Haji Wan Zaki is also the Chairman of Chuan Huat Resources Bhd and sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2012, he attended 8 out of 8 Board meetings held.

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA
DSAP, DSSA

Dato' Wan Zakariah, a Malaysian, aged 53, joined the board of the Company as an Executive Director on 24 March 1999 and subsequently was appointed to the post of Managing Director on 1 January 2003. He is presently the Chairman of the Establishment Committee and sits as a member of the Remuneration Committee.

Dato' Wan Zakariah also sits on the boards of directors of several private limited companies.

Dato' Wan Zakariah obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom (currently known as University of Greenwich) in 1986. He started his career as Quantity Surveyor with the construction subsidiary AZSB and in 1996 was promoted to the post of Managing Director of AZSB until 2003.

During the financial year ended 31 December 2012, he attended 8 out of 8 Board meetings held.

Notes:

FAMILY RELATIONSHIP
Except for Dato' Sri Haji Wan Zaki bin Haji Wan Muda, Dato' Wan Zakariah bin Haji Wan Muda and Dato' W Zulkifli bin Haji W Muda who are brothers, none of the other Directors are related to one another, nor with any substantial shareholders.

CONFLICT OF INTEREST
Save as disclosed in the related party transactions on page 162 to 163 (note 38) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

CONVICTIONS FOR OFFENCES
None of the Directors have been convicted of any offence (excluding traffic offences) within the last 10 years.

TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG
PSM, DPMT, ASM, JP

Tan Sri Dato' Lau, a Malaysian, aged 64, was appointed as an independent Non-Executive Director of the Company on 15 November 2010. He was appointed as a member of the Board Risk Committee and Audit Committee on 29 November 2010 and 1 March 2011 respectively.

Tan Sri Dato' Lau obtained his Diploma in Commerce with distinction from Tunku Abdul Rahman College, Malaysia in 1974.

Tan Sri Dato' Lau has been a member of the Malaysian Institute of Accountants since 1979. He was made a fellow of the Association of Chartered Certified Accountants, United Kingdom in 1981 and became a graduate member of the Institute of Chartered Secretaries and Administrators, United Kingdom in 1987. He was appointed as Senator of Dewan Negara for a three-year term commencing 25 November 2002 by Seri Paduka Baginda Yang di-Pertuan Agong, Malaysia until his voluntary resignation in March 2004.

Tan Sri Dato' Lau had served as an Independent Non-Executive Director of Nanyang Press Holdings Berhad, Tenaga Nasional Berhad and Chairman of Star Publication (Malaysia) Berhad. As an Independent Non-Executive Director of Tenaga Nasional Berhad, Tan Sri also chaired the Board Audit Committee and sat on the Board Tender Committee.

Tan Sri Dato' Lau is currently an Independent Non-Executive Director of YTL Power International Berhad, a listed company in Malaysia and Media Chinese International Limited, a company listed in Malaysia and Hong Kong.

During the financial year ended 31 December 2012, he attended 8 out of 8 Board meetings held.

DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH
PJN, DPMT, JSM, SMT, AMN

Datuk (Prof.) A Rahman, a Malaysian, aged 68, was appointed an Independent Non-Executive Director on 1 January 2003. He sits on the Audit Committee, Remuneration and Nomination Committee as an ordinary member.

Datuk (Prof.) A Rahman holds a Diploma in Quantity Surveying from Thames Polytechnic, London, United Kingdom, and an MSc in Construction Management from the Herriot-Watt University, Scotland. He also holds fellowships with The Royal Institute of Chartered Surveyors (UK) and the Royal Institution of Surveyors Malaysia, as well as Professional Membership with The Chartered Institute of Building of United Kingdom.

Datuk (Prof.) A Rahman was the founding Chief Executive Officer of the Construction Industry Development Board ("CIDB") Malaysia, a post which he held from 1995 to the year 2002, after which he held the post of Chairman of CIDB until December 2006. Prior to CIDB, Datuk (Prof.) A Rahman started his career in the Public Works Department ("PWD") where he served for 25 years. His last post in the department was the Deputy Director General of PWD. In 1992, he was accorded as an Honorary Professor by the University Teknologi Malaysia. Among other appointments, he is the past President of the Royal Institution of Surveyors Malaysia, the past President of the Board of Quantity Surveyors Malaysia and currently he is a Fellow of the Academy of Sciences Malaysia.

Datuk (Prof.) A Rahman does not hold directorship in any other public companies but sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2012, he attended 5 out of 8 Board meetings held.

DATO' HAJI ISMAIL @ MANSOR BIN SAID
DPMT, AMN

Dato' Haji Ismail, a Malaysian, aged 64, was appointed a Non-Executive Director on 26 May 1997 and subsequently assumed the responsibility as an Independent Director. He presently sits on the Audit Committee, Board Risk Committee and Remuneration Committee as an ordinary member and is the Chairman of the Nomination Committee.

Dato' Haji Ismail holds a Bachelor of Economics degree from the University of Malaya. He was a Member of Parliament from 1978-1995, Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995) and the Chairman of MARA from 1987 to 1990. He was also appointed by Parliament as the Chairman of the Public Accounts Committee where he served from 1985 to 1990. He was also a Director of Sistem Televisyen Malaysia Berhad from 1995 to 2000 and the President of Institut Usahawan Bumiputera from 1988 to 2002.

Dato' Haji Ismail was appointed as an Independent Non-Executive Director of Lion Diversified Holdings Berhad and resigned on 30 December 2012. Currently, he sits on the boards of directors of two private limited companies.

During the financial year ended 31 December 2012, he attended 8 out of 8 Board meetings held.

DATO' HAJI MUSTAFFA BIN MOHAMAD
DPMT, PJK

Dato' Haji Mustaffa, a Malaysian, aged 62, was appointed an Executive Director of the Company on 24 March 1999 and is an ordinary member of the Establishment Committee.

Dato' Haji Mustaffa graduated with a Bachelor of Laws (Hon) degree from the University of London in 1976. He was called to the English Bar at Lincoln's Inn, UK in 1981, and was admitted as an Advocate & Solicitor in the High Courts of Malaya in 1994. He also holds a Post Graduate Diploma in Port and Shipping Administration from University of Wales, Institute of Science and Technology, Cardiff (1985); and been a member of the Chartered Institute of Logistic and Transport, UK since 1986. In 1985 he was awarded a Diploma in Syariah Law and Practice by the International Islamic University, Malaysia.

Currently, Dato' Haji Mustaffa sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2012, he attended 7 out of 8 Board meetings held.

DATO' W ZULKIFLI BIN HAJI W MUDA
DIMP

Dato' W Zulkifli, a Malaysian, aged 51, was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee as an ordinary member.

Dato' W Zulkifli holds a Bachelor of Science (Civil Engineering) degree, which he obtained in 1985 from the University of Southern Illinois, United States of America. He began his career with Ahmad Zaki Sdn Bhd ("AZSB") as a Project Engineer in 1985. He was promoted to the position of Project Manager and later Executive Director (Operations) of AZSB in 1996 and subsequently became the Managing Director of AZSB effective from 7 February 2003.

Dato' W Zulkifli does not hold directorship in any other public companies but sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2012, he attended 6 out of 8 Board meetings held.

Menara AZRB, Chairman's Room

PERFORMANCE BEYOND LIMITS

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of listed companies is required to include in its Company's Annual Report a statement about the state of its internal control as a group.

The Board is pleased to provide the following statement that was prepared in accordance with the revised guideline, called the Statement on Risk Management and Internal Control - Guidelines for Directors of Public Listed Issuers which outline the nature and scope of risk management and internal control of the Group during the financial year under review.

A. RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of risk management and internal controls, and for reviewing the adequacy and integrity of the systems to safeguard the shareholders' interest and the Group's assets. It should however be noted that such systems are only designed to manage rather than totally eliminate the risk of failure to achieve business objectives. Accordingly, these systems can only provide reasonable but not absolute assurance against material losses, fraud, misstatements or breaches of laws or regulations.

The Board and Management acknowledge that a sound internal controls system helps to ensure effective and efficient operation, provide reliable and relevant reporting, and compliance with the applicable laws and regulations.

The Group has in place a control structure and process for identifying, evaluating and managing significant risks pertinent to the achievement of the Group's overall corporate objectives.

B. CONTROL ENVIRONMENT AND ACTIVITIES

The Group's control environment comprises of the following components which have been in place throughout the financial year:

Enterprise Risk Management Policy

The Board has an established Enterprise Risk Management Policy ("ERMP") to ensure that business risks are identified, assessed and managed. The risk management process requires Management to identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to evaluate the adequacy of mechanisms in place to manage these risks.

The following are the key objectives of the Group's ERMP:

- To facilitate identification of key business risks for AZRB and its principal subsidiaries;
- To facilitate assessment of key controls in managing the relevant key business risks identified;
- To enhance the documentation and communication of risks and promote awareness of risk management; and
- To develop a framework to monitor and report risks and controls, with the assignment of responsibilities among the companies within the Group for managing risks.

Internal Audit Function

- The Internal Audit function of the Group is performed in-house by its Internal Audit Department. The Internal Audit Department reports directly to the Audit Committee. The Internal Audit Department adopts a risk-based audit approach when preparing its annual audit plan which is approved by the Audit Committee. The annual audit plan covers the business units and projects of the Group.

- The principle role of the Internal Audit Department is to provide independent and objective reports on the effectiveness of the system of internal controls within the business units and projects of the Group. During the year, the Internal Audit Department has undertaken audit assignment on business units and projects of the Group in accordance with the approved annual audit plan. The resultant audit reports were presented to the Audit Committee for deliberation and forwarded to the Management for the necessary corrective actions to be taken.

- A summary of the Internal Audit activities during the financial year is as follows:

  i. performed operational audits on business units and projects of the Group to ascertain the adequacy and compliance with the system of internal controls and made recommendations for improvement where weaknesses were found;

  ii. conducted follow-up reviews to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit Committee.

Board of Directors

- The Board meets quarterly at a minimum, and more frequently when required, to review and evaluate the Group's operations and performance and to address key issues.

- The prerequisite to decisions made in the meeting is the deliberation and discussion by the Board, together with recommendations and feedback from Management. In addition to quarterly financial results, project tender status and progress reports on business operations are also tabled at the Board's quarterly meetings.

Independence of the Audit Committee

- The Audit Committee comprises four (4) Independent Non-Executive Directors. The Audit Committee have full access to both the Internal and External Auditors and has the right to convene meetings with the auditors without the presence of Executive Directors and Management.

- The Audit Committee reviews the reports of the Internal Auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy of the internal controls.

Business Plan and Budget

- Annual business plans and budgets are prepared by the Group's major business units, and are reviewed and approved by the Board. The performance of each business unit is assessed against the approved budget by the Chief Financial Officer with explanation on significant variances provided to the Board on a quarterly basis.

Documented Policies and Procedures

- Policies and procedures of business processes are documented and set out in a series of Standard Operating Manuals and implemented throughout the Group. These policies and procedures are subject to reviews, updates and improvements to reflect the changing business risks and operational needs.

- Policies and procedures developed and implemented during the year are Crisis Management Plan, Public Service Announcement & Advertorial and Guidelines on Usage of Engineering Equipment.

Human Resource Policy

- The Group has in place, a Human Resource Policy approved by the Establishment Committee that sets the tone of compliance with the Group's rules and regulations and employee conduct.

- The Group has also in place a Performance Management System, which is linked to and guided by Key Performance Indicators ("KPI").

Performance Management

- In order to nurture the quality and competencies of employees, training and development programs are established.

- Performance appraisals are being carried out annually to gauge the employee's performance for any promotion, bonus payment and annual increment exercise. Policies and procedures with regards to employee's code of conduct and benefits are properly set out in the employee handbook for employees adherence. The Establishment Committee looks after employees welfare, grievances and any disciplinary matters.

Business Ethics

- The Standing Instruction on Business Ethics ("the Code") is communicated to all employees and compliance with the Code is mandatory. The Code serves as a guide and reference to assist employees to live up to ethical business standards, and it provides guidance on the way business and duties should be conducted.

The Board believes that the development of the system of internal controls is an on-going process. Based on internal audit recommendations, there are continuous improvements on the internal controls.

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal controls system are operating adequately and effectively in all material aspects, based on the risk management and internal controls system of the Group.

The Board is satisfied with the risk management and internal controls system in place. Based on the assessment of the Group's risk management and internal controls system for the year under review and up to date of approval of this statement, no significant control failures or weaknesses that would result in material loss, contingency or uncertainty requiring disclosure in the Group's annual report were noted.

Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken. This statement, prepared for inclusion in the Annual Report of the Company for the year ended 31 December 2012 has been reviewed by the Audit Committee prior to their recommendation to the Board for approval.

This statement is made on the recommendation of the Audit Committee to the Board of Directors and as per the Board's resolution dated 17 May 2013.

The Board of Directors of Ahmad Zaki Resources Berhad is committed towards the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance ("MCCG") throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders' value. The Group has adopted and complied with the principles and Best Practices set out in MCCG 2012 throughout the financial year ended 31 December 2012.

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Malaysian Code of Corporate Governance.

BOARD OF DIRECTORS

Board Composition

The Board is currently led by an Independent Non Executive Chairman and has eight (8) members comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors. The Board is composed of members with experience in business, construction and finance, required for effective and independent decision making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 12 to 19 of the Annual Report.

The presence of four (4) Independent Directors shall provide unbiased and independent views and judgment in the decision making process at the Board level and ensure that no significant decisions and policies are made by any individual and that the interest of minority shareholders are safeguarded.

The positions of the Chairman and the Managing Director are held by two individuals. There is a clear division of responsibilities between the Chairman and the Managing Director which will ensure a balance of power and authority. Generally, the Chairman is responsible for the orderly conduct and working of the Board while the Managing Director is responsible for the day to day management of the Group as well as to implement policies and strategies adopted by the Board. The Board exercises its responsibilities collectively.

All the Directors have given their undertaking to comply with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

Roles and Responsibilities

The Board recognises its roles and responsibilities in discharging its fiduciary and leadership functions, which amongst others includes the following principal responsibilities, to ensure that obligations to shareholders and other stakeholders are understood and met:-

(i) Reviewing and adopting a strategic plan for the AZRB Group;
(ii) Overseeing the conduct of the AZRB Group's business;
(iii) Identifying principal risks faced by AZRB Group and ensuring the implementation of appropriate internal controls and mitigation measures to address such risks;
(iv) Succession planning by ensuring that all candidates appointed to senior management positions are of sufficient caliber;
(v) Overseeing the development and implementation of a shareholder communications policy for AZRB Group; and
(vi) Reviewing the adequacy and the integrity of the management information controls and regulatory compliance

The Board has laid down a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. The Managing Director is responsible to ensure that the management adheres to the guidelines and policies set by the Board.

The Directors have full access to information pertaining to all matters requiring the Board's decision. Prior to any Board meeting, all Directors shall be furnished with proper board papers which contains the necessary information for each of the meeting agenda in advance to enable the Director to obtain further explanations, where necessary, in order to be briefed properly before the meeting. Matters to be discussed are not limited to financial performance of the Group but also to address major investment decisions as well as operational issues and problems encountered by the Group.

The Board has set out agreed procedures for the Directors to take independent professional advice at the Company's expense, if necessary.

All Directors have access to the advice and services of the Company Secretary who ensures compliance on procedural and regulatory requirements such as statutory obligations, Bursa Malaysia Listing Requirements or other regulatory requirements. The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The removal of the Company Secretary shall be a matter for the Board as a whole.

Besides the Audit Committee, which was set up on 24 March 1999, several Board committees were established subsequently to assist the Board in discharging its duties and responsibilities. All committees have written terms of reference and procedures duly endorsed by the Board to examine a particular issue and report back to the Board with a recommendation. Chairman of the committee concerned will report to the Board on matters dealt by the said committee which will be incorporated as part of the Board minutes.

Board Appointment Process

In previous years, the process of assessing existing Directors and identifying, recruiting, nominating, appointing and orientating new directors are performed by the Board. In compliance with the best practices recommended by the Code, these functions have been delegated to Nomination Committee with effect from 16 January 2002.

Directors' Re-election

In accordance with the Company's Articles of Association, one-third of the Directors, including Managing Director, shall retire from office by rotation each year and all Directors are subject to retire at least once in every three years. Retiring Directors may offer themselves for re-election at the AGM. Director who is appointed by the Board during the year is required to retire and seek re-election by shareholders at the following AGM held following his appointment. Director over seventy (70) years of age is required to submit himself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Meetings

During the financial year ended 31 December 2012, eight (8) meetings were held. The date and details of attendance of each Board meeting held are as follows:-

Date of meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non Independent
28 February 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	4 (100%)	4 (100%)
27 April 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	3 (75%)	3 (75%)
19 May 2012	VIP Room 3, Conoisseurs Lounge Restaurant, 1st Floor, East Wing, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur	8	4 (100%)	3 (75%)
31 May 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	4 (100%)	4 (100%)
10 August 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	2 (50%)	4 (100%)
29 August 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	4 (100%)	4 (100%)
22 Nov 2012	Kit Kat Lounge, 2nd Floor, Sheraton Imperial Hotel Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur	8	4 (100%)	3 (75%)
27 Nov 2012	4th Floor, Meeting Room, Ahmad Zaki Resources Berhad, No. 88, Jalan Gombak, 53000 Kuala Lumpur	8	4 (100%)	4 (100%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2012 is set out in the Statement Accompanying Notice of AGM on page 5 of this Annual Report.

Directors' Remuneration

Prior to the establishment of Remuneration Committee on 20 August 2001, the remuneration of each Director, are determined by the Board, as a whole. The Directors do not participate in discussion and decision of their own remuneration.

Fees payable to Directors by the Company are approved by the shareholders at the AGM, based on the recommendation of the Board.

The details of the remuneration of the Directors of the Company received from the Group are as follows:

	Salaries* RM	Allowances RM	Fees RM	Bonuses RM	Benefits-in-kind RM	Total RM
Executive Directors	3,302,598	36,800	419,000	440,875	159,720	4,358,993
Non-Executive Directors	-	32,900	578,250	-	66,350	677,500

* Salaries inclusive of statutory employer contributions to the Employees' Provident Fund.

The number of Directors whose remuneration falls into the following bands:-

Range Of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM50,001 – RM100,000	-	1
RM100,001 – RM200,000	-	-
RM200,001 – RM250,000	-	1
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	1
RM350,001 – RM850,000	-	-
RM850,001 – RM900,000	1	-
RM900,001 – RM950,000	-	-
RM950,001 – RM1,000,000	1	-
RM1,000,001 – RM1,050,000	-	-
RM1,050,001 – RM1,100,000	1	-
RM1,100,001 – RM1,450,000	-	-
RM1,450,001 – RM1,500,000	1	-

Tenure of Independent Directors

The Board has recommended to retain those independent directors whose tenure has exceeded nine years and shall seek shareholders' approval at the forthcoming AGM.

Directors' Training

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training program as prescribed by the Bursa Malaysia from time to time. The Company also provides briefings for new members of the Board, to ensure that they have a comprehensive understanding on the operations of the Group and the Company.

All Directors have attended the Mandatory Accreditation Programme ("MAP") and have been attaining Continuous Education Programme ("CEP") prescribed by the Bursa Malaysia from time to time.

Conferences, seminars and training programmes attended by Directors in 2012 included the following areas:

Board Leadership	• Board Effectiveness – What Works Best • MAICSA Annual Conference 2012 – Moving Forward: Changing Perspectives • Hot Topics for Directors – PSI & other • The Financial Institution Directors' Education Elective Program: Nomination/ Remuneration Committee Program • PNB Nominee Directors' Convention 2012
Technology & Sustainability	• International Rubber Technology and Economic Congress 2012 • International Sustainable Energy Summit 2012 • Bursa Malaysia Sustainability Training for Directors and Practitioners
Risk Management	• Managing the Risks Fraud • General Risk Management • The Financial Institution Directors' Education Elective Program: Risk Management Committee – Bank Program • Politics Decoded – Implications on Financial Markets
Corporate Governance	• Bursa Malaysia's Half Day Governance Programme Series on "Role of the Audit Committee in Assuring Audit Quality" • Key Amendments to Listing Requirements 2011 • Key Recommendations from Malaysian Code on Corporate Governance • Bursa Malaysia's Governance Advocacy Session on "Making the most of the Chief Financial Officer Role: Everyone's Responsibility?" • Bursa Malaysia's Half Day Governance Programme on "The key components of establishing and maintaining world-class audit committee reporting capabilities" and "What keeps an audit committee up at night"

Finance & Taxation	• Tax Updates • Islamic Banking
Others	• Malaysian Media Conference 2012 – Digital Disclosures

Board Charter

The Board Charter was established in year 2002 to set out the strategic intent and outlines the Board's structure and procedures, roles and responsibilities and relationship of the Board to Management in accordance with MCCG. The Board recognises the importance of the Board Charter thus, will take steps to enhance the Board Charter as recommended by MCCG 2012.

BOARD COMMITTEES

1. NOMINATION COMMITTEE

Primary function

The Nomination Committee was established on 16 January 2002. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendation to the Board for any new candidate as Board member or Board committee member. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group and continues to ensure that the Board members undergo the necessary MAP and CEP prescribed by the Bursa Malaysia.

The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

Member

The present members of the Nomination Committee of the Company are:

- Dato' Haji Ismail @ Mansor bin Said (Chairman)
- Raja Dato' Seri Aman bin Raja Haji Ahmad (Member)
- Datuk (Prof.) A Rahman @ Omar bin Abdullah (Member)

The Company Secretary is the secretary of the Nomination Committee.

2. REMUNERATION COMMITTEE

Primary function

The Remuneration Committee was established on 20th August 2001. Its primary function is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice as necessary to ensure that the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully.

The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

Member

The present members of the Remuneration Committee of the Company are:

- Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Chairman)
- Raja Dato' Seri Aman bin Raja Haji Ahmad (Member)
- Dato' Wan Zakariah bin Haji Wan Muda (Member)
- Datuk (Prof.) A Rahman @ Omar bin Abdullah (Member)
- Dato' Haji Ismail @ Mansor bin Said (Member)

The Company Secretary is the secretary of the Remuneration Committee.

3. ESTABLISHMENT COMMITTEE

Primary function

The Establishment Committee was established on 16 January 2002. The main purpose for setting up this committee is to formulate policies and execution of the whole spectrum of Human Resource Management for the Group on behalf of the Board as well as to formulate and implement Employee Share Option Scheme ("ESOS") under the direction of the Board, in accordance with the rules and regulations determined by the authorities.

Member

The present members of the Establishment Committee of the Company are:

- Dato' Wan Zakariah bin Haji Wan Muda (Chairman)
- Dato' Haji Mustaffa bin Mohamad (Member)
- Dato' W Zulkifli bin Haji W Muda (Member)
- Dato' Haji Roslan bin Tan Sri Jaffar (Member)

The Human Resource and Administration Department is the secretary of the Establishment Committee.

4. BOARD RISK COMMITTEE

Primary Function

The Board Risk Committee ("BRC") was established on 18th August 2004 with the primary responsibility of ensuring an effective functioning of the integrated risk management function within the organisation. The BRC oversees and monitor the overall risks impacting the Group. It is being chaired by the Group Chairman who is also an Independent Director to ensure independence from management as it is the BRC that reviews and approves risk management policies and risk tolerance limits.

The BRC specifically is to define, sponsor and support all risk management activities within AZRB Group inclusive of its associated companies, significant joint ventures and where management responsibility is vested to AZRB. Apart from setting and approving the Group's Risk Management Strategy, Policy and Guidelines, the BRC also receives and review reports such as Statement on Internal Control on risk management issues to ensure that critical and significant risks are being addressed and mitigated by proper action plans.

Member

The members of the Committee are as follows:

- Raja Dato' Seri Aman bin Raja Haji Ahmad (Chairman)
- Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Member)
- Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Member)
- Dato' Haji Ismail @ Mansor bin Said (Member)

EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Board maintains effective communications that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board values its dialogue with shareholders, public, media, authorities and private investors and recognises that equal and timely dissemination of relevant information be provided to them.

The AGM serves as an important means for shareholders communication. Notice of the AGM and Annual Reports are sent to shareholders twenty one [21] days prior to the meeting. At each AGM, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The AGM is also an avenue for the Chairman and the Board to respond personally to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

The Board has ensured each item of special business included in the notice of meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

Other mediums of communication used by the Group to communicate information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public are as follows:-

i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on audit committee and Board of Directors;
ii. various announcements made to the Bursa Malaysia, which includes announcements on quarterly results; and
iii. the Company website at http://www.azrb.com.

The Board is fully committed in providing and presenting a true and fair view of the financial performances and future prospects in the industry. This is provided through the quarterly, half yearly and annual financial statement as well as the Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board, which is assisted by the Audit Committee aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to the Bursa Malaysia.

The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 35 of this Annual Report.

Internal Control and Risk Management

The Statement on Risk Management and Internal Control furnished on pages 22 of this Annual Report provides an overview on the state of internal controls within the Group.

Relationship with the External Auditors

Through the Audit Committee of the Board, the Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Group's external auditors. The role of the Audit Committee in relation to the external auditors is stated in the Audit Committee Report.

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors dated 17 May 2013.

Statement of Directors' Responsibilities
IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- prepared the financial statement on the going concern basis unless it is no longer appropriate to presume that the Company will continue in business due to unavailable resources.

The Directors are responsible for ensuring that proper accounting and other records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This Statement of Directors' responsibilities is made in accordance with the resolution of the Board of Directors dated 17 May 2013.

Report of the
AUDIT COMMITTEE

MEMBERSHIP

The present members of the Audit Committee of the Company are:

- Raja Dato' Seri Aman bin Raja Haji Ahmad (Chairman)
- Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Member)
- Datuk (Prof.) A Rahman @ Omar bin Abdullah (Member)
- Dato' Haji Ismail @ Mansor bin Said (Member)

TERMS OF REFERENCE

Membership

1. The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, all whom must be a Non-Executive Directors, with a majority of them being Independent Directors.

2. At least one (1) member of the Committee must be:
   - a member of the Malaysian Institute of Accountants ("MIA"); or
   - if he is not a member of the MIA, he must have at least three (3) years' working experience; and
     - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
     - ii. he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

3. In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three (3) months.

4. The Board of Directors must review the term of office and performance of the Committee and each of its members at least once in every three (3) years.

5. No alternate Director shall be appointed as a member of the Committee.

Meetings

1. Meetings shall be held at least four (4) times a year. The details of the attendance of the meetings are disclosed under the heading 'Attendance of Audit Committee Meetings' on page 39 of this Annual Report.

2. The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary.

3. The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Quorum

The quorum shall be at least two (2) persons, both of whom are to be Independent Directors.

Secretary

The Company Secretary shall act as secretary of the Committee.

Reporting Procedure

The Audit Committee regulates its own procedures:-

- the notice to be given of such meetings;
- the voting and proceedings of such meetings;
- the keeping of minutes; and
- the custody, protection and inspection of such minutes.

Minutes of the meetings were tabled for confirmation at the following Audit Committee meeting. In 2012, the Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements. The Chairman also conveyed to the Board matters of significant concern as and when raised by the external or internal auditors.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall include the following:-

1. to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;

2. to discuss with the external auditors before the audit commences, the nature and scope of the audit;

3. to discuss with the external auditors on the evolution of the system of internal controls and the assistance given by the employees to the external auditors;

4. to review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;

5. to review the quarterly and year-end financial statements of the Board, focusing particularly on:
   - any changes in the accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.

6. to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);

7. to review the external auditor's management letter and the management's response;

8. to do the following where there is an internal audit function:
   - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointment or termination of senior staff members of the internal audit function; and
   - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

9. to consider any related party transactions that may arise within the Company or the Group;

10. to consider the major findings of internal investigations and the management's response; and

11. to consider other topics as defined by the Board.

Authority

In carrying out their duties and responsibilities, the Audit Committee shall:

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external and internal auditors (if any);
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Review

The Board of Directors has ensured that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

The details of attendance of each member at the Committee meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Meetings								Total Attendance
	19.1	28.2	27.4	31.5	10.8	29.8	3.10	27.11	
Raja Dato' Seri Aman bin Raja Haji Ahmad	√	√	√	√	√	√	√	√	8/8 (100%)
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	√	√	√	√	√	√	√	√	8/8 (100%)
Datuk (Prof.) A. Rahman @ Omar bin Abdullah	√	√	X	√	√	√	√	X	6/8 (75%)
Dato' Haji Ismail @ Mansor bin Said	√	√	√	√	√	√	√	√	8/8 (100%)

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee met eight (8) times. Activities carried out by the Committee included the deliberation and review of:

1. the Group's year end audited financial results presented by the external auditors prior submission to the Board for approval;

2. the Group's quarterly financial results presented by the management prior submission to the Board for approval;

3. the Audit Planning Memorandum of the external auditors in a meeting to discuss their audit strategy, audit focus and resources prior to commencement of their annual audit;

4. matters arising from the audit of the Group in a meeting with the external auditors without the presence of any executive members of the Group;

5. related party transactions within the Group pursuant to Bursa Malaysia Listing Requirements prior to submission for the Board's consideration and, where appropriate, shareholders' approval; and

6. internal audit reports on findings and recommendations in relation to weaknesses in the internal control system presented by the internal auditors and discussed with management on corrective actions to be taken.

SHARE BUY BACK

During the financial year, there was no share buy back transacted, resale or cancellation of treasury shares. As at 31 December 2012, the treasury shares stood at 1,478,100. The purchased shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

OPTION, WARRANTS OR CONVENTIONAL SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 18 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2012.

During the financial year, the Company did not implement any Warrants or Convertible Securities.

AMERICAN DEPOSITORY RECEIPT ("ADR")/ GLOBAL DEPOSITORY RECEIPTS ("GDR")

During the financial year, the Company did not sponsor any ADR/ GDR programme.

SANCTIONS AND/ PENALTIES

Since the end of the previous financial year, there was no material sanction or penalty imposed by Company and its subsidiaries, directors or management by the relevant regulatory bodies.

PROFIT GUARANTEE

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2012.

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties held for long term investment purpose.

AUDIT FEES

The amount of audit fees and non-audit fees paid to the external auditors and their affiliated companies by the Group for the financial year ended 31 December 2012 are as follows:-

	KPMG	Non KPMG
Audit fees	416,000	63,030
Non audit fees	40,000	-

VARIATION IN RESULTS

There is no significant difference between the Audited and Unaudited Results released to the Bursa Malaysia in respect of the financial year ended 31 December 2012.

MATERIALS CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered by the Company and its subsidiaries involved Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

The value of related party transactions entered by the Company and its subsidiaries during the financial year which have acquired the shareholder's mandate in the previous AGM are qualified as follows:-

Nature of the transactions with related party	Entered by	Period covered from 1 January to 30 June of Year 2012 RM'000	Period covered from 1 July to 31 December of Year 2012 RM'000
• Purchase of building materials from subsidiaries of CHRB i. Chuan Huat Industrial Marketing Sdn Bhd ii. Chuan Huat Hardware Sdn Bhd	 AZSB AZSB	 13,611 -	 5,342 1,232
• Purchase of building materials from subsidiaries of ZHSB iii. Kemaman Quarry Sdn Bhd iv. QMC Sdn Bhd	 AZSB AZSB	 462 476	 255 1,199
• Insurance premium paid/payable to ZHSB	AZRB, AZSB, ICSB, AMSB	514	342
• Administrative charges paid/payable to ZHSB	AZSB	60	60
• Rental of premise paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	AZSB	27	9
• Accomodation charges paid/payable to RIM	AZSB	22	24

Relationship of the related parties:

i. Chuan Huat Resources Berhad ("CHRB")	Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director
ii. Residance Inn & Motels Sdn Bhd ("RIM")	A subsidiary to Zaki Holdings (M) Sdn Bhd
iii. Zaki Holdings (M) Sdn Bhd ("ZHSB")	Holding company of Ahmad Zaki Resources Berhad

Quality, Health,
SAFETY AND ENVIRONMENT

The Managing Director of the Engineering and Construction Division, Dato' W Zulkifli bin Haji W Muda, continued to demonstrate management's ongoing commitment to QHSE during the year by his attendance at a number of Health Safety and Environment ("HSE") related functions including those related to Project Safety and Awareness and through his continued interest in our QHSE performance. His support for improving our management systems by integrating them into a single system and maintaining our ISO 9001, OHSAS 18001 and ISO 14001 accredited certification by SIRIM QAS and the commitment by our line managers to improve QHSE performance was also evident.

QHSE Performance

The Group's commitment to improve our performance in quality, health, safety and environment in this reporting period included a complete revision of our Management System in order to make it easier to use and increase operational efficiency. This was accomplished by integrating our three (quality, safety and health and environment) existing systems into a single QSHE management system. The new Integrated Management System ("IMS") was launched by our Group Managing Director on 12 October 2012 at Vistana Hotel, Kuala Lumpur and supported by a series of tours to the project sites by our Executive Director, Engineering and Construction Division in order to brief operational staff on the new system and the revised QHSE policies.

In furthering our quest for operational efficiency we actively promoted environmental awareness in order to improve the knowledge and create awareness amongst those working on our behalf in the importance of minimising the impact of our construction activities on the environment. This was considered especially important with respect to projects like the KVMRT where the concerns of our interested parties such as the local community become paramount. Specific actions taken included:

a. Improved identification of project related activities and their associated environmental aspects and impacts in order to implement effective controls to prevent environmental harm.

b. Participation by our Environmental Officers in various training courses conducted by Construction Industry Development Board Malaysia ("CIDB"), KLCC Projects Sdn Bhd ("KLCC"), Malaysian Stormwater Management ("MSO") and other organisations to enhance their knowledge and skills.

c. Providing environmental awareness briefings for site personnel to ensure the activities carried out at each site were aimed at preventing pollution through compliance with IMS procedures, including complying with legal and other requirements.

d. The conduct of independent inspections by the Quality, Health, Safety and Environment Management Representative ("QHSEMR") at project sites in order to ensure site activities complied with legal and other requirement in support of visits from our clients and regulatory authorities.

In 2012, the Engineering and Construction Division achieved 700,000 man hours without any lost time due to work related injuries. This achievement spanned across all projects and included subcontractors working on both east coast and central region projects for AZRB. This was accomplished through:

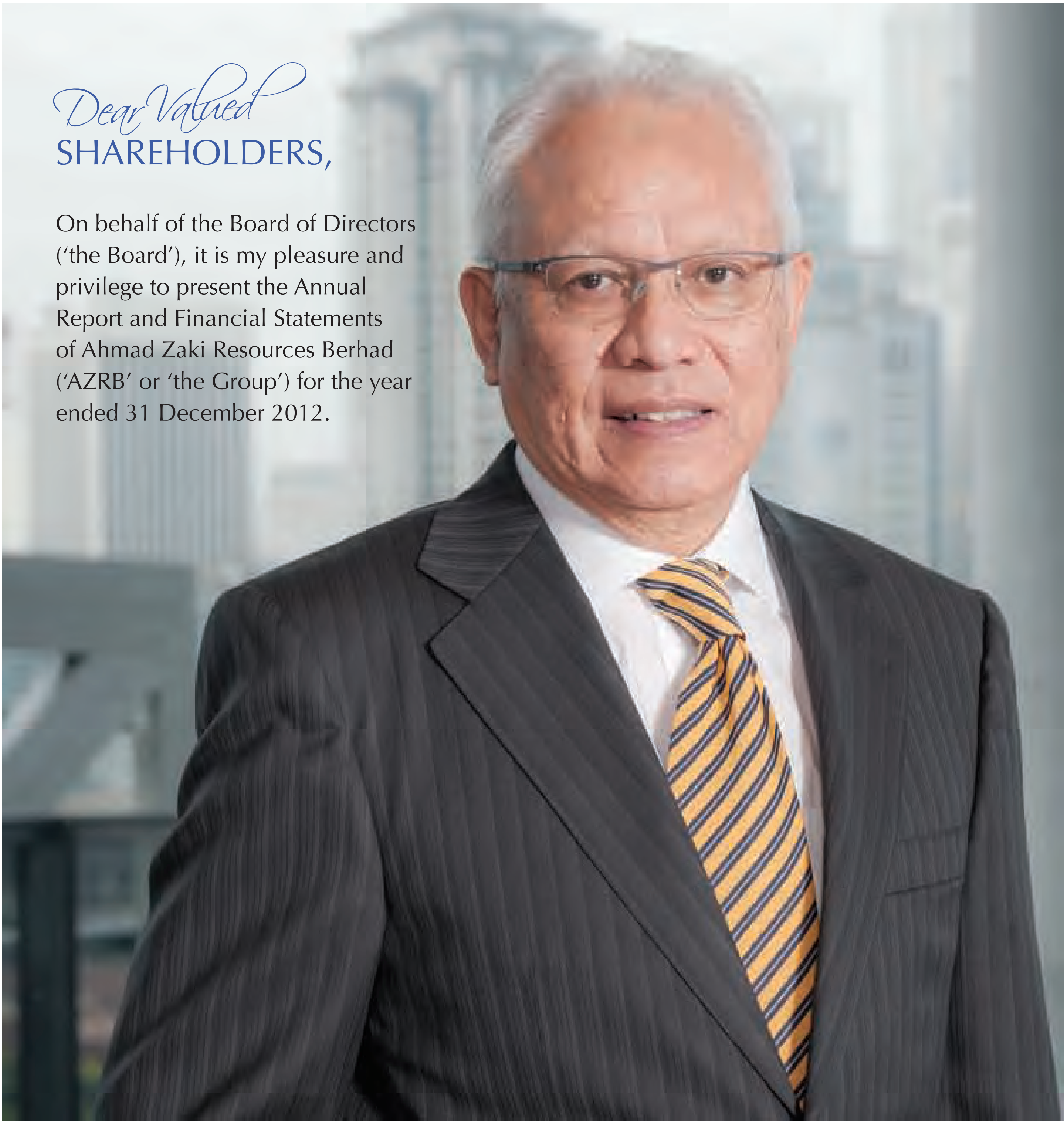
a) Providing as a minimum one training event for each employee per year. These training events include toolbox meetings to proactively discuss QSHE matters and emergency response and awareness training.

b. Participation in the Occupational Safety and Health ("OSH") national award for the following project sites in order to evaluate our system from a different point of view:
   i. Kompleks Kerja Raya 2
   ii. 8C1 commercial building

Our commitment to improving our performance was recognised by our receiving 5 stars in Safety and Health Assessment System in Construction ("SHASSIC") assessment for KVMRT V6 Project on 19 & 20 December 2012.

We are pleased to report that we achieved a zero environmental pollution incident rate across all our work sites.

Although our primary concern has been to promote the health, safety and environment in our daily operation, we have not neglected the need to meet our client's expectations with respect to the quality of our products and services. This was recognised by our achieving a 4 STAR rating in the Contractor's Capacity and Capability Evaluation ("SCORE") Program conducted by CIDB during this reporting period.



Dear Valued SHAREHOLDERS,

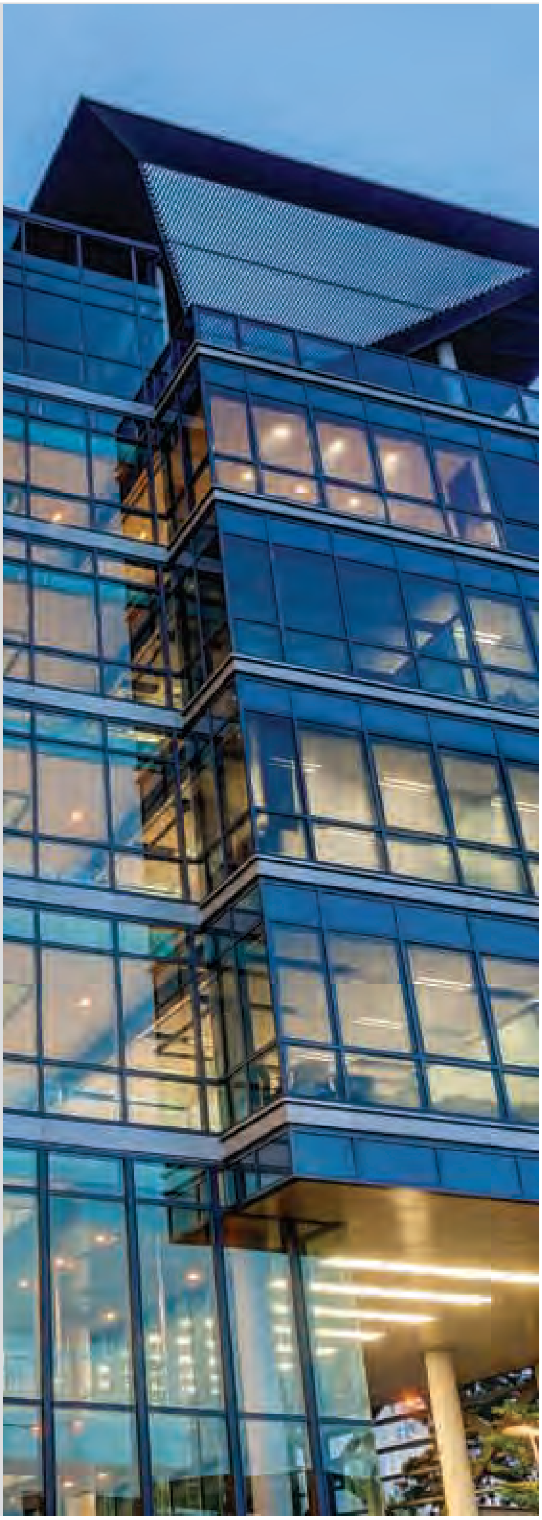
On behalf of the Board of Directors ('the Board'), it is my pleasure and privilege to present the Annual Report and Financial Statements of Ahmad Zaki Resources Berhad ('AZRB' or 'the Group') for the year ended 31 December 2012.

Overview

The year under review was a year of celebration, reflection and achievement. The Group celebrated its 30th year anniversary in 2012 with celebrations to mark the 30 years of growth, progress and achievements as well as 30 years of endeavour, enterprise and excellence. The year of celebration culminated in the Group moving its headquarters' operations and functions into a new modern architectural marvel that is Menara AZRB in December 2012. The move or migration into a new office building was a watershed moment for the Group. The new office not only symbolised the Group's 'coming of age' but also laid down the marker for future aspirations, expectations and purpose for the Group. In essence, the move to Menara AZRB was a celebration of the future of the Group.

The celebrations of 2012 also included celebrations of successful tenders and achievement of significant milestones. As reported previously, the Group had secured the Package V6 of the Klang Valley Mass Rapid Transit ("KVMRT") Project in January 2012. The Group also added Package S6 during the year to our list of KVMRT projects. On 2 October 2012, the Group's Engineering and Construction Division received the Letter of Award for the development of a 50 storey hotel tower and refurbishment of the existing 35 storey office tower, previously known as Bangunan MAS, on Lot 1194, Jalan Sultan Ismail, Kuala Lumpur for Permodalan Nasional Berhad ("PNB Building Project"). We are certainly proud to have been entrusted by a prestigious organisation such as Permodalan Nasional Berhad ("PNB") on what would be a prominent addition to the Kuala Lumpur skyline. The PNB Building Project was awarded through a competitive pre-qualified tender process, and this signifies the confidence by the client in our abilities to undertake a massive and prestigious project. At 50 storeys, the PNB Building Project will be the highest ever building project undertaken by the Group, thus far, surpassing the 37 storeys Kompleks Kerja Raya 2 presently being built by the Group.

The addition of the PNB Building Project and the KVMRT Projects to our order book, helped push our order book balance above the RM2 billion mark for the first time in our 30 year history. This and the other projects on the Group's order book will put our Engineering and Construction Division in very good stead and will help sustain the Group for the next few years. The Group's key challenge will be to continuously replenish and improve on the order book in the years ahead with quality projects that will continue to put the Group at the forefront of the local as well as international construction scene.



Financial Highlights

The year in review saw the Group improve its overall performance compared to the previous year. For 2012, the Group posted a consolidated revenue of RM674.6 million (2011: RM534.9 million), a profit before tax of RM37.8 million (2011: RM24.4 million) and comprehensive income for the year of RM16.1 million (2011: RM15.8 million). Our Engineering and Construction Division continues to be the main driver and contributor to the Group results having posted a revenue in 2012 of RM597 million (2011: RM443.5 million) or 88.5% of the total Group consolidated revenue. The Engineering and Construction Division also contributed a profit before tax in 2012 of RM42.8 million (2011: RM16.5 million).

The Oil and Gas Division continues to contribute significantly to the overall Group results. For 2012, the Oil and Gas Division recorded a revenue of RM69.5 million (2011: RM54 million) and a profit before tax of RM20.3 million (2011: RM19.5 million). Both the Engineering and Construction Division and Oil and Gas Division had sterling performances with improvements in contributions from both divisions as compared to the previous year. We remain confident that both divisions will continue to contribute strongly in the near to medium term.

The Plantation Division in 2012 recognised revenue of RM2.5 million and a loss before taxation of RM12.4 million. As the plantation is still in the early part of its maturity cycle, the Group remains confident that the Plantation Division will improve progressively and the Group has undertaken steps to ensure such improvements take place.

Iconic Projects and New Frontiers

After having secured a landmark deal for the IIUM Teaching Hospital ("IIUM Hospital") under the Private Finance Initiative ("PFI") model with the International Islamic University Malaysia ("IIUM") and Ministry of Higher Education, Malaysia in 2011, the Group duly followed up the concession agreement and secured financing worth RM458.35 million from a consortium of banks on 11 July 2012. With the financing secured, the Group's wholly owned subsidiary, Peninsular Medical Sdn Bhd ("PMSB"), achieved financial close for the IIUM Hospital concession and was thus able to commence construction of the hospital complex as per the concession agreement. Completion of the IIUM Hospital is scheduled for January 2016, which from thereon, PMSB will earn income from IIUM for the next twenty one and a half years.

As mentioned earlier, the year 2012 saw the Group securing another landmark project that will allow the Group to further contribute to the ever changing Kuala Lumpur skyline. The award for the PNB Building Project gives the Group a unique opportunity to showcase its skills in undertaking another complex yet iconic skyscraper.

The PNB Building Project entails the demolition of the existing podium building; the construction of a 6 level basement car park; the construction of a new 50 storey hotel tower; the construction of a new rear podium building housing a car park, a new power substation and hotel facilities; all of which is to be linked to the existing 35 storey office tower, which will be fully refurbished. The PNB Building Project will present us with a unique set of challenges, including confined space, deep basement and nearby skyscrapers. Nevertheless, we very much welcome the challenge as this would give the Group the necessary credentials and experience to bid and undertake future projects of a similar nature. The PNB Building project is valued at RM673 million and the proposed date of completion shall be 28 October 2017.

Another significant win for the Group in 2012 was Package S6 for the KVMRT Project. The project valued at RM174.6 million forms part of the KVMRT Package V6 that the Group secured in January 2012. Package S6 entails the construction and completion of elevated stations and other associated works at Taman Suntex, Taman Cuepecs and Bandar Tun Hussein Onn in Kuala Lumpur.

Finally, I am pleased to inform the shareholders that the Group had, on 13 February 2013, entered into a concession agreement ("CA") with the Government of Malaysia via the Ministry of Works for the proposed design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway ("EKVE"). The signing of the CA for the EKVE project marked the culmination of 6 years of hard work in proposing and designing of what promises to be a vital urban artery of the future.

The Group had originally participated in a selective tender of the EKVE project in 2007 whereby it gained success against some fierce and established competition by submitting a compelling proposal that met the requirements set by the Government of Malaysia via the Malaysian Highway Authority.

The EKVE highway totalling a distance of 36km will stretch from Sungai Long, near Kajang, to the Middle Ring Road 2 ("MRR2") at Kampung Pasir / Ukay Perdana. It will have 5 interchanges along its alignment thus giving road users an alternate route along the eastern section of Greater Kuala Lumpur.

For many residents or workers living or working along the Melawati, Ampang and Pandan Corridor, there is at present only one choice of road and that is the MRR2. All present users of the MRR2 have had to endure daily congestion and delays that can only get worse as the city of Kuala Lumpur and nation continue to grow.

EKVE not only provides relief to the already over congested MRR2 but also provide alternative routes to other congested urban arteries through its superb connectivity with other major road networks in the Greater Kuala Lumpur.

Aside from the many benefits that EKVE will bring to many road users in the future, the EKVE project will also bring about new frontiers for the AZRB Group. Firstly, with a construction cost of RM1.551 billion, it is a sizeable project that promises to keep our Engineering and Construction Division fully occupied for the next few years. Secondly, it promises to be a long term revenue driver for the Group, thereby allowing the Group to further reduce its reliance on its Engineering and Construction Division whose contribution is subject to the cyclical forces of the macro economy of the country. Together with the other businesses of the Group, this highway concession stands to put the Group on a stronger and better footing for many years to come.

Builder of Distinction, Diversified Businesses and Team work

As we progress into the future, we're proud of our achievements thus far but at the same time, we're cognisant of the need for continuous improvement whilst aiming for bigger and better projects. Being a builder of distinction is just one aspect of our overall strategy going forward. We have over the last few years set things in motion that will allow us to diversify our earnings in the future. The concession agreements for the IIUM Hospital and EKVE are part and parcel of that strategy. Our foray into the plantation business was another aspect of the same strategy. Although, the Plantation Division has yet to yield the results desired by the Group, we have taken many decisive changes over the last few months to help bring about the required results in the future.

We have already mapped out our medium and long term strategy for the division, which includes new plantings and expansion. We are in the midst of finalising a financing agreement with a prominent regional bank to enable the division to fulfil the strategic plans that have been mapped out. We hope to report further to the shareholders upon finalisation of the financing agreement.

As with many other successful organisations, the success of the Group is dependent on many factors and stakeholders, not least of which, are our dedicated and loyal workforce. As part of our 30 years celebrations, we held a group wide 'Staff Retreat and Annual Dinner' or 'STRAND' at Bukit Gambang Resort City. STRAND included several team building activities, a town hall session and a themed annual dinner with performances by the staff and management. By all accounts the event was a great success. It was certainly gratifying to see directors, management and staff mingling freely with each other with the realisation and recognition that together we are a team. What was even better to see was that the spirit of camaraderie and teamwork evidenced on the fields of Bukit Gambang being carried forward to the work space. Based on that success, I would encourage the management to consider more of such events in the future in the quest of uniting the team and lifting the morale and spirits of all members of the AZRB family.

A Royal Visit to Mark New Beginnings and Greater Prosperity

For the Group, the 2012 calendar year reached its climax when we moved our headquarters to our pride and joy that is Menara AZRB. I'm sure I speak on behalf of everyone in the Group, that such a move has been long coming and that it was definitely well worth the wait. The sense of pride I see in every one's faces is evident and so is the awe and admiration that I see in our visitors. It truly is a different world compared to our previous premises. The Board and I would once again like to express our heartfelt thanks to KDYTM Tengku Mahkota Pahang, Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah for graciously officiating Menara AZRB on 4 February 2013. We are truly honoured by the visit of His Royal Highness to our humble office and it will certainly be remembered as a momentous event for many years to come.

The move to the new Menara AZRB marked a new beginning for our Group. We hope that the new Menara AZRB will inspire and propel us to greater prosperity and better future. The Menara AZRB will challenge us to live up to its symbolism but it is a challenge we readily accept and eager to conquer.

Note of Appreciation

On behalf of the Board, I wish to express my sincerest gratitude and appreciation to the shareholders, various government agencies, clients, consultants, financiers, contractors, suppliers and business partners who have contributed significantly to our success and for the continuous support and confidence in the AZRB Group.

I would also like to register my deepest gratitude to all the people of AZRB and its Group of Companies for their dedication and commitment to the Group's cause.

Finally, I wish to place on record my deepest appreciation to my fellow members of the Board for their wise counsel, guidance and invaluable contributions.

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
Chairman

Penyata
PENGERUSI

Para Pemegang Saham Yang Dihormati,
Bagi pihak Lembaga Pengarah ("Lembaga"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Ahmad Zaki Resources Berhad ("AZRB" atau "Kumpulan") bagi tahun kewangan berakhir 31 Disember 2012.

Gambaran Keseluruhan

Tahun ini merupakan tahun keraian, renungan dan pencapaian. Kumpulan telah meraikan Ulang Tahun ke-30 pada tahun 2012 dengan keraian-keraian untuk menandakan pertumbuhan, kemajuan, pencapaian serta daya usaha dan kecemerlangan selama 30 tahun. Puncak keraian adalah Kumpulan telah memindahkan operasi dan fungsi ibu pejabat ke Menara AZRB yang mempunyai senireka baru dan moden pada Disember 2012. Perpindahan atau penghijrahan ke bangunan pejabat baru ini merupakan titik perubahan kepada Kumpulan. Ibu pejabat baru ini bukan hanya melambangkan 'coming of age' tetapi juga melambangkan aspirasi, jangkaan dan tujuan masa hadapan bagi Kumpulan. Secara intipatinya, perpindahan ke Menara AZRB merupakan perayaan untuk masa hadapan Kumpulan.

Perayaan dalam tahun 2012 termasuk keraian terhadap kejayaan bidaan dan pencapaian dalam peristiwa-peristiwa penting. Sepertimana yang telah dilaporkan sebelum ini, Kumpulan telah memperoleh Pakej V6 untuk Projek Klang Valley Mass Rapid Transit ("KVMRT") dalam bulan Januari 2012. Kumpulan turut memperoleh Pakej S6 dalam tahun ini. Pada 2 Oktober 2012, Bahagian Kejuruteraan dan Pembinaan telah menerima Surat Penganugerahan bagi pembangunan sebuah menara hotel setinggi 50 tingkat dan pembaikpulihan sebuah menara pejabat setinggi 35 tingkat yang sebelum ini dikenali sebagai Bangunan MAS di atas Lot 1194, Jalan Sultan Ismail, Kuala Lumpur untuk Permodalan Nasional Berhad ("Projek Bangunan PNB"). Kami amat berbangga kerana telah diberi kepercayaan oleh sebuah institusi yang berprestij seperti Permodalan Nasional Berhad ("PNB") untuk menambah sebuah lagi mercu tanda kepada latar langit Kuala Lumpur.

Projek Bangunan PNB telah dianugerahkan melalui proses bidaan yang kompetitif dan ini menunjukkan keyakinan pelanggan terhadap kebolehan kami untuk menjalankan projek yang besar dan berprestij. Pada ketinggian 50 tingkat, Projek Bangunan PNB akan menjadi projek bangunan tertinggi yang akan dijalankan oleh Kumpulan, melepasi ketinggian Kompleks Kerja Raya 2 setinggi 37 tingkat yang ketika ini sedang giat dibina oleh Kumpulan.

Pertambahan Projek Bangunan PNB dan Projek-projek KVMRT telah membantu dalam meningkatkan baki 'order book' melepasi RM2 billion untuk pertama kalinya dalam sejarah selama 30 tahun. Projek-projek ini berserta dengan projek-projek lain akan memastikan bahawa Bahagian Kejuruteraan dan Pembinaan akan membantu dalam mengekalkan Kumpulan untuk beberapa tahun lagi. Cabaran utama Kumpulan ialah untuk menambah 'order book' pada masa hadapan dengan projek-projek berkualiti yang akan meletakkan Kumpulan di hadapan tabir pembinaan tempatan dan antarabangsa.

Sorotan Kewangan

Tahun ini menyaksikan peningkatan keseluruhan prestasi Kumpulan berbanding dengan tahun sebelumnya. Pada 2012, Kumpulan telah mencatatkan hasil disatukan sebanyak RM674.6 juta (2011 : RM534.9 juta), keuntungan sebelum cukai sebanyak RM37.8 juta (2011 : RM24.4 juta) dan pendapatan komprehensif sebanyak RM16.1 juta (2011: RM15.8 juta). Bahagian Kejuruteraan dan Pembinaan terus kekal sebagai penyumbang utama pendapatan Kumpulan dengan catatan pendapatan sebanyak RM597 juta dalam tahun 2012 (2011 : 443.5 juta) atau 88.5% daripada jumlah pendapatan Kumpulan yang disatukan. Bahagian Kejuruteraan dan Pembinaan turut menyumbang keuntungan sebelum cukai sebanyak RM42.8 juta dalam tahun 2012 (2011 : RM16.5 juta).

Bahagian Minyak dan Gas telah menyumbang secara kukuh kepada keputusan Kumpulan secara keseluruhannya. Pada tahun 2012, Bahagian Minyak dan Gas telah mencatatkan jumlah pendapatan sebanyak RM69.5 juta (2011 : RM54 juta) dan keuntungan sebelum cukai sebanyak RM20.3 juta (2011 : RM19.5 juta). Bahagian Kejuruteraan dan Pembinaan serta Bahagian Minyak dan Gas telah menunjukkan prestasi yang cemerlang dalam peningkatan sumbangan berbanding dengan tahun sebelumnya. Kami kekal yakin bahawa kedua-dua bahagian ini akan terus menyumbang secara kukuh dalam jangka masa terdekat dan sederhana.

Bahagian Perladangan telah memperakui hasil sebanyak RM2.5 juta dan rugi sebelum cukai sebanyak RM12.4 juta dalam tahun 2012. Memandangkan ladang tersebut masih dalam peringkat awal tempoh matang, Kumpulan yakin bahawa Bahagian Perladangan akan bertambah baik dan Kumpulan telah mengambil langkah-langkah untuk memastikan penambahbaikan tersebut berlaku.

Projek Ikon Dan Sempadan Baru

Setelah memperoleh projek mercu tanda Hospital Pengajar IIUM menerusi model Inisiatif Pembiayaan Swasta (“PFI”) (“Hospital IIUM”) dengan Universiti Islam Antarabangsa Malaysia (“IIUM”) dan Kementerian Pengajian Tinggi, Malaysia pada 2011, Kumpulan telah memperoleh pembiayaan bernilai RM458.35 juta daripada sebuah konsortium bank pada 11 Julai 2012. Dengan pembiayaan tersebut, anak syarikat milik penuh Kumpulan iaitu Peninsular Medical Sdn Bhd (“PMSB”) telah mencapai ‘financial close’ untuk konsesi Hospital IIUM serta telah memulakan pembinaan kompleks hospital tersebut sepertimana yang telah diperuntukkan dalam perjanjian konsesi. Hospital IIUM ini dijangka akan siap pada bulan Januari 2016 dan PMSB akan menerima pendapatan daripada IIUM untuk jangka masa selama dua puluh satu tahun setengah.

Sepertimana yang telah dimaklumkan, tahun 2012 menyaksikan Kumpulan memperoleh satu lagi projek mercutanda yang akan membantu Kumpulan menyumbang kepada perubahan latar langit Kuala Lumpur. Penganugerahan Projek Bangunan PNB memberi peluang yang unik kepada Kumpulan untuk mempamerkan kemahiran dalam membina sebuah lagi ikon pencakar langit yang kompleks.

Projek Bangunan PNB melibatkan perobohon podium bangunan sediada; pembinaan 6 aras besmen tempat letak kereta; pembinaan menara hotel yang baru setinggi 50 tingkat; pembinaan podium belakang baru yang menempatkan tempat letak kereta, substesen janakuasa baru dan kemudahan-kemudahan hotel; kesemuanya disambungkan kepada menara pejabat setinggi 35 tingkat, yang mana akan dibaikpulih.

Projek Bangunan PNB akan memberi cabaran-cabaran unik termasuk kawasan terbatas, besmen yang dalam dan pencakar-pencakar langit berhampiran. Namun begitu kami amat mengalu-alukan cabaran tersebut kerana ini akan memberikan Kumpulan pengalaman dan bukti kelayakan untuk membida dan menjalankan projek-projek seperti ini pada masa hadapan. Projek Bangunan PNB ini bernilai RM673 juta dan cadangan tarikh siap ialah pada 28 Oktober 2017.

Satu lagi kemenangan penting untuk Kumpulan dalam tahun 2012 adalah Pakej S6 untuk Projek KVMRT. Projek ini bernilai RM174.6 juta dan merupakan sebahagian daripada Pakej V6 KVMRT yang telah diperoleh oleh Kumpulan pada Januari 2012. Pakej S6 melibatkan pembinaan dan penyiapan stesen-stesen serta kerja-kerja berkaitan di Taman Suntex, Taman Cuepacs dan Bandar Tun Hussien Onn di Kuala Lumpur.

Akhir kata, dengan sukacitanya saya maklumkan kepada para pemegang saham bahawa Kumpulan telah memeterai perjanjian konsesi ("CA") dengan Kerajaan Malaysia menerusi Kementerian Kerja Raya pada 13 Februari 2013 bagi cadangan rekabentuk, bina, siap, operasi, pengurusan dan penyelenggaraan East Klang Valley Expressway ("EKVE").

Pemeteraian CA untuk Projek EKVE adalah kemuncak bagi kerja keras selama 6 tahun dalam mencadang dan merekabentuk sesuatu yang dijanjikan akan menjadi arteri 'urban' penting pada masa hadapan. Kumpulan telah menyertai bidaan terpilih untuk Projek EKVE pada tahun 2007 di mana ia telah memperoleh kejayaan dengan memajukan cadangan yang menambat perhatian serta memenuhi keperluan-keperluan yang telah ditetapkan oleh Kerajaan Malaysia menerusi Lembaga Lebuhraya Malaysia meskipun dalam persaingan yang mantap.

Jarak Lebuhraya EKVE adalah sejauh 36km dari Sungai Long, berdekatan Kajang, ke Jalan Lingkaran Tengah 2 ("MRR2") di Kampung Pasir / Ukay Perdana. Ia akan mempunyai 5 persimpangan di sepanjang jajaran dan memberi jalan alternatif kepada para pengguna di sepanjang bahagian timur Greater Kuala Lumpur.

Ketika ini, hanya terdapat satu pilihan kepada para penduduk dan para pekerja yang tinggal atau bekerja di sepanjang koridor Melawati, Ampang dan Pandan, iaitu MRR2. Setiap hari, para pengguna MRR2 terpaksa mengalami kesesakan dan kelewatan yang hanya akan menjadi lebih teruk apabila bandaraya Kuala Lumpur dan Negara berkembang dengan lebih pesat.

EKVE bukan hanya menyuraikan kesesakan di MRR2 tetapi juga memberi jalan alternatif kepada arteri 'urban' yang sesak menerusi sambungan yang mengagumkan dengan jaringan jalanraya utama dalam Greater Kuala Lumpur.

Selain daripada manafaat-manafaat yang akan dibawa oleh EKVE kepada para pengguna jalanraya pada masa hadapan, Projek EKVE juga akan membawa sempadan baru kepada Kumpulan AZRB. Pertama, dengan kos pembinaan berjumlah RM1.551 billion, ia merupakan sebuah projek besar yang menjanjikan kelangsungan Bahagian Kejuruteraan dan Pembinaan kami untuk beberapa tahun lagi. Kedua, ia menjanjikan hasil jangka panjang kepada Kumpulan serta membenarkan Kumpulan untuk mengurangkan kebergantungan kepada Bahagian Kejuruteraan dan Pembinaan yang mana sumbangannya tertakluk kepada keadaan makro ekonomi Negara. Bersama-sama dengan perniagaan-perniagaan lain dalam Kumpulan, konsesi lebuhraya ini akan meletakkan Kumpulan di atas kedudukan yang lebih kuat dan kukuh untuk tahun-tahun yang akan datang.

Pembina yang Cemerlang, Kepelbagaian Perniagaan Dan Kerja Berkumpulan

Sementelahan kami membangun untuk masa hadapan, kami turut berbangga dengan kejayaan-kejayaan yang kami capai tetapi pada masa yang sama, kami sedar akan keperluan untuk penambahbaikan berterusan bagi mensasarkan projek-projek yang lebih besar dan baik. Menjadi pembina yang cemerlang adalah merupakan salah satu aspek dalam keseluruhan strategi masa hadapan kami. Sejak beberapa tahun yang lalu, kami telah berusaha untuk mempelbagaikan pendapatan kami pada masa hadapan. Perjanjian-perjanjian konsesi Hospital IIUM dan EKVE adalah sebahagian daripada strategi tersebut. Penglibatan kami dalam perniagaan perladangan merupakan aspek lain dalam strategi yang sama. Namun begitu, Bahagian Perladangan masih lagi belum membuahkan hasil sepertimana yang diharapkan oleh Kumpulan dan kami telah membuat beberapa perubahan sejak beberapa bulan yang lalu bagi memastikan keberhasilan pada masa hadapan.

Kami telah merangka strategi jangka sederhana dan jangka panjang untuk bahagian ini, termasuk penanaman baru dan pertambahan ladang. Ketika ini, kami sedang menyelesaikan peringkat akhir perjanjian pembiayaan dengan sebuah bank utama serantau bagi membolehkan bahagian ini mencapai pelan strategi yang telah dirangka. Kami berharap akan dapat memaklumkan kepada para pemegang saham setelah selesainya perjanjian pembiayaan tersebut.

Sepertimana kebanyakan organisasi lain yang berjaya, kejayaan Kumpulan bergantung kepada banyak faktor terutamanya tenaga kerja kami yang setia dan berdedikasi. Bersempena dengan perayaan 30 tahun, kami telah mengadakan 'Staff Retreat and Annual Dinner' atau 'STRAND' di Bukit Gambang Resort City. STRAND mencakupi aktiviti-aktiviti berpasukan, sesi 'town hall' dan makan malam tahunan bertema dengan persembahan oleh pihak pengurusan dan kakitangan. Secara keseluruhannya, acara ini amat berjaya. Saya amat berpuas hati melihat para pengarah, pihak pengurusan dan kakitangan bermesra antara satu sama lain dan memperakui secara bersama bahawa kami adalah satu pasukan. Apa yang lebih baik untuk dilihat adalah semangat setiakawan dan berpasukan yang telah diterapkan dalam padang di Bukit Gambang di bawa bersama ke tempat kerja. Berdasarkan kepada kejayaan ini, saya ingin menggalakkan agar pihak pengurusan mempertimbangkan acara-acara seperti ini pada masa akan datang untuk menyatukan dan menaikkan moral serta semangat kesemua ahli keluarga AZRB.

Lawatan Diraja Sebagai Tanda Permulaan Baru Dan Kemakmuran Yang Lebih Besar

Bagi Kumpulan, tahun 2012 mencapai kemuncaknya apabila kami berpindah ke ibupejabat kami yang dibanggakan iaitu Menara AZRB. Saya pasti bahawa sebagai wakil kepada semua dalam Kumpulan, perpindahan ini sudah lama ditunggu dan merupakan penantian yang amat bernilai. Perasaan bangga terpancar pada setiap wajah yang saya tatap begitu juga dengan perasaan kagum oleh para pelawat. Ia sememangnya satu dunia yang amat berbeza berbanding dengan premis kami yang sebelumnya. Pihak Lembaga dan saya ingin sekali lagi merakamkan ucapan terima kasih kepada KDYTM Tengku Mahkota Pahang, Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah kerana telah sudi bercemar duli untuk merasmikan Menara AZRB pada 4 Februari 2013. Kami rasa amat terhormat dengan lawatan Ke Bawah Duli Yang Teramat Mulia Tuanku ke pejabat kami dan ia semestinya akan sentiasa diingati sebagai acara yang penuh bermakna untuk tahun-tahun yang akan datang.

Perpindahan ke Menara AZRB yang baru menandakan permulaan baru kepada Kumpulan. Kami berharap agar Menara AZRB akan memberi inspirasi dan menggerakkan kami ke arah kemakmuran dan masa hadapan yang lebih baik. Menara AZRB akan mencabar kami untuk menghayati simboliknya tetapi cabaran tersebut telah kami terima dan hayati.

Penghargaan

Bagi pihak Lembaga, saya menyampaikan penghargaan dan ucapan terima kasih kepada para pemegang saham, agensi-agensi kerajaan yang berkaitan, pelanggan, perunding, ahli kewangan, kontraktor, pembekal dan rakan niaga yang telah menyumbang kepada kejayaan kami serta sokongan dan keyakinan mereka yang berterusan kepada Kumpulan AZRB.

Saya juga merakamkan ucapan terima kasih kepada semua kakitangan kumpulan AZRB dan anak syarikatnya atas dedikasi dan komitmen mereka untuk Kumpulan.

Akhir kata, saya mengucapkan terima kasih kepada ahli-ahli Lembaga di atas nasihat, panduan dan sumbangan berharga yang telah mereka berikan.

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
Pengerusi

The year 2012 marked another successful year for the Group particularly for the Engineering and Construction ("E&C") Division. The E&C Division managed to secure a number of notable projects during the year namely the Klang Valley Mass Rapid Transit ("KVMRT") Project, awarded by Mass Rapid Transit Corporation Sdn Bhd ("MRT Corp") and the PNB Building Project to develop a 50 storey hotel tower and refurbish the existing 35 storey office tower, previously known as Bangunan MAS, on Lot 1194, Jalan Sultan Ismail, Kuala Lumpur awarded by Permodalan Nasional Berhad ("PNB"). Together, these projects have boosted our order book above the RM2 billion ringgit mark.

ENGINEERING AND CONSTRUCTION DIVISION

The E&C Division continued to be the major contributor to the Group's results by recording revenue of RM597 million [2011: RM443.5 million]; an improvement of 35% over the previous year. The profit before tax also increased to RM42.8 million [2011: RM16.5 million] backed by the higher revenue during the year.

In 2012, landmark projects secured by the Group; namely the KVMRT Packages V6 and S6 as well as the PNB Building Project with a combined contract value worth RM1.4 billion, are expected to contribute positively to the Group for years to come. With the Groups' continued participation in tenders of high impact and large scale projects, both in public and private sectors, the E&C Division is in a prime position to take advantage of Malaysia's continued economic growth and its aspirations to become a fully developed nation by the year 2020.

Furthermore, in 13 February 2013, the Group inked the concession agreement with the Government Malaysia, via the Ministry of Works, for the proposed design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway ("EKVE"). EKVE entails the building and operation of an expressway totalling 36km along the eastern corridor of Klang Valley from Sungai Long in Kajang to Ukay Perdana in Ampang. The building of the expressway will be spearheaded by the E&C Division, which should keep the Division busy over the next few years.

The existing ongoing contracts include:

No.	Project Name (as at 30 April 2013)	Type of Work	Contract Value (RM' million)	Balance of Contract Value (RM' million)
1.	KVMRT Package V6 & S6	Infrastructure – Viaduct / Building – Stations	765	708
2.	PNB Hotel & Office Towers, Jalan Sultan Ismail	Building – High Rise Hotel and Office	673	662
3.	IIUM Teaching Hospital, Kuantan	Building – Hospital	413	369
4.	Kompleks Kerja Raya 2, Kuala Lumpur	Building – Highrise office	309	77
5.	University Darul Iman Malaysia ("UDM"), Besut	Building – Campus	225	38
6.	East Coast Expressway - Package 2	Infrastructure – Roads	145	106
7.	Public Housing Scheme, Chabang Tiga, Kuala Terengganu	Building – Highrise residential	125	27
8.	Maternity Hospital, Kuala Terengganu	Building – Hospital	115	9

OIL & GAS DIVISION

The Oil & Gas Division improved its revenue and profit before tax results for the year 2012 compared to the previous year. For 2012, revenue was RM69.5 million, an increased of 28.7% from the RM54 million recorded in 2011. The Division continues to contribute significantly to the bottom line of the Group. Profit before tax contribution was RM20.3 million [2011: RM19.5 million].

The performance of the Division was a result of higher volume of diesel sales as well as throughput direct bunkering activities.

The market remains positive by virtue of the increased activities in the oil and gas fields on the east coast of Peninsular Malaysia. Furthermore, the continuing implementation of Economic Transformation Programme ("ETP") has given rise to additional opportunities in Malaysia's oil and gas sector, which is expected to carry over to the next financial year and beyond.

PLANTATION DIVISION

The Division contributed revenue of RM2.5 million and a loss before taxation of RM12.4 million. This was expected due to most of the planted areas still being in the early part of its maturity cycle. We are confident that the contributions from this Division will improve over the next few years as the trees become more mature.

Going forward the Group has plans to more than double the size of the planted area from the present area of approximately 5,000 ha. The plan also includes the building of a mill to produce our own crude palm oil, which will further enhance the value chain of the Division in the future. Presently, the Group is in the midst of finalising a financing agreement with a major regional bank to help the Division realise its plans for the future.

The Division will continue to implement various measures to increase productivity via adopting high quality estate management practices that encompasses good manpower management and focusing on operational efficiency. In addition, the Group is committed to adopt sustainable best practice in oil palm plantations to be environmentally responsible for future generations. Together with the plans currently being put in place, the Group believes that the Division will be a significant contributor to the Group's results in the years ahead.

PROPERTY DEVELOPMENT DIVISION

The Group, via its subsidiary, Kemaman Technology & Industrial Park Sdn Bhd ("KTIP") has continued to develop Paka Industrial Park in Terengganu as the preferred choice for local and international oil & gas and petrochemical companies to set up their offices and facilities.

In 2012, revenue for the Property Development Division saw a decrease of 36% from RM9 million in 2011 to RM5.6 million in 2012. In tandem with the lower revenue, profit before tax also decreased to RM1.3 million [2011: RM3 million]. The revenue is expected to bounce back in 2013 with the completion of the current phases that were launched in 2011.

We opine that this Division will give sizeable contribution to the Group's results with the increase in housing demand in the future. Aside from the present Paka Industrial Park, the Group is actively looking at other opportunities for the Division to embark on. We believe that this Division can be developed into a major Division of the Group, that is synergistic with the current core expertise of the Group.

OTHER BUSINESSES AND DEVELOPMENTS

As stated earlier, the Group had, on 13 February 2013, entered into a 50 year Concession Agreement ("CA") with the Government of Malaysia for the development of the East Klang Valley Expressway ("EKVE") via the Build, Operate and Transfer ("BOT") model. The CA entails the design and construction of an expressway totalling 36km starting from the SILK Highway at Sungai Long, Kajang to the Middle Ring Road 2 interchange at Ukay Perdana. Following the completion of EKVE, the CA shall give the G roup the right to operate and maintain the expressway for the remaining period of the concession. The Group's wholly owned subsidiary, EKVE Sdn Bhd shall be fully responsible in the management and operation of EKVE.

The Group will be working hard over the next few months to secure and finalise the financial close for the project. The Group believes that with this concession in hand, the Group will break new frontiers and secure itself an exciting future ahead. The Group is continuously on the lookout for opportunities that will not only enhance the Group's earnings potential but also bring about better value to all our shareholders.

CORPORATE EVENTS

Staff Gathering at IIUM Teaching Hospital's Project Office

28 January 2012

Media Briefing on Klang Valley Mass Rapid Transit ("KVMRT") Project

9 March 2012

Stakeholder Engagement for KVMRT V6 Project with JKKK Kg. Sg. Raya, Batu 9, Cheras

12 May 2012

Ceremony to Mark The Completion of The Final Topping Up Work For 'Kompleks Kerja Raya 2'

14 May 2012

AZRB 15th Annual General Meeting

19 June 2012

Signing Ceremony of the Agreement on The Hospital Facilities Management Services For IIUM Teaching Hospital Between Peninsular Medical Sdn Bhd and Advance Pact Sdn Bhd

16 July 2012

CORPORATE EVENTS

AZRB Staff Breaking Fast 2012 at The Royale Chulan Kuala Lumpur

9 August 2012

AZRB Hari Raya Open House 2012 at Saloma Bistro Kuala Lumpur

9 September 2012

Launching of Intergrated Management System

12 October 2012

First Day Gathering at Menara AZRB

3 December 2012

Ceremony to Mark The Laying of The Foundation Stone of the IIUM Teaching Hospital, Kuantan, Pahang

12 December 2012

Directors & Management Retreat 2012 at Sutera Habour, Kota Kinabalu, Sabah

22-24 December 2012

CORPORATE SOCIAL RESPONSIBILITIES ("CSR") EVENTS

'Baju Raya' Shopping with the orphanages

11 August 2012

Tuition Class with the children of Rumah Baitul Ummah

11 August 2012

Breaking Fast with the Children of Rumah Silaturrahim Nurul Qanaah

13 August 2012

Breaking Fast with the Children of Rumah Baitul Ummah

14 August 2012

AZRB RECREATIONAL & SPORTS CLUB EVENTS

Walk with Kelab Sukan & Rekreasi ("KSR")

7 July 2012

Staff Retreat & Annual Dinner

2-3 November 2012

AZRB RECREATIONAL & SPORTS CLUB EVENTS

Mount Kinabalu Expedition (22-25 June 2012)






FINANCIAL STATEMENTS

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	18,678,564	10,391,260
Non-controlling interests	(91,485)	–
	18,587,079	10,391,260

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

No dividend was paid during the financial year and the Directors do not recommend the payment of any dividend for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Sri Haji Wan Zaki bin Haji Wan Muda
Dato' Wan Zakariah bin Haji Wan Muda
Dato' Haji Mustaffa bin Mohamad
Dato' W Zulkifli bin Haji W Muda
Datuk (Prof.) A Rahman @ Omar bin Abdullah
Dato' Haji Ismail @ Mansor bin Said
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Bought	(Sold)	At 31.12.2012
Direct interest in the Company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	2,066,760	–	–	2,066,760
Dato' Wan Zakariah bin Haji Wan Muda	2,101,096	–	–	2,101,096
Dato' Haji Mustaffa bin Mohamad	2,177,148	–	(240,000)	1,937,148
Dato' W Zulkifli bin Haji W Muda	2,552,696	90,000	–	2,642,696
Datuk (Prof.) A Rahman @ Omar Bin Abdullah	1,200,000	–	–	1,200,000
Dato' Haji Ismail @ Mansor bin Said	102	–	–	102
Indirect interest in the Company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	163,061,136	–	–	163,061,136
Dato' Haji Mustaffa bin Mohamad**	1,050,000	–	–	1,050,000
Dato' Haji Ismail @ Mansor bin Said**	10,000	–	–	10,000

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	(Sold)	At 31.12.2012
Direct interest in the ultimate holding company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	–	–	500,001
Dato' Wan Zakariah bin Haji Wan Muda	100,000	–	–	100,000
Dato' W Zulkifli bin Haji W Muda	100,000	–	–	100,000

* Shares held through Zaki Holdings (M) Sdn. Bhd.
** Shares held through person connected to the Director

By virtue of his interests in the shares of the ultimate holding company, Dato' Sri Haji Wan Zaki bin Haji Wan Muda is also deemed to have an interest in the shares of the Company and its subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 38 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees Share Option Scheme.

Issue of shares and debentures

During the financial year, the Company issued 178,747 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.56 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS").

At the Annual General Meeting and Extraordinary General Meeting held on 20 June 2002 and 21 November 2007 respectively, the Company's shareholders approved the establishment of an ESOS and the subsequent amendments to the ESOS to eligible Directors and employees of the Group. The ESOS was in force for a duration of ten (10) years from 26 July 2002 and expired on 25 July 2012.

The salient features of the ESOS were inter-alia as follows:

(a) eligible persons are full time employees with confirmed employment within the Group (including executive Directors of the Group and non-executive Directors of the Company) other than a company which is dormant. The Date of Offer is the date when an offer in writing is made to eligible employees to participate in the ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;

(b) the number of ordinary shares of RM0.50 each in the Company ("AZRB Shares") allocated, in the aggregate, to the Directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;

Options granted over unissued shares (continued)

(c) the aggregate number of shares to be allocated and issued under the ESOS shall not exceed fifteen percent (15%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;

(d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB Shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately proceeding the Date of Offer;

(e) the number of AZRB Shares allocated to any individual Director or employee who either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and

(f) new shares issued under the ESOS shall rank pari passu in all respect with the existing ordinary shares save and except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of the allotment of the new shares.

On 14 December 2007, the Company adjusted the exercise price and the number of share options pursuant to the sub-division of every 1 existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.

During the financial year, the number of ESOS options exercised and lapsed is as follows:

		Number of options over ordinary shares of RM0.50 each				
Date of offer	**Exercise price**	**At 1.1.2012**	**Granted**	**(Exercised)**	**(Lapsed)**	**At 31.12.2012**
26 July 2002	RM0.56	320,173	–	(178,747)	(141,426)	–

ESOS options lapsed due to expiry of ESOS on 25 July 2012.

Treasury shares

There was no repurchase of Company's shares during the financial year under review.

As at 31 December 2012, the Company held as treasury shares a total of 1,478,100 of its 276,942,189 issued and paid-up ordinary shares. Such treasury shares are held at carrying amount of RM1,025,787 and further relevant details are disclosed in Note 19 to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

Significant events during the year are disclosed in Note 40 to the financial statements.

Subsequent events after the year end

Subsequent events after the year end are disclosed in Note 41 to the financial statements.

Holding company

The Directors regard Zaki Holdings (M) Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company of the Company.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Raja Dato' Seri Aman bin Raja Haji Ahmad

Dato' Wan Zakariah bin Haji Wan Muda

Kuala Lumpur
Date: 26 April 2013

FINANCIAL POSITION

As at 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Assets					
Property, plant and equipment	3	86,113,177	64,655,721	2,413,563	2,256,325
Prepaid lease payments	4	9,190,342	9,904,474	–	–
Land held for development	5	8,657,433	–	–	–
Biological assets	6	125,585,877	120,766,265	–	–
Investment property	7	18,000,000	18,500,000	–	–
Intangible assets	8	5,002,546	–	–	–
Goodwill	9	3,747,557	3,744,605	–	–
Investments in subsidiaries	10	–	–	97,536,689	82,461,179
Investments in associates	11	159,115	160,656	–	–
Interests in joint ventures	12	(288,352)	(288,352)	–	–
Available-for-sale investments	13	115,500	115,500	68,000	68,000
Deferred tax assets	21	2,976,412	–	–	–
Trade and other receivables	14	8,722,322	–	–	–
Total non-current assets		267,981,929	217,558,869	100,018,252	84,785,504
Inventories	15	14,654,961	9,951,810	–	–
Property development costs	16	8,823,623	6,279,038	–	–
Current tax assets		4,899,797	5,843,289	11,117,852	5,132,787
Trade and other receivables	14	330,080,809	309,099,188	247,897,181	215,753,787
Cash and cash equivalents	17	98,101,075	116,196,724	3,995,049	13,598,492
Total current assets		456,560,265	447,370,049	263,010,082	234,485,066
Total assets		724,542,194	664,928,918	363,028,334	319,270,570

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Equity					
Share capital	18	138,471,095	138,381,722	138,471,095	138,381,722
Reserves	19	69,232,762	52,991,448	(62,250,938)	(72,733,650)
Equity attributable to owners of the Company		207,703,857	191,373,170	76,220,157	65,648,072
Non-controlling interests		5,345,872	5,903,135	–	–
Total equity		213,049,729	197,276,305	76,220,157	65,648,072
Liabilities					
Loans and borrowings	20	145,959,332	107,138,275	1,414,774	1,344,174
Deferred tax liabilities	21	13,460,425	8,014,475	4,613,348	4,546,169
Total non-current liabilities		159,419,757	115,152,750	6,028,122	5,890,343
Loans and borrowings	20	39,484,173	46,325,406	608,583	568,740
Trade and other payables	22	304,052,901	301,087,583	280,171,472	247,163,415
Current tax liabilities		8,535,634	5,086,874	–	–
Total current liabilities		352,072,708	352,499,863	280,780,055	247,732,155
Total liabilities		511,492,465	467,652,613	286,808,177	253,622,498
Total equity and liabilities		724,542,194	664,928,918	363,028,334	319,270,570

The notes on pages 82 to 164 are an integral part of these financial statements.

Statements of Profit or Loss and other

COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	23	674,649,586	534,867,574	31,099,167	56,733,079
Cost of sales	24	(575,885,215)	(453,653,423)	(3,574,448)	(25,328,466)
Gross profit		98,764,371	81,214,151	27,524,719	31,404,613
Other operating income		1,027,038	1,042,160	52,000	–
Administrative expenses		(43,086,796)	(44,187,022)	(11,492,089)	(11,680,469)
Other operating expenses		(7,345,899)	(5,243,153)	(787,337)	(139,306)
Results from operating activities		49,358,714	32,826,136	15,297,293	19,584,838
Finance income	25	1,946,763	2,728,088	84,451	283,700
Finance costs	26	(13,529,167)	(11,123,376)	(4,739,096)	(7,054,876)
Net finance costs		(11,582,404)	(8,395,288)	(4,654,645)	(6,771,176)
Share of loss of equity-accounted investees, net of tax		(1,541)	(2,044)	–	–
Profit before tax	27	37,774,769	24,428,804	10,642,648	12,813,662
Income tax expense	29	(19,187,690)	(11,821,103)	(251,388)	(6,704,635)
Profit for the year		18,587,079	12,607,701	10,391,260	6,109,027
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(2,488,778)	3,182,211	80,726	181,522
Total other comprehensive (loss)/ income for the year		(2,488,778)	3,182,211	80,726	181,522
Total comprehensive income for the year		16,098,301	15,789,912	10,471,986	6,290,549

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit attributable to:					
Owners of the Company		18,678,564	11,859,790	10,391,260	6,109,027
Non-controlling interests		(91,485)	747,911	–	–
Profit for the year		18,587,079	12,607,701	10,391,260	6,109,027
Total comprehensive income attributable to:					
Owners of the Company		16,230,588	15,041,488	10,471,986	6,290,549
Non-controlling interests		(132,287)	748,424	–	–
Total comprehensive income for the year		16,098,301	15,789,912	10,471,986	6,290,549
Basic earnings per ordinary share (sen)	30	6.75	4.29		
Diluted earnings per ordinary share (sen)	30	–	4.28		

The notes on pages 82 to 164 are an integral part of these financial statements.

CHANGES IN EQUITY

For the year ended 31 December 2012

		Attributable to owners of the Company								
		Non-distributable					Distributable			
	Note	Share capital RM	Share premium RM	Capital reserve RM	Foreign exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group										
At 1 January 2011		138,347,702	9,828	–	(2,015,812)	(1,025,787)	46,139,259	181,455,190	5,154,711	186,609,901
Foreign currency translation differences for foreign operations		–	–	–	3,181,698	–	–	3,181,698	513	3,182,211
Total other comprehensive income for the year		–	–	–	3,181,698	–	–	3,181,698	513	3,182,211
Profit for the year		–	–	–	–	–	11,859,790	11,859,790	747,911	12,607,701
Total comprehensive income for the year		–	–	–	3,181,698	–	11,859,790	15,041,488	748,424	15,789,912
Share-based payment transactions		34,020	–	–	–	–	–	34,020	–	34,020
Dividends to owners of the Company	31	–	–	–	–	–	(5,161,610)	(5,161,610)	–	(5,161,610)
Total contribution from/ distribution to owners of the Company		34,020	–	–	–	–	(5,161,610)	(5,127,590)	–	(5,127,590)
Transfer to share premium for share options exercised		–	4,082	–	–	–	–	4,082	–	4,082
At 31 December 2011		138,381,722	13,910	–	1,165,886	(1,025,787)	52,837,439	191,373,170	5,903,135	197,276,305

	Note	Attributable to owners of the Company								
		Non-distributable					Distributable			
		Share capital	Share premium	Capital reserve	Foreign exchange translation reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
At 1 January 2012		138,381,722	13,910	–	1,165,886	(1,025,787)	52,837,439	191,373,170	5,903,135	197,276,305
Foreign currency translation differences for foreign operations		–	–	–	(2,447,976)	–	–	(2,447,976)	(40,802)	(2,488,778)
Total other comprehensive loss for the year		–	–	–	(2,447,976)	–	–	(2,447,976)	(40,802)	(2,488,778)
Profit for the year		–	–	–	–	–	18,678,564	18,678,564	(91,485)	18,587,079
Total comprehensive income for the year		–	–	–	(2,447,976)	–	18,678,564	16,230,588	(132,287)	16,098,301
Changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	149,224	149,224
Dividend paid by subsidiary		–	–	–	–	–	–	–	(574,200)	(574,200)
Total transactions with non controlling interests		–	–	–	–	–	–	–	(424,976)	(424,976)
Share-based payment transactions		89,373	–	–	–	–	–	89,373	–	89,373
Total contribution from/ distribution to owners of the Company		89,373	–	–	–	–	–	89,373	–	89,373
Transfer to share premium for share options exercised		–	10,726	–	–	–	–	10,726	–	10,726
At 31 December 2012		138,471,095	24,636	–	(1,282,090)	(1,025,787)	71,516,003	207,703,857	5,345,872	213,049,729

	Note	Share Capital RM	Share premium RM	Foreign exchange translation reserve RM	Treasury shares RM	(Accumulated losses) RM	Total equity RM
		← Attributable to owners of the Company					→
		← Non-distributable		→			
Company							
At 1 January 2011		138,347,702	9,828	56,479	(1,025,787)	(72,907,191)	64,481,031
Foreign currency translation differences for foreign operations		–	–	181,522	–	–	181,522
Total other comprehensive income for the year		–	–	181,522	–	–	181,522
Profit for the year		–	–	–	–	6,109,027	6,109,027
Total comprehensive income for the year		–	–	181,522	–	6,109,027	6,290,549
Share-based payment transactions		34,020	–	–	–	–	34,020
Dividends to owners of the Company	31	–	–	–	–	(5,161,610)	(5,161,610)
Total contribution from/distribution to owners of the Company		34,020	–	–	–	(5,161,610)	(5,127,590)
Transfer to share premium for share options exercised		–	4,082	–	–	–	4,082
At 31 December 2011/1 January 2012		138,381,722	13,910	238,001	(1,025,787)	(71,959,774)	65,648,072
Foreign currency translation differences for foreign operations		–	–	80,726	–	–	80,726
Total other comprehensive income for the year		–	–	80,726	–	–	80,726
Profit for the year		–	–	–	–	10,391,260	10,391,260
Total comprehensive income for the year		–	–	80,726	–	10,391,260	10,471,986
Share-based payment transactions		89,373	–	–	–	–	89,373
Total contribution from/distribution to owners of the Company		89,373	–	–	–	–	89,373
Transfer to share premium for share options exercised		–	10,726	–	–	–	10,726
At 31 December 2012		138,471,095	24,636	318,727	(1,025,787)	(61,568,514)	76,220,157

The notes on pages 82 to 164 are an integral part of these financial statements.

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from operating activities					
Profit before tax		37,774,769	24,428,804	10,642,648	12,813,662
Adjustments for:-					
Amortisation of prepaid lease payments		205,540	6,945	–	–
Depreciation of property, plant and equipment		9,913,158	8,590,697	762,653	795,821
Amortisation of biological assets		5,349,434	492,871	–	–
Bad debts written off		26,733	1,755,835	–	–
Property, plant and equipment written off		10,845	–	–	–
Interest expense	26	9,385,557	8,726,665	4,738,407	7,054,876
Loss/(Gain) on foreign exchange - unrealised		411,834	(23,285)	411,848	(24,592)
Change in fair value of investment property		500,000	–	–	–
Dividend income		(3,900)	–	(25,000,110)	(28,000,120)
(Gain)/Loss on disposal of property, plant and equipment - net		(423,317)	(1,027,495)	(52,000)	21,680
Interest income	25	(1,946,763)	(2,728,088)	(84,451)	(283,700)
Share of loss of equity-accounted investees, net of tax		1,541	2,044	–	–
Operating profit/(loss) before working capital changes		61,205,431	40,224,993	(8,581,005)	(7,622,373)
Changes in working capital:					
Increase in inventories		(4,703,151)	(3,449,005)	–	–
(Increase)/Decrease in amount due from contract customers		(29,576,587)	(34,618,608)	(3,897,907)	1,489,025
Increase in property development expenditures		(2,544,585)	(1,150,489)	–	–
Increase in intangible asset		(5,002,546)	–	–	–
Decrease in amount due to contract customers		(2,089,640)	(15,470,441)	–	–
(Increase)/Decrease in trade and other receivables		(89,452)	5,072,553	9,203,753	(2,878,292)
Increase in trade and other payables		3,832,613	6,119,690	40,896	2,450,475
Cash generated from/(used in) operations		21,032,083	(3,271,307)	(3,234,263)	(6,561,165)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash generated from/(used in) operations (cont'd)		21,032,083	(3,271,307)	(3,234,263)	(6,561,165)
Interest paid		(8,632,807)	(9,969,869)	(4,738,407)	(8,376,016)
Interest received		1,613,139	2,852,808	81,409	408,420
Income tax paid		(12,476,696)	(12,976,174)	(6,169,274)	(6,729,975)
Net cash from/(used in) operating activities		1,535,719	(23,364,542)	(14,060,535)	(21,258,736)
Cash flows from investing activities					
Effect of acquisition of subsidiaries, net of cash received	39	150,489	–	(350,512)	(275,000)
Proceeds from disposal of investment in associate		–	51,541,043	–	51,541,043
Dividend received		3,900	–	–	28,000,120
New planting expenditure incurred		(9,907,216)	(14,199,782)	–	–
Purchase of land held for development	5	(8,657,433)	–	–	–
Increase of investments in subsidiaries	10	–	–	(14,724,998)	–
Proceeds from disposal of property, plant and equipment		484,662	3,202,968	52,000	120,000
Acquisition of property, plant and equipment	(i)	(26,438,551)	(17,600,461)	(219,926)	(29,936)
Net cash (used in)/from investing activities		(44,364,149)	22,943,768	(15,243,436)	79,356,227
Cash flows from financing activities					
(Repayments to)/Advances from holding company		(241,686)	(160,024)	1,276	(25,364)
Advances from/(Repayments to) affiliated companies		181,419	851	24	(12)
Advances from subsidiaries		–	–	20,107,917	36,782,806
Decrease/(Increase) in pledged fixed deposits		3,342,062	(5,766,059)	(65,764)	36,674
Dividend paid	31	–	(5,161,610)	–	(5,161,610)
Dividend paid by subsidiary		(191,400)	–	–	–
Repayments of finance lease liabilities		(5,505,456)	(5,187,741)	(589,557)	(668,160)
Proceeds from drawdown of loans and borrowings		67,231,578	129,393,907	–	–
Repayments of loans and borrowings		(39,866,820)	(133,470,962)	–	(80,020,000)
Proceeds from issuance of shares		100,099	38,102	100,099	38,102
Net cash from/(used in) financing activities		25,049,796	(20,313,536)	19,553,995	(49,017,564)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Net (decrease)/increase in cash and cash equivalents		(17,778,634)	(20,734,310)	(9,749,976)	9,079,927
Effects of exchange rate fluctuations on cash held		(1,565,275)	2,932,157	80,769	181,717
Cash and cash equivalents at beginning of the year		35,290,862	53,093,015	10,842,672	1,581,028
Cash and cash equivalents at end of the year	(ii)	15,946,953	35,290,862	1,173,465	10,842,672

(i) *Acquisition of property, plant and equipment*

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM31,968,751 (2011: RM22,743,191) and RM919,926 (2011: RM269,936) respectively, which were satisfied as follows:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Finance lease liabilities	5,530,200	5,142,730	700,000	240,000
Cash payments	26,438,551	17,600,461	219,926	29,936
	31,968,751	22,743,191	919,926	269,936

(ii) *Cash and cash equivalents*

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Deposits placed with licensed banks	17	70,153,424	87,516,239	2,826,590	6,619,248
Cash and bank balances	17	27,947,651	28,680,485	1,168,459	6,979,244
		98,101,075	116,196,724	3,995,049	13,598,492
Less: Bank overdrafts	20	(19,310,739)	(14,720,417)	–	–
Pledged deposits	17	(62,843,383)	(66,185,445)	(2,821,584)	(2,755,820)
		15,946,953	35,290,862	1,173,465	10,842,672

The notes on pages 82 to 164 are an integral part of these financial statements.

Ahmad Zaki Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Menara AZRB
No. 71, Persiaran Jalan Gurney
54000 Kuala Lumpur

Registered office
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and jointly-controlled assets and operations. The financial statements of the Company as at and for the year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Directors regard Zaki Holdings (M) Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company of the Company.

These financial statements were authorised for issue by the Board of Directors on 26 April 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The Company has early adopted the amendments to FRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to FRS 101 has no impact on the financial statements other than the presentation format of the statements of profit or loss and other comprehensive income.

Malaysian Accounting Standards Board ("MASB"), in furtherance with its objective of converging the accounting framework for entities other than private entities in Malaysia with International Financial Reporting Standards, announced on 19 November 2011 the issuance of Malaysian Financial Reporting Standards ("MFRSs"). Entities other than private entities shall apply the MFRS framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141, Agriculture and/or IC Interpretation 15, Agreements for the Construction of Real Estate.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

An entity subject to the application of MFRS 141 and/or IC Interpretation 15, and the entity that consolidates or equity accounts the first-mentioned entity, may continue to apply FRSs as their financial reporting framework for annual reporting periods beginning on or after 1 January 2012. These entities, also known as transitioning entities, shall comply with the MFRS framework for annual periods beginning on or after 1 January 2014. The Group is a transitioning entity.

The following are accounting standards, amendments and interpretations that have been issued by the MASB but have not been adopted as these are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, Financial Instruments: *Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*

The Group and the Company will be migrating to the MFRS framework with effect from 1 January 2014 and will not be adopting the FRS standards, amendments and interpretations listed above that are effective for annual periods beginning on or after 1 January 2014.

The Group plans to apply the abovementioned standards, amendments or that are effective for annual periods beginning on 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group, from the annual period beginning on 1 January 2013.

Potential impacts of initial application of those FRS standard, an amendment or an interpretation, which will be applied retrospectively, are discussed below:

(i) FRS 10, *Consolidated Financial Statements*

FRS 10 introduces a new single control model to determine which investees should be consolidated. FRS 10 supersedes FRS 127, *Consolidated and Separate Financial Statement*s and IC Interpretation 112, *Consolidation – Special Purpose Entities*. There are three elements to the definition of control in FRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

(ii) FRS 11, *Joint Arrangements*

FRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes FRS 131, Interests in Joint Ventures. Under FRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

(iii) Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

The amendments to FRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

The Group is in the midst of assessing the potential impacts arising from the adoption of the aforesaid standards and amendments.

The initial application of the other FRS standards, amendments and interpretations is not expected to have any material financial impact on the financial statements of the Group.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

As at 31 December 2012, the Company's current liabilities exceeded its current assets by RM17,769,973 arising from amount due to subsidiaries. The Directors believe that the Group has the ability to provide the necessary liquidity to enable the Company to meet its obligations as and when they fall due.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(h)(ii) - valuation of investment property
- Note 2(n) - impairment of financial and other assets
- Note 2(r)(ii) - revenue

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities. The accounting policies adopted during the year are Notes 2(e)(i) As lessor, 2(f) and 2(i)(i).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

From 1 January 2011, the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy was applied prospectively in accordance with the transitional provisions provided by the standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless it is classified as held for sale or distribution. The cost of the investments includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Joint ventures

(i) Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity- accounted joint ventures, after adjustments, if any, to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity- accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(ii) Jointly-controlled operation and assets

The interest of the Company or of the Group in unincorporated joint ventures and jointly-controlled assets are brought to account by recognising in the financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non- controlling interests to have a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial asset (cont'd)

(b) Available-for-sale financial assets (cont'd)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment (see Note 2(n)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

• Building	2%
• Renovation	20%
• Machinery and equipment	10% - 33.3%
• Motor vehicles	20% - 33.3%
• Furniture, fittings and equipment	6.7% - 20%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance leases

As lessee

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As lessor

The Group shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (cont'd)

(i) Finance leases (cont'd)

As lessor (cont'd)

Initial direct costs are often incurred by the Group and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. These costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Land held for development

Land held for development consists of land or such portions thereof on which no development activity has been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of between two (2) to three (3) years. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for development is classified as development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of between two (2) to three (3) years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Biological assets

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised at cost as biological assets and is not amortised. Replanting expenditure is charged to profit or loss in the financial year in which the expenditure is incurred.

However, the capitalised costs will be amortised to profit or loss if the land on which the trees are planted is on a lease term. The amortisation is on a straight- line basis over the economic useful lives of the trees, or the remaining period of the lease, whichever is shorter.

(h) Investment property

(i) Investment property carried at fair value

Investment property is property which is owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangible assets

(i) Concession asset

Concession asset comprising costs incurred in connection with highway concession is stated at cost less any accumulated amortisation and any impairment losses.

Highway concession cost include expenditure that is directly incurred in the design and construction of the East Klang Valley Expressway. Subsequent costs are included in the carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the costs can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

The highway concession cost will be amortised when it is ready for its intended use or when toll collection starts, whichever is earlier.

(ii) Goodwill

Goodwill that arose on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investees.

(j) Inventories

(i) Marine fuels and lubricants

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(ii) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportion of common costs attributable to developing the properties to completion.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statements of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers in the statements of financial position.

(l) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs consist of land and construction costs and other development costs including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, development revenue and costs are recognised in the statement of comprehensive income by reference to the stage of development activities at the reporting date.

When the financial outcome of a development activity cannot be reliably estimated, development revenue is recognised only to the extent of development costs incurred that is probable will be recoverable, and development costs on properties sold are recognised as an expense in the period in which they are incurred.

An expected loss on a development project is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value.

Accrued billings as current assets represent the excess of revenue recognised in the statements of comprehensive income over billings to purchasers. Progress billings as current liabilities represent the excess of billings to purchasers over revenue recognised in the statements of comprehensive income.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits placed with licensed banks. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries, investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

For the determination of impairment on receivables, the Group and the Company assess individually each receivable whether objective evidence of impairment exists at the end of each reporting period. An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment (cont'd)

(ii) Other assets (cont'd)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash- generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(o) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Equity instruments (cont'd)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(p) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (cont'd)

(iii) Shared-based payment transactions

The ESOS allows the Group's employees to acquire shares of the Company. The fair value of share options granted to employees is recognised as an expense in the statement of comprehensive income over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting condition upon which the options were granted but excluding the impact of any non-market vesting conditions. At the statement of financial position date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimates is included in the statement of comprehensive income and a corresponding adjustment to equity over the remaining vesting period.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Performance guarantees and bonds

Provisions for performance guarantees and bonds are recognised when crytallisation is probable. When crytallisation is possible, the performance guarantees and bonds are disclosed as contingent liabilities.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Provisions (cont'd)

(iv) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue and other income (cont'd)

(iii) Property development (cont'd)

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Borrowing costs (cont'd)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings and renovation RM	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Cost							
At 1 January 2011	11,731,241	9,707,988	40,857,089	31,868,536	5,320,443	8,774,383	108,259,680
Additions	–	320,909	1,792,303	4,781,172	159,070	15,689,737	22,743,191
Disposals	–	–	(6,020,499)	(4,317,898)	(46,461)	–	(10,384,858)
Effect of movements in exchange rates	–	218,682	678,746	80,576	46,355	–	1,024,359
At 31 December 2011/ 1 January 2012	11,731,241	10,247,579	37,307,639	32,412,386	5,479,407	24,464,120	121,642,372
Additions	–	–	2,012,306	5,150,108	1,219,876	23,586,461	31,968,751
Disposals	–	–	(85,000)	(1,283,227)	–	–	(1,368,227)
Written off	–	–	–	–	(41,908)	–	(41,908)
Transfer to/(from)	–	48,050,581	–	–	–	(48,050,581)	–
Effect of movements in exchange rates	–	(408,762)	(517,207)	(99,268)	(76,131)	–	(1,101,368)
At 31 December 2012	11,731,241	57,889,398	38,717,738	36,179,999	6,581,244	–	151,099,620

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Buildings and renovation RM	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Accumulated depreciation							
At 1 January 2011	–	3,629,793	28,505,135	18,683,623	4,079,147	–	54,897,698
Depreciation for the year	–	646,281	5,101,984	3,527,595	480,158	–	9,756,018
Disposals	–	–	(4,132,992)	(4,037,460)	(38,933)	–	(8,209,385)
Effect of movements in exchange rates	–	23,991	448,178	47,194	22,957	–	542,320
At 31 December 2011/ 1 January 2012	–	4,300,065	29,922,305	18,220,952	4,543,329	–	56,986,651
Depreciation for the year	–	547,697	5,023,563	3,905,196	451,316	–	9,927,772
Disposals	–	–	(65,167)	(1,241,715)	–	–	(1,306,882)
Written off	–	–	–	–	(31,063)	–	(31,063)
Effect of movements in exchange rates	–	(99,304)	(392,986)	(42,937)	(54,808)	–	(590,035)
At 31 December 2012	–	4,748,458	34,487,715	20,841,496	4,908,774	–	64,986,443
Carrying amounts							
At 1 January 2011	11,731,241	6,078,195	12,351,954	13,184,913	1,241,296	8,774,383	53,361,982
At 31 December 2011/ 1 January 2012	11,731,241	5,947,514	7,385,334	14,191,434	936,078	24,464,120	64,655,721
At 31 December 2012	11,731,241	53,140,940	4,230,023	15,338,503	1,672,470	–	86,113,177

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
Cost				
At 1 January 2011	54,039	4,309,853	367,505	4,731,397
Additions	–	269,936	–	269,936
Disposals	–	(274,220)	–	(274,220)
Effect of movements in exchange rates	(6,717)	–	(4,869)	(11,586)
At 31 December 2011/ 1 January 2012	47,322	4,305,569	362,636	4,715,527
Additions	–	919,926	–	919,926
Disposals	–	(264,973)	–	(264,973)
Effect of movements in exchange rates	(2,007)	–	(1,455)	(3,462)
At 31 December 2012	45,315	4,960,522	361,181	5,367,018
Accumulated depreciation				
At 1 January 2011	50,811	1,457,925	298,576	1,807,312
Depreciation for the year	3,256	744,793	47,772	795,821
Disposals	–	(132,540)	–	(132,540)
Effect of movements in exchange rates	(6,745)	–	(4,646)	(11,391)
At 31 December 2011/ 1 January 2012	47,322	2,070,178	341,702	2,459,202
Depreciation for the year	–	751,928	10,725	762,653
Disposals	–	(264,973)	–	(264,973)
Effect of movements in exchange rates	(2,007)	–	(1,420)	(3,427)
At 31 December 2012	45,315	2,557,133	351,007	2,953,455
Carrying amounts				
At 1 January 2011	3,228	2,851,928	68,929	2,924,085
At 31 December 2011/ 1 January 2012	–	2,235,391	20,934	2,256,325
At 31 December 2012	–	2,403,389	10,174	2,413,563

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment are:

(i) the cost and the net carrying amount of property, plant and equipment under finance lease arrangements are as follows:

Group	Machinery and equipment RM	Motor vehicles RM	Total RM
2012			
Cost	10,294,578	19,117,146	29,411,724
Net carrying amount	3,802,792	12,019,298	15,822,090
2011			
Cost	12,452,844	18,273,334	30,726,178
Net carrying amount	5,310,543	10,680,792	15,991,335
Company			
2012			
Cost	–	3,836,779	3,836,779
Net carrying amount	–	2,403,383	2,403,383
2011			
Cost	–	3,836,080	3,836,080
Net carrying amount	–	2,235,388	2,235,388

(ii) freehold land and buildings and building under construction of the Group with total net carrying amounts of RM59,638,403 and RM Nil (2011: RM12,320,188 and RM24,464,120) respectively are charged to financial institutions as securities for banking facilities granted to its subsidiaries as disclosed in Note 20(a)(ii).

4. PREPAID LEASE PAYMENTS

	Group	
	2012	2011
	RM	RM
Cost		
At 1 January	12,289,552	12,130,141
Effect of movements in exchange rates	(275,035)	159,411
At 31 December	12,014,517	12,289,552
Accumulated amortisation		
At 1 January	2,385,078	1,921,801
Amortisation during the year	452,756	463,277
Effect of movements in exchange rates	(13,659)	–
At 31 December	2,824,175	2,385,078
Carrying amount		
At 31 December	9,190,342	9,904,474
Analysed as follows:		
Short term leasehold land	9,190,342	9,904,474

The short term leasehold land of the Group has an unexpired lease period of less than fifty (50) years.

5. LAND HELD FOR DEVELOPMENT

The land held for development represents freehold land that was acquired during the year and earmarked for future commercial development. It is pledged to the lender bank for the term loan facility as disclosed in Note 20(a)(vi).

	Group	
	Freehold land	
	2012	2011
	RM	RM
At 1 January	–	–
Addition	8,657,433	–
At 31 December	8,657,433	–

6. BIOLOGICAL ASSETS

	Group 2012 RM	Group 2011 RM
Cost		
At 1 January	121,259,136	105,437,701
Additions	10,169,046	15,821,435
At 31 December	131,428,182	121,259,136
Accumulated amortisation		
At 1 January	492,871	–
Amortisation during the year	5,349,434	492,871
At 31 December	5,842,305	492,871
Carrying amount		
At 31 December	125,585,877	120,766,265

This is in respect of expenditure incurred by a subsidiary on new planting of oil palm in a plantation located in the Republic of Indonesia.

Included in biological assets (before amortisation) for the year are:

	Group 2012 RM	Group 2011 RM
Amortisation of prepaid lease payments	247,216	456,332
Depreciation of property, plant and equipment	14,614	1,165,321
Staff costs	1,751,832	8,348,241

7. INVESTMENT PROPERTY

	Group	
	2012	2011
	RM	RM
At fair value		
At 1 January	18,500,000	18,500,000
Change in fair value recognised in profit or loss	(500,000)	–
At 31 December	18,000,000	18,500,000
Included in the above are:		
Hotel property		
Freehold land	793,912	793,912
Hotel building	17,206,088	17,706,088
At 31 December	18,000,000	18,500,000

Investment property comprises a hotel property that is leased to a third party. The lease contains an initial non-cancellable period of ten (10) years. Subsequent renewals are negotiated with the lessee and on average renewal periods are for three (3) years. The lease has a minimum base rental and a contingent rental based on an agreed percentage of the net profit of the lessee. The fair value of investment property is determined based on market value.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2012	2011
	RM	RM
Rental income	(172,365)	(24,000)
Direct operating expenses	1,499,815	155,933

The hotel property is charged to financial institutions as security for facilities granted to a subsidiary as disclosed in Note 20(c).

8. INTANGIBLE ASSETS

	Group Highway concession	
	2012 RM	2011 RM
Cost		
At 1 January	–	–
Additions	5,002,546	–
At 31 December	5,002,546	–

This represents the expenditure incurred to procure the concession rights (license) for collection toll over a concession period of fifty (50) years from the Government of Malaysia in exchange for services to be rendered in connection with the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway pursuant to the Concession Agreement signed on 13 February 2013.

9. GOODWILL

	Group	
	2012 RM	2011 RM
At cost		
At 1 January	3,744,605	3,744,605
Addition arising from acquisition of new subsidiary	2,952	–
At 31 December	3,747,557	3,744,605

For the purpose of impairment testing, goodwill is allocated to the subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

9. GOODWILL (CONT'D)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2012	2011
	RM	RM
Malaysian quarry business	2,893,983	2,893,983
Multiple business units without significant goodwill	853,574	850,622
	3,747,557	3,744,605

The recoverable amount of the Malaysian quarry business unit is calculated using value in use that is based on an approved business plan for which a five year cash flows projection is made.

Value in use was determined by discounting the future cash flows to be generated from the continuing use of the business unit and was based on the following key assumptions:

- Cash flows were projected based on the approved annual business plan.
- The anticipated annual revenue growth included in cash flows projections was 5% for the years from 2013 to 2017.
- There is no expected increase in selling price over the 5 years.
- A pre-tax discount rate of 10% (2011: 10%) was applied in determining the recoverable amount of the unit.

The values assigned to the key assumptions represent management's assessment of future trends in the quarry business and are based on both external sources and internal sources.

Sensitivity analysis has been performed on the key assumptions on the basis that all other variables remain constant. The results of the sensitivity analysis does not have any significant impact on the carrying amount of goodwill on consolidation.

10. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2012 RM	Company 2011 RM
Unquoted shares, at cost			
At 1 January		82,461,179	84,212,429
Addition of new subsidiary	39	350,512	275,000
Capital injection for existing subsidiaries		14,724,998	–
Disposal		–	(2,026,250)
At 31 December		97,536,689	82,461,179

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Ahmad Zaki Sdn. Bhd.	Contractors of civil and structural contract works	Malaysia	100	100
Inter-Century Sdn. Bhd.	Dealer of marine fuels and lubricants	Malaysia	100	100
Tadok Granite Manufacturing Sdn. Bhd.	Dormant	Malaysia	100	100
AZRB International Ventures Sdn. Bhd.	Investment holding	Malaysia	100	100
Trend Vista Development Sdn. Bhd.	Dormant	Malaysia	100	100
P.T. Ichtiar Gusti Pudi**	Oil palm cultivation	Republic of Indonesia	95	95
Ahmad Zaki Saudi Arabia Co. Ltd.**@	Contractors of civil and structural contract works	Kingdom of Saudi Arabia	95	95

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Peninsular Medical Sdn. Bhd.	Undertake design, development and the construction of a teaching hospital as well as to carry out the related maintenance services subsequent to the completion of teaching hospital	Malaysia	100	100
AZRB Properties Sdn. Bhd.	Dormant	Malaysia	100	100
EKVE Sdn. Bhd.	Engaged in the business of construction, establishment, operation, maintenance and management of highway	Malaysia	100	100
Unggul Energy & Construction Sdn. Bhd.	Dormant	Malaysia	100	100
Temala Development Sdn. Bhd.#	Dormant	Malaysia	70	–
Betanaz Properties Sdn. Bhd.	Property development	Malaysia	51	–
Peninsular Prokonsult Sdn. Bhd.#	Dormant	Malaysia	100	–
Held through Ahmad Zaki Sdn. Bhd.				
Kemaman Technology & Industrial Park Sdn. Bhd.*	Property development	Malaysia	60	60
AZSB Machineries Sdn. Bhd.	Rental of machineries	Malaysia	100	100

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Held through Inter-Century Sdn. Bhd.				
Astral Far East Sdn. Bhd.	Dealer of lubricants and petroleum-based products	Malaysia	100	100
Held through AZRB International Ventures Sdn. Bhd.				
AZRB Construction (India) Pvt. Ltd.**	Dormant	India	100	100
Ahmad Zaki Saudi Arabia Co. Ltd.**@	Contractors of civil and structural contract works	Kingdom of Saudi Arabia	5	5

* *Not audited by KPMG Malaysia.*

** *Not audited by member firms of KPMG International.*

@ *Wholly owned subsidiary of the Group. The disposal in prior year was in respect of transfer of 5,000 shares of Saudi Riyal 500 each in Ahmad Zaki Saudi Arabia Co. Ltd. to its wholly owned subsidiary, AZRB International Ventures Sdn. Bhd. The transfer of shares is still in progress.*

\# *Consolidated based on management accounts as these companies were recently incorporated and did not require to be audited.*

11. INVESTMENTS IN ASSOCIATES

	Group 2012 RM	Group 2011 RM
Unquoted shares, at cost		
At 1 January/31 December	110,000	110,000
Share of post-acquisition reserves	49,115	50,656
	159,115	160,656

11. INVESTMENTS IN ASSOCIATES (CONT'D)

Goodwill included within the Group's carrying amount of investments in associated companies is as follows:

	Group	
	2012	2011
	RM	RM
Goodwill on acquisition		
At 1 January/31 December	8,056	8,056

The details of the associates, all incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Held through Ahmad Zaki Sdn. Bhd.			
Fasatimur Sdn. Bhd.	Project management	50	50
Maxi Heritage Sdn. Bhd.	General contractor	20	20

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

	Country of incorporation	Effective ownership interest	Revenue (100%) RM	Loss (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2012						
Fasatimur Sdn. Bhd.	Malaysia	50%	–	3,082	590,317	(302,185)
Maxi Heritage Sdn. Bhd.	Malaysia	20%	–	–	119,408	(84,400)
2011						
Fasatimur Sdn. Bhd.	Malaysia	50%	–	3,628	594,000	(302,785)
Maxi Heritage Sdn. Bhd.	Malaysia	20%	–	1,100	119,408	(84,400)

12. INTERESTS IN JOINT VENTURES

	Group 2012 RM	Group 2011 RM
Share of post-acquisition results in joint ventures		
At 1 January/31 December	(288,352)	(288,352)

The Group has a 50% and 70% interest in the jointly-controlled entities as mentioned in (i) and (ii) respectively:

(i) BumiHiway - Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor; and

(ii) Ahmad Zaki - Jasa Bakti Joint Venture which undertakes the design and build of "Sekolah Menengah Sains Hulu Terengganu" in Terengganu.

(a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows:

(i) Share of the assets and liabilities

	Group 2012 RM	Group 2011 RM
Current assets		
Other receivables, deposits and prepayments	7,860	7,860
Cash and cash equivalents	1,294,646	1,294,646
	1,302,506	1,302,506
Current liabilities		
Trade payables	1,575,072	1,575,072
Other payables and accruals	15,786	15,786
	1,590,858	1,590,858
Share of net liabilities of the joint ventures	(288,352)	(288,352)

12. INTERESTS IN JOINT VENTURES (CONT'D)

(a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows (cont'd):

(ii) Share of the revenue and expenses

	Group	
	2012	2011
	RM	RM
Attributable contract revenue	–	–
Attributable contract costs	–	–
Share of profit for the year	–	–

All the projects under the joint ventures have been completed in previous years and currently pending finalisation of the joint ventures accounts.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Unquoted shares in Malaysia, at cost				
At 1 January	8,547,500	8,547,500	8,500,000	8,500,000
Less: Impairment losses	(8,500,000)	(8,500,000)	(8,500,000)	(8,500,000)
At 31 December	47,500	47,500	–	–
Club membership	68,000	68,000	68,000	68,000
	115,500	115,500	68,000	68,000

The club membership is in respect of transferable golf club corporate membership.

14. TRADE AND OTHER RECEIVABLES

	Note	Group 2012 RM	Group 2011 RM
Non-current			
Trade receivable		8,722,322	–

The amount consists of capital expenditure incurred on behalf of a customer for the construction of a teaching hospital under the Private Financing Initiative that are only due for payment upon completion of the teaching hospital which is expected to be in Year 2016.

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current					
Trade					
External parties	a	33,006,846	37,642,844	6,467,823	9,943,538
Amount due from contract customers	b	242,593,781	213,017,194	23,593,367	19,695,460
Amount due from a joint venture	c	49,773	49,773	–	–
		275,650,400	250,709,811	30,061,190	29,638,998
Non-trade					
Amount due from:					
Ultimate holding company	d	206,020	–	134,718	135,994
Subsidiaries	d	–	–	150,475,347	137,616,103
Associate	e	20,000	20,000	–	–
Affiliates	f	420,536	483,709	3,697	3,721
		646,556	503,709	150,613,762	137,755,818
Other receivables	g	47,988,468	51,655,561	64,099,781	45,330,200
Deposits		1,726,293	2,152,479	49,066	54,125
Prepayments		4,069,092	4,077,628	3,073,382	2,974,646
		330,080,809	309,099,188	247,897,181	215,753,787

Included in the trade and non-trade receivables above are the following amounts that are currently under dispute with a particular contract customer pertaining to the development of a university campus in Saudi Arabia.

14. TRADE AND OTHER RECEIVABLES (CONT'D)

		Group		Company	
	Note	2012 RM'million	2011 RM'million	2012 RM'million	2011 RM'million
External parties		7.7	7.7	–	–
Amount due from contract customers		45.5	45.5	–	–
Other receivables	g	44.7	44.7	44.7	44.7
		97.9	97.9	44.7	44.7

As disclosed in Note 40 (iv) to the financial statements, the Group has initiated arbitration proceedings against the said contract customer for the recovery of these amounts.

Note a

The Group's and the Company's normal credit term ranges from 60 to 90 days (2011: 60 to 90 days).

Included in trade receivables from external parties at 31 December 2012 are retention sums of the Group and of the Company of RM17,576,840 (2011: RM17,417,960) and RM2,822,831 (2011: RM2,822,831) respectively relating to construction work-in- progress.

Retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle as analysed below:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Within 1 year	2,822,831	2,822,831	2,822,831	2,822,831
1 - 2 years	2,999,450	–	–	–
2 - 3 years	–	2,312,237	–	–
3 - 4 years	10,056,963	12,282,892	–	–
More than 5 years	1,697,596	–	–	–
	17,576,840	17,417,960	2,822,831	2,822,831

14. TRADE AND OTHER RECEIVABLES (CONT'D)

Note b

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Aggregate costs incurred to-date		2,940,493,421	2,601,045,000	423,439,032	422,729,130
Add: Attributable profits		259,025,006	197,641,911	31,623,115	31,880,404
Less: Foreseeable lossess		(210,556)	–	–	–
		3,199,307,871	2,798,686,911	455,062,147	454,609,534
Less: Progress billings		(2,978,279,002)	(2,609,324,269)	(431,468,780)	(434,914,074)
		221,028,869	189,362,642	23,593,367	19,695,460
Amount due from contract customers		242,593,781	213,017,194	23,593,367	19,695,460
Amount due to contract customers	22	(21,564,912)	(23,654,552)	–	–
		221,028,869	189,362,642	23,593,367	19,695,460

Included in additions to aggregate cost incurred to-date are the following amounts charged during the year:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff cost expenses	19,919,052	18,378,734	–	–
Rental of premises	723,785	369,755	–	–
Running cost of machinery	19,101,021	9,788,153	–	–
Rental of motor vehicles	22,330	37,045	–	–
Depreciation of plant and equipment	–	2,673	–	2,673

Note c

The amount is unsecured, interest-free and repayable on demand.

Note d

These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER RECEIVABLES (CONT'D)

Note e

The amount is due from Maxi Heritage Sdn. Bhd. which is unsecured, interest-free and repayable on demand.

Note f

Affiliates are companies which have common Directors and shareholders as that of the Company. The amount is unsecured, interest-free and repayable on demand.

Note g

Included in other receivables are performance and advance payments bonds amounting to RM44.7 million (2011: RM44.7 million) which were called upon by one of the Group's contract customers during the financial year ended 31 December 2010. This amount has been included in the claim made by the Group which will be subject to the outcome of the arbitration proceedings as disclosed in Note 40 (iv).

15. INVENTORIES

	Group	
	2012 RM	2011 RM
At cost:		
Completed properties	2,840,963	1,266,940
Marine fuels and lubricants	11,213,915	8,684,870
Consumable goods	600,083	–
	14,654,961	9,951,810
Recognised in profit or loss:		
Inventories recognised as cost of sales	76,079,296	60,990,898
Write-down to net realisable value	–	90,783

16. PROPERTY DEVELOPMENT COSTS

	Group	
	2012	2011
	RM	RM
Development costs:		
At 1 January	14,873,143	9,624,669
Cost incurred during the year	7,246,052	5,248,474
At 31 December	22,119,195	14,873,143
Cost recognised in profit or loss		
- prior years	(8,594,105)	(4,496,120)
- current year	(2,021,943)	(4,097,985)
	(10,616,048)	(8,594,105)
	11,503,147	6,279,038
Transfer to inventories of completed units	(2,679,524)	–
At 31 December	8,823,623	6,279,038

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Deposits placed with licensed banks	70,153,424	87,516,239	2,826,590	6,619,248
Cash and bank balances	27,947,651	28,680,485	1,168,459	6,979,244
	98,101,075	116,196,724	3,995,049	13,598,492

Included in deposits placed with licensed banks of the Group are deposits of RM62,843,383 (2011: RM66,185,445) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the Group as disclosed in Note 20.

Included in deposits placed with licensed banks of the Company are deposits of RM2,821,584 (2011: RM2,755,820) which have been pledged to financial institutions as security for the overdraft facility granted to its subsidiary as disclosed in Note 20(c).

The deposits placed with licensed banks of the Group and of the Company bear effective interest rates ranging from 2.55% to 3.50% (2011: 2.30% to 3.30%) and 2.55% to 3.05% (2011: 2.55% to 2.95%) per annum respectively.

18. SHARE CAPITAL

	Group and Company			
	Amount 2012 RM	Number of shares 2012	Amount 2011 RM	Number of shares 2011
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January/31 December	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Issued and fully paid-up:				
At 1 January	138,381,722	276,763,442	138,347,702	276,695,402
Issue of shares under ESOS Scheme	89,373	178,747	34,020	68,040
At 31 December	138,471,095	276,942,189	138,381,722	276,763,442

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

19. RESERVES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable:				
Share premium	24,636	13,910	24,636	13,910
Foreign exchange translation reserve	(1,282,090)	1,165,886	318,727	238,001
	(1,257,454)	1,179,796	343,363	251,911
Treasury shares	(1,025,787)	(1,025,787)	(1,025,787)	(1,025,787)
Retained earnings/(Accumulated losses)	71,516,003	52,837,439	(61,568,514)	(71,959,774)
	69,232,762	52,991,448	(62,250,938)	(72,733,650)

The movement of each category of the reserves are disclosed in the statements of changes in equity.

19. RESERVES (CONT'D)

Share premium

Share premium arose from the issuance of shares at a premium.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

There was no repurchase of the Company's shares during the financial year.

Any repurchase transactions will be financed by internally generated funds and shall be held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 276,942,189 (2011: 276,763,442) issued and fully paid-up ordinary shares as at 31 December 2012, 1,478,100 (2011: 1,478,100) shares are held as treasury shares by the Company. As at 31 December 2012, the number of outstanding ordinary shares in issue after the set off is therefore 275,464,089 (2011: 275,285,342) ordinary shares of RM0.50 each.

20. LOANS AND BORROWINGS

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Non-current					
Term loans	a	136,389,293	97,947,849	–	–
Finance lease liabilities	b	9,570,039	9,190,426	1,414,774	1,344,174
		145,959,332	107,138,275	1,414,774	1,344,174
Current					
Term loans	a	14,968,364	14,968,364	–	–
Finance lease liabilities	b	4,792,089	5,146,958	608,583	568,740
Bank overdrafts	c	19,310,739	14,720,417	–	–
Trust receipts	d	412,981	11,489,667	–	–
		39,484,173	46,325,406	608,583	568,740
		185,443,505	153,463,681	2,023,357	1,912,914

20. LOANS AND BORROWINGS (CONT'D)

Note a

		Group	
		2012	2011
	Note	RM	RM
Term loan - I	(i)	4,855,944	–
Term loan - II	(ii)	17,353,636	18,472,213
Term loan - III	(iii)	86,110,000	94,444,000
Term loan - IV	(iv)	28,639,982	–
Term loan - V	(v)	7,602,735	–
Term loan - VI	(vi)	6,795,360	–
		151,357,657	112,916,213

The term loans of the Group comprise the followings:

(i) **Term loan I** is denominated in USD which bears interest at 5.52% (2011: nil) per annum. The term loan is repayable within a period of 108 months upon full disbursement and is secured by corporate guarantee from the Company.

(ii) **Term loan II** bears interest at 6.7% (2011: 5.15%) per annum. The term loan is repayable on a quarterly basis by 21 installments which commenced in February 2012 and is secured and supported by:

(a) first legal charge on land and buildings of its subsidiary as disclosed in Note 3; and

(b) corporate guarantee from the Company.

(iii) **Term loan III** bears interest at 5.04% (2011: 5.09%) per annum. The term loan is repayable in equal quarterly installments over 9 years which commenced from September 2011 and is secured and supported by:

(a) corporate guarantee from the Company,

(b) memorandum of charge on the shares of a subsidiary.

(iv) **Term loan IV** bears interest ranging from 5.40% - 5.72% (2011: nil) per annum is repayable on quarterly basis by 44 installments commencing on the 51st month from the first date of loan disbursement in July 2012.

20. LOANS AND BORROWINGS (CONT'D)

Note a (cont'd)

(v) **Term loan V** bears interest ranging from 5.40% - 5.72% (2011: nil) per annum is repayable on lump sum basis either on the 60th month from the first date of loan disbursement in July 2012 or upon receipt of reimbursable cost from contract customer, whichever is earlier.

Both Term loan IV and V are secured and supported by:

(a) fixed and floating charges over all present and future assets of a subsidiary,

(b) legal assignment over designated bank accounts and rights, titles, interests and benefits under applicable insurance policies; and

(c) corporate guarantee from the Company until the expiry of the defect liability period of the project.

(vi) **Term loan VI** was drawndown during the financial year to finance the acquisition of land held for development as disclosed in Note 5. The term loan is repayable on semi-annually basis by sixteen (16) installments commencing in May 2015.

The above term loan is secured by way of:

(a) a first party legal charge over the land as disclosed in Note 5,

(b) legal assignment of rights in rental proceeds to be derived from the future commercial development on the land, and

(c) corporate guarantee from the Company.

20. LOANS AND BORROWINGS (CONT'D)

Note b

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2012 RM	Interest 2012 RM	Present value of minimum lease payments 2012 RM	Future minimum lease payments 2011 RM	Interest 2011 RM	Present value of minimum lease payments 2011 RM
Group						
Less than one year	5,418,748	(626,659)	4,792,089	5,813,992	(667,034)	5,146,958
Between one and five years	10,295,733	(725,694)	9,570,039	9,895,654	(705,228)	9,190,426
	15,714,481	(1,352,353)	14,362,128	15,709,646	(1,372,262)	14,337,384
Company						
Less than one year	693,212	(84,629)	608,583	653,425	(84,685)	568,740
Between one and five years	1,503,293	(88,519)	1,414,774	1,442,383	(98,209)	1,344,174
	2,196,505	(173,148)	2,023,357	2,095,808	(182,894)	1,912,914

Note c

The bank overdraft facilities are repayable on demand and bear interest ranging from 6.65% - 7.85% (2011: 7.60% - 8.10%) per annum. These facilities are secured and supported by:

(i) freehold land and hotel buildings as disclosed in Note 7,

(ii) deposits placed with licensed banks by the Company and a subsidiary; and

(iii) corporate guarantee from the Company.

Note d

The trust receipts of the Group are repayable within 120 - 180 days and bear interest at 7.6% (2011: 7.60% - 7.85%) per annum. These facilities are secured and supported by:

(i) deposits placed with licensed banks of a subsidiary; and

(ii) corporate guarantee from the Company.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
At 1 January		8,014,475	8,641,320	4,546,169	4,576,000
Recognised in profit or loss:					
- Origination and reversal of temporary differences	29	2,128,292	(185,065)	66,323	9,659
- Under/(Over) provision in prior year	29	246,529	(441,780)	856	(39,490)
Effect of movements in exchange rates		94,717	–	–	–
At 31 December		10,484,013	8,014,475	4,613,348	4,546,169

Recognised deferred tax assets/(liabilities)

Group	Assets 2012 RM	Assets 2011 RM	Liabilities 2012 RM	Liabilities 2011 RM	Net 2012 RM	Net 2011 RM
Tax loss carry-forward	2,976,412	–	–	–	2,976,412	–
Taxable temporary differences	–	–	(5,637,892)	–	(5,637,892)	–
Property, plant and equipment	319,993	43,511	(447,929)	(338,389)	(127,936)	(294,878)
Fair value adjustment of investment property	–	–	(494,140)	(519,140)	(494,140)	(519,140)
Fair value adjustment in respect of acquisition of subsidiary company	–	–	(2,610,777)	(2,610,777)	(2,610,777)	(2,610,777)
Derecognition of results of joint venture in MCHJV	–	–	(4,589,680)	(4,589,680)	(4,589,680)	(4,589,680)
Tax assets/(liabilities)	3,296,405	43,511	(13,780,418)	(8,057,986)	(10,484,013)	(8,014,475)
Set off of tax	(319,993)	(43,511)	319,993	43,511	–	–
Net tax assets/(liabilities)	2,976,412	–	(13,460,425)	(8,014,475)	(10,484,013)	(8,014,475)

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Recognised deferred tax assets/(liabilities) (cont'd)

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Company	RM	RM	RM	RM	RM	RM
Property, plant and equipment	–	43,511	(23,668)	–	(23,668)	43,511
Derecognition of results of joint venture in MCHJV	–	–	(4,589,680)	(4,589,680)	(4,589,680)	(4,589,680)
Net tax assets/(liabilities)	–	43,511	(4,613,348)	(4,589,680)	(4,613,348)	(4,546,169)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group and Company	
	2012	2011
	RM	RM
Unabsorbed capital allowances	5,962,960	5,886,783
Tax loss carry-forward	8,259,799	1,812,766
	14,222,759	7,699,549

Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profit will be available, against which the Company can utilise the benefits there from.

The unabsorbed capital allowances and tax loss carry-forward do not expire under current tax legislation.

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Trade					
External parties	a	228,524,209	216,522,624	630	630
Amount due to contract customers	14	21,564,912	23,654,552	–	–
Advance payments received	b	47,496,001	54,625,539	–	–
		297,585,122	294,802,715	630	630
Non-trade					
Amount due to:					
Holding company	c	–	35,666	–	–
Subsidiaries	c	–	–	278,944,728	245,765,225
Associate	c	53,089	53,089	–	–
Affiliates	d	164,725	46,479	–	–
		217,814	135,234	278,944,728	245,765,225
Accruals and other payables	e	6,249,965	6,149,634	1,226,114	1,397,560
		6,467,779	6,284,868	280,170,842	247,162,785
		304,052,901	301,087,583	280,171,472	247,163,415

Note a

The normal credit term granted by the suppliers of the Group and of the Company ranges from 30 to 90 days (2011: 30 to 90 days).

Included in trade payables of the Group are:

i) retention sums of RM73,882,543 (2011: RM64,608,602).

22. TRADE AND OTHER PAYABLES (CONT'D)

Note a (cont'd)

ii) amount due to affiliates as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Amount due to subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has a substantial financial interest and also a Director				
- Chuan Huat Industrial Marketing Sdn. Bhd.	798,246	4,053,667	–	–
- Chuan Huat Hardware Sdn. Bhd.	332,405	26,280	–	–

The amount due to affiliates is subject to normal credit term.

Note b

Advance payments received are in respect of interest free advances received by the Company for mobilisation of its construction contracts. These advances are to be set off against the Company's progress billings on the related contracts.

Note c

These amounts are unsecured, interest-free and repayable on demand.

Note d

Affiliates are companies which have common Directors and shareholders as that of the Company. The amount is unsecured, interest free and repayable on demand.

Note e

Included in accruals of the Group is interest on borrowings amounting to RM731,433 (2011: RM77,936).

23. REVENUE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Management fees	–	–	2,200,000	2,195,000
Dividend income	–	–	25,000,110	28,000,120
Attributable contract revenue	596,987,181	469,978,102	3,899,057	26,537,959
Sale of goods	69,505,668	54,029,391	–	–
Sale of properties	5,624,397	9,148,434	–	–
Sale of fresh fruit bunches	2,472,340	1,670,226	–	–
Others	60,000	41,421	–	–
	674,649,586	534,867,574	31,099,167	56,733,079

24. COST OF SALES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Attributable contract costs	499,510,535	392,662,525	3,574,448	25,328,466
Cost of goods sold	57,198,535	52,806,121	–	–
Costs of development properties	3,629,103	6,161,862	–	–
Direct operating costs-plantation	15,547,042	2,022,915	–	–
	575,885,215	453,653,423	3,574,448	25,328,466

25. FINANCE INCOME

Recognised in the profit or loss:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Interest income of financial assets that are not at fair value through profit or loss	1,946,763	2,728,088	84,451	283,700

26. FINANCE COSTS

Recognised in the profit or loss:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- overdrafts	1,079,786	152,137	–	–
- term loans	6,585,621	7,198,064	–	2,362,927
- other borrowings	1,720,150	1,376,464	4,738,407	4,691,949
	9,385,557	8,726,665	4,738,407	7,054,876
- other finance costs	4,143,610	2,396,711	689	–
	13,529,167	11,123,376	4,739,096	7,054,876

27. PROFIT BEFORE TAX

Profit before tax is arrived at after charging and (crediting):

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
Audit fees				
KPMG Malaysia	416,000	322,000	150,000	120,000
Other auditors	63,030	58,703	4,052	–
Non-audit fees				
KPMG Malaysia	40,000	90,000	30,000	90,000
Amortisation of prepaid lease payments	205,540	6,945	–	–
Amortisation of planting expenditures	5,349,434	492,871	–	–
Bad debts written off	26,733	1,755,835	–	–
Change in fair value of investment property	500,000	–	–	–
Depreciation of property, plant and equipment	9,913,158	8,590,697	762,653	795,821
Interest expense	9,385,557	8,726,665	4,738,407	7,054,876
Loss/(Gain) on foreign exchange				
- unrealised	411,834	(23,285)	411,848	(24,592)
Property, plant and equipment written off	10,845	–	–	–
Rental of motor vehicles	90,719	65,038	–	–
Rental of premises	1,091,972	2,155,746	5,180	5,000
Rental and running cost of machinery and equipment	19,101,021	11,508,645	–	–
Employee benefits expense	47,250,872	42,561,391	6,934,322	5,455,332
Dividend income				
- unquoted shares	(3,900)	–	(25,000,110)	(28,000,120)
(Gain)/Loss on disposal of property, plant and equipment - net	(423,317)	(1,027,495)	(52,000)	21,680
Interest income	(1,946,763)	(2,728,088)	(84,451)	(283,700)
Rental income	(178,765)	(31,600)	–	–

27. PROFIT BEFORE TAX (CONT'D)

Included in employee benefits expense is:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Contributions to defined contribution plan	5,602,846	5,098,097	885,989	662,612

Included in employee benefit expense of the Group and of the Company are executive Directors' remuneration amounting to RM4,199,273 (2011: RM3,845,806) and RM2,088,305 (2011: RM1,843,775) respectively as further disclosed in Note 28.

28. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Executive Directors				
- fees	419,000	367,340	–	–
- emoluments	3,780,273	3,478,466	2,088,305	1,843,775
Total remuneration (excluding benefit-in-kind)	4,199,273	3,845,806	2,088,305	1,843,775
Estimated monetary value of benefit-in-kind	159,720	166,920	80,600	62,800
	4,358,993	4,012,726	2,168,905	1,906,575
Non-Executive Directors				
- fees	560,250	571,000	560,250	571,000
- emoluments	32,900	35,100	31,100	29,100
Total remuneration (excluding benefit-in-kind)	593,150	606,100	591,350	600,100
Estimated monetary value of benefit-in-kind	66,350	53,960	35,200	35,200
Total remuneration (including benefit-in-kind)	659,500	660,060	626,550	635,300

29. INCOME TAX EXPENSE

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Recognised in profit or loss					
Current tax expense					
Malaysia					
- current year		16,295,879	12,711,807	–	6,815,821
- under/(over) provision in prior year		516,990	(257,919)	184,209	(75,415)
		16,812,869	12,453,888	184,209	6,740,406
Overseas					
- over provision in prior year		–	(5,940)	–	(5,940)
		–	(5,940)	–	(5,940)
Total current year tax recognised in profit or loss		16,812,869	12,447,948	184,209	6,734,466
Deferred tax expense					
- origination and reversal of temporary differences	21	2,128,292	(185,065)	66,323	9,659
- under/(over) provision in prior year	21	246,529	(441,780)	856	(39,490)
Total income tax expense		19,187,690	11,821,103	251,388	6,704,635

29. INCOME TAX EXPENSE (CONT'D)

Reconciliation of tax expense

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Profit for the year		18,587,079	12,607,701	10,391,260	6,109,027
Total income tax expense		19,187,690	11,821,103	251,388	6,704,635
Profit excluding tax		37,774,769	24,428,804	10,642,648	12,813,662
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)		9,443,692	6,107,201	2,660,662	3,203,416
Non-taxable income		–	–	(6,250,028)	–
Non-deductible expenses		6,093,457	6,011,682	2,159,096	3,214,205
Deferred tax assets not recognised		2,887,022	407,859	1,496,593	407,859
Under/(Over) provision of current tax in prior year		516,990	(263,859)	184,209	(81,355)
Under/(Over) provision of deferred tax in prior year		246,529	(441,780)	856	(39,490)
Tax income tax expense		19,187,690	11,821,103	251,388	6,704,635

30. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit for the year attributable to ordinary shareholders of RM18,678,564 (2011: RM11,859,790) and weighted average number of ordinary shares outstanding during the year of 276,880,222 (2011: 276,763,442).

Weighted average number of ordinary shares

	Group	
	2012	2011
Issued ordinary shares at 1 January	276,763,442	276,695,402
Effect of ordinary shares issued during the year	116,780	68,040
Weighted average number of ordinary shares at 31 December	276,880,222	276,763,442

30. EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted earnings per ordinary share

There was no dilutive potential ordinary shares as at 31 December 2012.

The calculation of diluted earnings per ordinary share at 31 December 2011 was based on profit attributable to ordinary shareholders of RM11,859,790 and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group 2011
Weighted average number of ordinary shares (basic)	276,763,442
Effect of share options on issue	320,173
Weighted average number of ordinary shares (diluted) at 31 December	277,083,615

The outstanding employee share options are assumed to be exercised at the beginning of the year. The profit for the year had not been adjusted as the effect arising from the exercise of the employee share options is not material.

31. DIVIDENDS

No dividend is declared or recommended by the Company for the current year. Dividends recognised in the prior year by the Company was:

	Sen per share (net of tax)	Amount RM	Date of payment
2011			
Interim dividend	1.88	5,161,610	15 August 2011

32. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business strategies. For each of the strategic business units, the Managing Director (as chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(i)	Construction	-	civil and structural construction works.
(ii)	Trading in oil and gas and other related products	-	dealing in marine fuels, lubricants and petroleum based products.
(iii)	Cultivation	-	oil palm.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Managing Director (chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Board. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the year by each operating segment to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographical segments

The Group operates in four principal geographical areas of the world:

(i)	Malaysia	-	civil and structural construction works, dealing in marine fuels, lubricants and petroleum based products, property development, investment holding and provision of management services.
(ii)	Republic of Indonesia	-	oil palm cultivation.
(iii)	India	-	civil and structural construction works.
(iv)	Kingdom of Saudi Arabia	-	civil and structural construction works.

32. OPERATING SEGMENTS (CONT'D)

Major segment by activity

	Note	Construction RM	Trading In Oil & Gas & Other Related Products RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2012							
Revenue							
External revenue		596,987,181	69,505,668	2,472,340	5,684,397	–	674,649,586
Inter-segment revenue		–	15,374,138	–	2,200,000	(17,574,138)	–
Total revenue		596,987,181	84,879,806	2,472,340	7,884,397	(17,574,138)	674,649,586
Results							
Segment results		42,785,706	20,263,812	(12,377,640)	12,231,841	(25,128,950)	37,774,769
Interest income		1,585,245	201,631	1,613	158,274	–	1,946,763
Interest expenses		(4,524,516)	(73,979)	(28,222)	(4,758,840)	–	(9,385,557)
Share of results in joint ventures		–	–	–	–	–	–
Share of loss of associates		(1,541)	–	–	–	–	(1,541)
Other non-cash expenses	(i)	911,420	26,733	5,548,029	7,359	–	6,493,541
Depreciation		7,095,303	968,000	1,024,870	824,985	–	9,913,158
Other Information							
Segment assets		431,952,259	11,271,321	146,300,047	141,588,587	(6,570,020)	724,542,194
Additions to non-current assets	(ii)	29,280,826	1,756,846	10,175,031	925,094	–	42,137,797
Investments in associates		159,115	–	–	–	–	159,115

32. OPERATING SEGMENTS (CONT'D)

Major segment by activity (cont'd)

	Note	Construction RM	Trading In Oil & Gas & Other Related Products RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2011							
Revenue							
External revenue		443,481,564	54,029,391	1,670,226	35,686,393	–	534,867,574
Inter-segment revenue		–	24,437,484	–	2,195,000	(26,632,484)	–
Total revenue		443,481,564	78,466,875	1,670,226	37,881,393	(26,632,484)	534,867,574
Results							
Segment results		16,495,573	19,538,571	(437,051)	16,458,759	(27,627,048)	24,428,804
Interest income		2,015,044	341,289	7,870	363,885	–	2,728,088
Interest expense		(1,520,938)	(55,086)	(92,231)	(7,058,410)	–	(8,726,665)
Share of loss of joint ventures		–	–	–	–	–	–
Share of loss of associates		(2,044)	–	–	–	–	(2,044)
Other non-cash expenses	(i)	1,755,835	–	492,871	6,945	–	2,255,651
Depreciation		6,984,788	769,106	–	836,803	–	8,590,697
Other Information							
Segment assets		380,137,057	35,414,514	140,051,991	109,325,356	–	664,928,918
Additions to non-current assets	(ii)	20,418,380	1,393,084	16,311,078	442,084	–	38,564,626
Investments in associates		160,656	–	–	–	–	160,656

32. OPERATING SEGMENTS (CONT'D)

Major segment by geographical area

	Note	Malaysia RM	Republic of Indonesia RM	India RM	Kingdom of Saudi Arabia RM	Eliminations RM	Consolidated RM
2012							
Total revenue from external customers		680,833,089	2,472,340	–	(6,455,843)	(2,200,000)	674,649,586
Segment assets		516,504,102	146,300,047	7,937,969	60,370,096	(6,570,020)	724,542,194
Additions to non-current assets	(ii)	31,968,751	10,169,046	–	–	–	42,137,797
Investments in associates		159,115	–	–	–	–	159,115
2011							
Total revenue from external customers		534,777,691	1,670,224	–	614,659	(2,195,000)	534,867,574
Segment assets		443,153,264	140,051,990	8,407,250	73,316,414	–	664,928,918
Additions to non-current assets	(ii)	22,253,548	16,311,078	–	–	–	38,564,626
Investments in associates		160,656	–	–	–	–	160,656

32. OPERATING SEGMENTS (CONT'D)

(i) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2012	2011
	RM	RM
Bad debts written off	26,733	1,755,835
Amortisation of planting expenditures	5,349,434	492,871
Amortisation of prepaid lease payments	205,540	6,945
Change in fair value of investment property	500,000	–
Loss on foreign exchange		
- unrealised	411,834	–
	6,493,541	2,255,651

(ii) Additions to non-current assets consist of the following items:

	Group	
	2012	2011
	RM	RM
Property, plant and equipment	31,968,751	22,743,191
Planting expenditure incurred	10,169,046	15,821,435
	42,137,797	38,564,626

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");

(b) Available-for-sale financial assets ("AFS"); and

(c) Financial liabilities measured at amortised cost ("FL").

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Categories of financial instruments (cont'd)

	Group			Company		
	Carrying amount RM	L&R/(FL) RM	AFS RM	Carrying amount RM	L&R/(FL) RM	AFS RM
2012						
Financial assets						
Club membership & unquoted shares	115,500	–	115,500	68,000	–	68,000
Trade and other receivables #	235,600,915	235,600,915	–	197,070,778	197,070,778	–
Cash and cash equivalents	98,101,075	98,101,075	–	3,995,049	3,995,049	–
	333,817,490	333,701,990	115,500	201,133,827	201,065,827	68,000
2011						
Financial assets						
Club membership & unquoted shares	115,500	–	115,500	68,000	–	68,000
Trade and other receivables #	207,188,679	207,188,679	–	165,124,856	165,124,856	–
Cash and cash equivalents	116,196,724	116,196,724	–	13,598,492	13,598,492	–
	323,500,903	323,385,403	115,500	178,791,348	178,723,348	68,000
2012						
Financial liabilities						
Trade and other payables	(304,052,901)	(304,052,901)	–	(280,171,472)	(280,171,472)	–
Loans and borrowings	(185,443,505)	(185,443,505)	–	(2,023,357)	(2,023,357)	–
	(489,496,406)	(489,496,406)	–	(282,194,829)	(282,194,829)	–
2011						
Financial liabilities						
Trade and other payables	(301,087,583)	(301,087,583)	–	(247,163,415)	(247,163,415)	–
Loans and borrowings	(153,463,681)	(153,463,681)	–	(1,912,914)	(1,912,914)	–
	(454,551,264)	(454,551,264)	–	(249,076,329)	(249,076,329)	–

Excluded the amounts owing by a contract customer which are under dispute as disclosed in Note 14 to the financial statements and prepayments.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Net gains/(losses) arising on:				
Loans and receivables	(1,030,082)	972,253	84,451	283,700
Financial liabilities measured at amortised costs	9,385,557	8,726,665	4,738,407	7,054,876
	8,355,475	9,698,918	4,822,858	7,338,576

33.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables, balances and deposits maintained with licensed banks, amount due from contract customers and joint venture, and advances to holding company, associate and affiliates while the Company's exposure to credit risk arises principally from trade receivables, balances and deposits maintained with licensed banks, amount due from contract customers and advances to ultimate holding company, subsidiaries and affiliates.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The ageing of trade receivables (current and non-current), excluding an amount owing by a contract customer which is under dispute, as disclosed in Note 14 as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Net RM
2012			
Not past due	23,077,726	–	23,077,726
Past due 0 – 30 days	4,185,212	–	4,185,212
Past due 31– 120 days	976,881	–	976,881
Past due more than 120 days	6,074,664	–	6,074,664
	34,314,483	–	34,314,483
2011			
Not past due	11,416,099	–	11,416,099
Past due 0 – 30 days	6,684,521	–	6,684,521
Past due 31– 120 days	5,127,219	–	5,127,219
Past due more than 120 days	6,740,100	–	6,740,100
	29,967,939	–	29,967,939

Company	Gross RM	Individual impairment RM	Net RM
2012			
Not past due	2,822,831	–	2,822,831
Past due 0 – 30 days	–	–	–
Past due 31– 120 days	–	–	–
Past due more than 120 days	3,644,992	–	3,644,992
	6,467,823	–	6,467,823
2011			
Not past due	2,822,832	–	2,822,832
Past due 0 – 30 days	3,314,253	–	3,314,253
Past due 31– 120 days	–	–	–
Past due more than 120 days	3,806,453	–	3,806,453
	9,943,538	–	9,943,538

There is no allowance made for impairment losses of trade receivables for the Group and the Company during the financial year.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Credit risk (cont'd)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company makes payment on behalf of and/or provides advances to its ultimate holding company, subsidiaries, associate, joint ventures and affiliates. The Company monitors the results of the subsidiaries regularly except for the amounts due from the ultimate holding company, associate, joint ventures and affiliates which are not material.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as shown in Note 14.

Impairment losses

As at the end of the reporting period, there was no indication that the amounts due from the ultimate holding company, subsidiaries, associate, joint ventures and affiliates are not recoverable.

33.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2012							
Financial liabilities							
Trade and other payables	304,052,901	–	304,052,901	304,052,901	–	–	–
Bank overdrafts	19,310,739	6.65% – 8.10%	20,715,528	20,715,528	–	–	–
Trust receipts	412,981	7.60%	414,528	414,528	–	–	–
Finance lease liabilities	14,362,128	2.15% – 6.98%	15,714,481	5,418,748	4,390,934	5,904,799	–
Term loans	151,357,657	4.80% – 6.70%	174,913,981	22,565,508	21,421,118	57,548,679	73,378,676
	489,496,406		515,811,419	353,167,213	25,812,052	63,453,478	73,378,676
2011							
Financial liabilities							
Trade and other payables	301,087,583	–	301,087,583	301,087,583	–	–	–
Bank overdrafts	14,720,417	7.60% – 8.10%	15,765,582	15,765,582	–	–	–
Trust receipts	11,489,667	7.60% – 7.85%	11,867,123	11,867,123	–	–	–
Finance lease liabilities	14,337,384	4.55% – 6.09%	15,709,646	5,813,992	4,137,503	5,758,151	–
Term loans	112,916,213	4.85% – 5.15%	135,384,471	20,312,931	19,548,728	53,258,348	42,264,464
	454,551,264		479,814,405	354,847,211	23,686,231	59,016,499	42,264,464

33. FINANCIAL INSTRUMENTS (CONT'D)

33.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (cont'd):

Company	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2012							
Financial liabilities							
Trade and other payables	280,171,472	–	280,171,472	280,171,472	–	–	–
Finance lease liabilities	2,023,357	2.15% – 3.50%	2,196,505	693,212	676,522	826,771	–
	282,194,829		282,367,977	280,864,684	676,522	826,771	–
2011							
Financial liabilities							
Trade and other payables	247,163,415	–	247,163,415	247,163,415	–	–	–
Finance lease liabilities	1,912,914	2.15% – 3.50%	2,095,808	653,425	537,168	905,215	–
	249,076,329		249,259,223	247,816,840	537,168	905,215	–

33. FINANCIAL INSTRUMENTS (CONT'D)

33.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

33.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group presently does not hedge its foreign currency exposures. Nevertheless, the management regularly monitor its exposure and keep this policy under review.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency other than the respective functional currencies of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2012 USD	2011 USD
Group		
In RM		
Bank borrowing	(4,855,944)	–
Exposure in the statement of financial position	(4,855,944)	–

Currency risk sensitivity analysis

A 10% (2011: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.6 Market risk (cont'd)

33.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

	2012		2011	
	Equity	Profit or loss	Equity	Profit or loss
USD	(364,196)	(364,196)	–	–

A 10% (2011: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

33.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's excess cash is invested in fixed deposits with tenure of less than a year, hence exposure to risk of change in their fair values due to changes in interest rates is not significant.

Risk management objectives, policies and processes for managing the risk

The Company does not have a formal policy for managing interest rate risk. The exposure to interest rate risk is monitored closely by the management.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest- bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	70,153,424	87,516,239	2,826,590	6,619,248
Financial liabilities	(14,775,109)	(25,827,051)	(2,023,357)	(1,912,914)
	55,378,315	61,689,188	803,233	4,706,334
Floating rate instruments				
Financial liabilities	170,668,396	127,636,630	–	–

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group only has fixed-rate deposits placed with licensed banks with tenure of less than twelve (12) months. The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of one (1) percent in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		Profit or loss	
	1% increase RM	1% decrease RM	1% increase RM	1% decrease RM
2012				
Floating rate instruments				
Term loans	(1,135,183)	1,135,183	(1,135,183)	1,135,183
Bank overdrafts	(144,830)	144,830	(144,830)	144,830
Cash flow sensitivity (net)	(1,280,013)	1,280,013	(1,280,013)	1,280,013
2011				
Floating rate instruments				
Term loans	(846,871)	846,871	(846,871)	846,871
Bank overdrafts	(110,403)	110,403	(110,403)	110,403
Cash flow sensitivity (net)	(957,274)	957,274	(957,274)	957,274

33.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.7 Fair value of financial instruments (cont'd)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Group	RM	RM	RM	RM
Financial asset				
Club membership	68,000	68,000	68,000	68,000
Financial liabilities				
Term loans	151,357,657	151,113,519	112,916,213	110,341,828
Finance lease liabilities	14,362,128	14,326,237	14,337,384	14,338,847

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Company	RM	RM	RM	RM
Financial asset				
Club membership	68,000	68,000	68,000	68,000
Financial liabilities				
Finance lease liabilities	2,023,357	2,030,373	1,912,914	1,922,074

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.7 Fair value of financial instruments (cont'd)

Interest rates used to estimate fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2012	2011
Group		
Finance lease liabilities	3.18%	3.25%
Term loans	4.80% - 6.70%	5.09% - 5.15%
Company		
Finance lease liabilities	3.18%	3.25%

Fair value hierarchy

The Group has no financial instrument measured at fair value. Hence, no further disclosure is required.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

The Group monitors capital using a gearing ratio, which is total borrowings over shareholder's equity.

The net debt-to-capital ratio at 31 December 2012 and 2011 were as follows:

	Note	2012 RM	2011 RM
Total borrowings	20	185,443,505	153,463,681
Less: Cash and cash equivalents	17	(98,101,075)	(116,196,724)
Net debt		87,342,430	37,266,957
Total equity		213,049,729	197,276,305
Debt-to-equity ratio		0.41	0.19

34. CAPITAL MANAGEMENT (CONT'D)

Under the requirement of Bursa Malaysia Practice No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

35. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2012 RM	2011 RM
Less than one year	121,720	133,320
Between one and five years	162,330	272,530
More than 5 years	–	6,900
	284,050	412,750

This is in respect of lease rental payable for leasing of office equipment with lease tenure of five (5) years which commenced in 2010.

Leases as lessor

The Group leases out its investment property (see note 7). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2012 RM	2011 RM
Less than one year	12,000	24,000
Between one and five years	–	12,000
	12,000	36,000

36. CAPITAL COMMITMENTS

	Group 2012 RM	Group 2011 RM
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	345,500	9,167,000

37. CONTINGENT LIABILITIES

Group

The Directors are of the opinion that provisions are not required as at the year end in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote
Litigation (unsecured)

The Group is defending a claim of RM15.2 million brought by a joint venture partner in year 2010 against breaches of a joint venture agreement in Malaysia. The Group has also filed a defence and counterclaim against the joint venture partner for breach of the joint venture agreement, breach of fiduciary duties and breach of trust and negligence. In August 2011, the High Court dismissed the application of the Group to strike out the claim by the joint venture partner. The Group filed an appeal with the Court of Appeal. In January 2012, the Court of Appeal, by majority, struck out the claims by the joint venture partner. The joint venture partner has filed an appeal with the Federal Court in February 2012 and the matter is now fixed for case management on 9 May 2013. The Directors are of the view that, based on the opinion of their external legal counsel, the Group has a good case and expect the Group to succeed at trial.

	Company 2012 RM	Company 2011 RM
Unsecured		
Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to subsidiaries	423,256,424	313,235,651
Secured		
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,821,584 (2011: RM2,755,820) to a financial institution in respect of credit facilities granted to subsidiary	106,177,884	118,210,671
	529,434,308	431,446,322

38. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures, affiliates, Directors and key management personnel.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 28), are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Subsidiaries				
Dividend income receivable	–	–	(25,000,110)	(28,000,120)
Management fees receivable	–	–	(2,200,000)	(2,195,000)
Holding company				
Administrative service payable	120,000	120,000	–	–
Insurance premium payable	855,975	871,856	61,429	79,280

38. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

The transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interests are as follows:

	Group	
	2012	2011
	RM	RM
Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interests and is also a Director		
- Chuan Huat Industrial Marketing Sdn. Bhd.	18,952,970	33,219,698
- Chuan Huat Hardware Sdn. Bhd.	1,232,130	266,303
Rental of premises paid to a Director, Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	36,000
Professional fees paid to a Director, Dato'Ismail @ Mansorbin Said	18,000	18,000
Purchase of materials from other subsidiaries of ultimate holding company	2,391,407	2,298,478

The outstanding balances arising from the above transactions have been disclosed in Note 14 and Note 22 to the financial statements.

39. ACQUISITION OF SUBSIDIARIES

a) On 25 October 2012, the Company acquired one (1) share of RM1 representing 50% of the issued and paid-up share capital of Temala Development Sdn. Bhd. ("Temala Development") for a cash consideration of RM1. Subsequently, the Company has subscribed RM349,999 new shares divided into 349,999 ordinary shares of RM1 each in Temala Development. Following the subscription of the new shares, Temala Development became a 70% subsidiary of the Company.

b) On 8 November 2012, the Company acquired one (1) share of RM1 representing 50% of the issued and paid-up share capital of Betanaz Properties Sdn. Bhd. ("Betanaz Properties") for a cash consideration of RM1. Subsequently, the Company has subscribed RM509 new shares divided into 509 ordinary shares of RM1 each in Betanaz Properties. Following the subscription of the new shares, Betanaz Properties became a 51% subsidiary of the Company.

c) On 11 December 2012, the Company incorporated a wholly-owned subsidiary known as Peninsular Prokonsult Sdn. Bhd. ("Prokonsult"). Prokonsult was incorporated with an authorised capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each and an issued and paid up capital of RM2. The 2 ordinary shares of RM1 were issued to the Company for a cash consideration of RM2.

The acquisition of subsidiaries did not have any material impact to the financial statements of the Group.

40. SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as follows:

(i) On 31 January 2012, one of the Company's wholly owned subsidiaries was awarded an infrastructure project, "Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang" for the Package V6: 'Construction and Completion of Viaduct Guideway and Other Associated Works from Plaza Phoenix to Bandar Tun Hussein Onn Station' from Mass Rapid Transit Corporation Sdn. Bhd. with a total value of approximately RM765 million.

(ii) On 18 July 2012, the Group acquired a piece of 30 acres land located at Mukim Kuala Kuantan for a total cash consideration of RM8,494,200. The land is held for future commercial property development as disclosed in Note 5.

(iii) On 2 October 2012, one of the wholly owned subsidiary was awarded a building project, "Cadangan Meroboh Bangunan Podium Sediada dan Membina Bangunan Hotel 50 Tingkat Berserta 6 Tingkat Besmen yang Mengandungi Tempat Letak Kereta dan Servis Mekanikal/Eletrikal, dan 1 Blok Podium 5 Tingkat yang Mengandungi Tempat Letak Kereta, Pencawang Elektrik Utama Tenaga Nasional Berhad dan Kemudahan Hotel yang Akan Disambungkan Dengan Pejabat Sediada, dan Menaik Taraf Bangunan Pejabat 35 Tingkat yang Sediada" at Lot 1194 Jalan Sultan Ismail, Seksyen 57, Bandar Kuala Lumpur, Wilayah Persekutuan with a total value of approximately RM673 million.

(iv) The Group signed a contract agreement with a customer on 28 June 2005 for a development of university campus - project phases 1 and 2 in Riyadh, Saudi Arabia. Although certain development work had been completed, the overall progress of the development project was stalled due to various disputes over the work progress between the Group and the said contract customer. Despite numerous attempts to resolve the disputes, the Group and the customer failed to reach an amicable solution.

Pursuant to the arbitration clause stated in the contract agreement, the Group has initiated arbitration proceedings in March 2011 against the said customer by claiming an amount of SAR170.2 million (equivalent to RM144.2 million). Included in this claim amount is RM53.2 million for contract revenue recognised in previous years and RM44.7 million in respect of the performance and advance payments bonds as disclosed in Note 14 to the financial statements.

In January 2012, the Group has submitted its memorial of claims to International Court of Arbitration under International Chamber of Commerce ("ICC Court"). The sole arbitrator appointed by the ICC Court has heard the case in May 2012. The Group is still awaiting for the sole arbitrator's final award to be issued as this has been postponed since September 2012. Based on the surrounding facts of the case and advice from their external legal counsels, the Directors are of the view that the Group has a strong case for this claim. Consequently, the Group has not made any provision for loss of the aforesaid outstanding amounts.

41. SUBSEQUENT EVENTS AFTER THE YEAR END

On 13 February 2013, the Company signed a Concession Agreement with the Government of Malaysia for the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway for a concession period of fifty (50) years. Expenditure incurred in relation to this concession as at 31 December 2012 is disclosed in Note 8.

42. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings and accumulated losses of the Group and of the Company, respectively, as at 31 December, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries:				
- realised	116,957,097	86,493,280	(56,543,318)	(67,438,197)
- unrealised	(4,774,385)	1,441,622	(5,025,196)	(4,521,577)
	112,182,712	87,934,902	(61,568,514)	(71,959,774)
Total share of retained earnings of associated companies				
- realised	49,115	50,646	–	–
Total share of accumulated losses of jointly-controlled entities				
- realised	(288,352)	(288,352)	–	–
Less: Consolidation adjustments	(40,427,472)	(34,859,757)	–	–
Total retained earnings/(accumulated losses)	71,516,003	52,837,439	(61,568,514)	(71,959,774)

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by
DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 72 to 164 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 42 on page 165 has been properly compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Raja Dato' Seri Aman bin Raja Haji Ahmad **Dato' Wan Zakariah bin Haji Wan Muda**

Kuala Lumpur,

Date: 26 April 2013

Statutory
DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, **Azlan bin Ash'ari,** the officer primarily responsible for the financial management of Ahmad Zaki Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 165 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 26 April 2013.

Before me:

)
)
)
)
)

Azlan bin Ash'ari

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ahmad Zaki Resources Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 72 to 164.

Directors' Responsibility for the Financial Statements

The Directors of the Group and of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.·

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 14 and Note 40 (iv) to the financial statements in respect of amounts owing by a contract customer in relation to a development project in Saudi Arabia which remained under dispute amounting to RM97.9 million as at 31 December 2012. In January 2012, the Group has submitted its memorial of claims to International Court of Arbitration under International Chamber of Commerce ("ICC Court"). The sole arbitrator appointed by the ICC Court has heard the case in May 2012. The Group is still awaiting for the sole arbitrator's final award to be issued although this has been postponed since September 2012. Based on the surrounding facts of the case and advice from their external legal counsels, the Directors are of the view that the Group has a strong case for this claim. Consequently, the Group has not made any provision for loss of the aforesaid outstanding amounts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 42 on page 165 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Johan Idris
Approval Number: 2585/10/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 26 April 2013

Analysis of SHAREHOLDINGS
as at 30 April 2013

Authorised Share Capital:	:	RM 500,000,000.00
Class of Shares	:	Ordinary Share of RM0.50 each
Issued and Fully Paid-up Share Capital	:	RM 138,471,094.50
Voting Rights	:	One vote per RM0.50 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	Number of Ordinary shares of RM0.50 each			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Dato' Seri Aman bin Raja Haji Ahmad	0	0	0	0
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	2,066,760	0.75	163,061,136*	59.20*
Dato' Wan Zakariah bin Haji Wan Muda	2,101,096	0.76	0	0
Dato' Haji Mustaffa bin Mohamad	1,937,148	0.70	1,050,000	0.38
Dato' W Zulkifli bin Haji W Muda	3,447,696	1.25	0	0.00
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	0	0	0	0
Datuk (Prof.) A Rahman @ Omar bin Abdullah	1,200,000	0.44	0	0
Dato' Haji Ismail @ Mansor bin Said	102	0	10,000	0
Ultimate Holding Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	50.00	0	0
Dato' Wan Zakariah bin Haji Wan Muda	100,000	10.00	0	0
Dato' W Zulkifli bin Haji W Muda	100,000	10.00	0	0

* *shares held through Zaki Holdings (M) Sdn Bhd*

By virtue of Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than 15% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 April 2013.

DISTRIBUTION OF SHAREHOLDINGS

Category	No. Of Shareholders		No. Of Shares		% Of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
LESS THAN 100 SHARES	145	1	2,760	28	0.00	0.00
100 TO 1000 SHARES	460	2	286,675	2,000	0.10	0.00
1,001 TO 10,000 SHARES	2,566	30	14,635,828	166,540	5.28	0.06
10,001 TO 100,000 SHARES	1,187	25	36,788,738	967,753	13.28	0.35
100,001 TO LESS THAN 5% OF ISSUED SHARES	124	6	58,875,584	2,155,147	21.26	0.78
5% AND ABOVE OF ISSUED SHARES	3	-	163,061,136	-	58.89	0.00
SUBTOTAL	4,485	64	273,650,721	3,291,468	98.81	1.19

LIST OF SUBSTANTIAL SHAREHOLDERS (5% and above excluding Bare Trustees)

		No of Ordinary Shares of RM0.50			
		Direct	%	Deemed Interest	%
1.	AMMB NOMINEES (TEMPATAN) SDN BHD *AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD*	27,600,000	10.02	0	0
2.	ZAKI HOLDINGS (M) SDN BHD	135,461,136	49.18	0	0
3.	DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	2,066,760	0.75	163,061,136*	59.20*

** Shares held through Zaki Holdings (M) Sdn Bhd*

LIST OF 30 LARGEST SHAREHOLDERS

No.	Shareholder	SHARES HELD	%
1	ZAKI HOLDINGS (M) SDN BHD	97,282,064	35.32
2	ZAKI HOLDINGS (M) SDN BHD	38,179,072	13.86
3	AMMB NOMINEES (TEMPATAN) SDN BHD *AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD*	27,600,000	10.02
4	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	6,125,400	2.22
5	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	2,786,100	1.01
6	NG TECK LONG	2,449,600	0.89
7	GEOSAKTI SDN BHD	2,252,900	0.82

LIST OF 30 LARGEST SHAREHOLDERS (Cont'd)

No.	Shareholder	SHARES HELD	%
8	DATO' WAN ZAKARIAH BIN WAN MUDA	2,101,096	0.76
9	DATO' SRI HAJI WAN ZAKI BIN WAN MUDA	2,066,760	0.75
10	DATO' W ZULKIFLI BIN W MUDA	1,919,696	0.70
11	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,850,000	0.67
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI BIN W MUDA (006111262)*	1,528,000	0.55
13	NIK MAHANI BINTI NIK MOHD RASHID	1,433,008	0.52
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (PHEIM)*	1,400,500	0.51
15	DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH	1,200,000	0.44
16	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD*	1,200,000	0.44
17	AHMAD RIZAL BIN ABDUL RAHMAN	1,055,000	0.38
18	NAIMAH BINTI HASHIM	1,050,000	0.38
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SU TIING UH*	1,000,700	0.36
20	LOW CHU MOOI	1,000,000	0.36
21	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	911,000	0.33
22	CARTABAN NOMINEES (TEMPATAN) SDN BHD *AXA AFFIN GENERAL INSURANCE BERHAD*	797,600	0.29
23	DATO' HAJI MUSTAFFA BIN MOHAMAD	737,148	0.27
24	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)*	658,600	0.24
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ANG PIANG KOK*	631,000	0.23
26	FONG TING WONG	626,000	0.23
27	TAN KIA LAI	596,500	0.22
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR NGO KIN WEE (M73088)*	567,400	0.21
29	ROMINI AZAH BINTI ABDUL RAHMAN	505,000	0.18
30	ABDULL STAR KHAN BIN AMIRULLAH KHAN	500,000	0.18

The analysis of shareholdings is based on the issued and paid up capital of the Company after deducting 1,478,100 ordinary shares bought back by the Company and held as treasury as at 30 April 2013.

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/ Prepaid Lease Payment RM'000
GM 372 Lot 981 and GM 4708 Lot 985, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	20.01.1994 & 16.02.1994	Menara AZRB	Freehold	54,967 sq.ft.	56,084
GM 1012 Lot 22050, Tempat Riffle Range, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	03.08.2007	Menara AZRB, Car Park	Freehold	12,066.34 sq.ft	1,448
EMR 873, Lot 826, Mukim of Sungai Karang District of Kuantan, Pahang Darul Makmur.	30.10.1993	Land and 1-storey buildings held for rental	Freehold (17 years)	202,815/ (64,670)sq.ft.	18,000
HS (M) 1038 Lot PT 4782 and HS (M) 1039 Lot PT 4783, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	05.05.1997	Adjoining 5 –storey buildings for own use	Freehold (16 years)	3,498/ (20,728) sq.ft.	2,150
HS (M) 994 Lot 16360, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	28.09.2000	5-storey building for own use	Freehold (26 years)	1,581/ (10,364)sq.ft.	717
Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terenganu.	15.07.2003	Vacant land for quarry operation	Leasehold Expiring 18.10.2025	20 hectares	83
HS (M) 929 Lot 16343, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	24.11.2005	4 storey building for own use	Freehold (14 years)	1,604/ (8,291) sq.ft	687

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/ Prepaid Lease Payment RM'000
HGU No. 5, Desa Amboyo Selatan. Kecamatan Ngabang, Kabuputen Pontianak, Kalimantan Barat, Republic of Indonesia.	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	7,740 hectares	9,107
GM 1754 Lot 167, Mukim of Sabai, District of Bentong, Pahang Darul Makmur.	8.10.2010	Vacant land	Freehold	4.6 hectares	697
HS (D) 29915, Lot PT 91677 Mukim Kuala Kuantan Kuantan, Pahang Darul Makmur.	18.12.2012	Commercial development	Freehold	12.14 hectares	8,657

AHMAD ZAKI RESOURCES BERHAD

(432768-X)
(Incorporated in Malaysia)

FORM OF PROXY

*I/We, ______________________________ NRIC/Company No. ______________

of ____

being a *member/members of **AHMAD ZAKI RESOURCES BERHAD**, hereby appoint ______________

______________________________ NRIC No. ______________

of ____

*and/or failing him/her ______________________________ NRIC No. ______________

of ____

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 16th Annual General Meeting of the Company to be held at Tun Sri Lanang 1 & 2, Ground Floor, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 27 June 2013 at 10:00 a.m. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-
(The next paragraph should be completed only when two proxies are appointed)

*First Proxy (1)______________%   *Second Proxy (2)______________%

*My/our proxy is to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		
11.	RESOLUTION 11		

(Please indicate with an "X" in the appropriate spaces provided above as to how you wish your votes to be cast.If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).

This __________ day of ______________ 2013

____
Signature of member(s)/Seal

(* Delete where inapplicable)

Number of Shares Held	Tel. No/ Handphone No.

NOTES:

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be presented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 20 June 2013 shall be eligible to attend, speak and vote at the 16th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Stamp

MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail,
50250 Kuala Lumpur.

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AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

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