

annualreport '06



# Trusted industry leader in delivering **commitment** **with excellence** and **value**

## Value Statement

1. Smart partnership with customers, employees and stakeholders.
2. Institutionalise the virtues of honesty and trust.
3. Setting and maintaining high standards; striving for superior performance in all undertakings.
4. Being pro-active through continuous research and development in meeting challenges.

annualreport '06





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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, SIME Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 21 June 2007 at 10.00 am for the following purposes:-

## Agenda

### As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a first and final dividend of 15% less 27% tax for the year ended 31 December 2006. **Resolution 2**
3. To approve the payment of Directors' fees for the year ended 31 December 2006. **Resolution 3**
4. 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 4**
  - (ii) Dato' Haji Mustaffa bin Mohamad **Resolution 5**
5. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

### As Special Business:

To consider and if thought fit, passing the following Resolutions as Ordinary and Special Resolutions with or without modifications:-

#### 6. ORDINARY RESOLUTION:

##### AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

"THAT subject to the provisions of Section 132D of the Companies Act, 1965 and approvals from Bursa Malaysia and other relevant governmental/regulatory authorities where such approvals shall be necessary, authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and such authority shall remain in force until the next Annual General Meeting of the Company."

**Resolution 7**

## Notice of Annual General Meeting (cont'd)

### 7. ORDINARY RESOLUTION:

#### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE WITH ZAKI HOLDINGS (M) SDN BHD AND RESIDENCE INN & MOTELS SDN BHD**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries ("AZRB Group") to continue to enter into all arrangements and/or transactions with Zaki Holdings (M) Sdn Bhd and Residence Inn & Motels Sdn Bhd, involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the AZRB Group ("Related Parties") as disclosed in section 2.2 of the circular to shareholders dated 31 May 2007 ("Circular") provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading in nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

(hereinafter known as the "Shareholders' Mandate 1");

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 11th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of the Shareholders' Mandate 1 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 11th 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 earlier;

AND THAT the aggregate value of the transactions of the Shareholders' Mandate 1 conducted during a financial year will be disclosed in accordance with the Listing Requirements in the annual report for the said financial year and the disclosure will include amongst others, the following information:

- (i) the types of recurrent related party transactions ("RRPT"); and
- (ii) the names of the Related Parties who have interests in each type of the RRPT entered into and their relationship with the AZRB Group;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate 1."

## Notice of Annual General Meeting (cont'd)

### 8. ORDINARY RESOLUTION:

#### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE WITH QMC SDN BHD, CHUAN HUAT INDUSTRIAL MARKETING SDN BHD AND CHUAN HUAT HARDWARE SDN BHD**

"THAT, subject to the Act, the Memorandum and Articles of Association of the Company and the Listing Requirements, approval be and is hereby given to the AZRB Group to continue to enter into all arrangements and/or transactions with QMC Sdn Bhd, Chuan Huat Industrial Marketing Sdn Bhd and Chuan Huat Hardware Sdn Bhd, involving the interests of the Related Parties as disclosed in section 2.2 of the Circular provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading in nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

(hereinafter known as the "Shareholders' Mandate 2");

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

- (i) the conclusion of the next AGM of the Company (being the 11th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of Shareholders' Mandate 2 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 11th 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 earlier;

AND THAT the aggregate value of the transactions of the Shareholders' Mandate 2 conducted during a financial year will be disclosed in accordance with the Listing Requirements in the annual report for the said financial year and the disclosure will include amongst others, the following information:

- (i) the types of RRPT; and
- (ii) the names of the Related Parties who have interests in each type of the RRPT entered into and their relationship with the AZRB Group.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate 2."

**Resolution 9**

# Notice of Annual General Meeting (cont'd)

## 9. SPECIAL RESOLUTION:

### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix I attached to the Annual Report 2006 be and hereby approved"

**Resolution 10**

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN** that the first and final dividend of 15% less 27% tax for the financial year ended 31 December 2006, if approved, will be paid on 19 July 2007 to depositors registered in the Record of Depositors at the close of business on 12 July 2007.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 July 2007 in respect of ordinary transfer; and
- Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

**Bahari Bin Johari** (LS 0008773)

**Lim Ming Toong** (MAICSA 7000281)

**Seuhailey binti Shamsudin** (MAICSA 7046575)

Secretaries

Kuala Lumpur

31 May 2007

## NOTES:

- A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented 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.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
- Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 15-2, 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.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

- Resolution 7**  
The proposed ordinary resolution No. 7, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a General Meeting will expire at the next Annual General Meeting of the Company.
- Resolution 8**  
Please refer to the Circular to Shareholders dated 31 May 2007 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2006.
- Resolution 9**  
Please refer to the Circular to Shareholders dated 31 May 2007 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2006.
- Resolution 10**  
The proposed special resolution No. 10, if passed, will bring the Articles of Association of the Company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

# Statement Accompanying Notice of Annual General Meeting

## 1. Board Meetings held in the financial year ended 31 December 2006

There were four (4) Board Meetings held during the financial year ended 31 December 2006. Details of the attendance of the Directors are as follows:-

	Total Meetings Attended	% of Attendance
<b>Executive Directors</b>		
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4/4	100%
Dato' Wan Zakariah bin Haji Wan Muda	4/4	100%
Dato' Haji Mustaffa bin Mohamad	3/4	75%
Dato' W Zulkifli bin Haji W Muda	4/4	100%
<b>Non-Executive Directors</b>		
Raja Dato' Seri Aman bin Raja Haji Ahmad	4/4	100%
Datuk (Prof) A. Rahman @ Omar bin Abdullah	3/4	75%
Dato' Ismail @ Mansor bin Said	2/4	50%

## 2. Place, date and time of Meeting

The Tenth Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, SIME Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 21 June 2007 at 10.00 am.

## 3. Directors who are seeking for re-election or re-appointments at the 10th 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' Haji Mustaffa bin Mohamad

Details of Directors are set out on pages 12 to 15 of this Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 123.



Excellence in corporate  
responsibility delivers  
competitive advantage



# Corporate Information



Dato' Sri Haji Wan Zaki Bin Haji Wan Muda  
Raja Dato' Seri Aman Bin Raja Haji Ahmad  
Dato' Wan Zakariah Bin Haji Wan Muda

*From left to right*

### 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. Dato' Haji Mustaffa Bin Mohamad (Executive Director)
5. Dato' W Zulkifli Bin Haji W Muda (Executive Director)
6. Datuk (Prof.) A Rahman @ Omar Bin Abdullah (Independent, Non-Executive Director)
7. Dato' Ismail @ Mansor Bin Said (Independent Non-Executive Director)

### AUDIT COMMITTEE

1. Raja Dato' Seri Aman Bin Raja Haji Ahmad (Chairman, Independent Non-Executive Chairman)
2. Dato' Sri Haji Wan Zaki Bin Haji Wan Muda (Member, Executive Vice Chairman)
3. Dato' Ismail @ Mansor Bin Said (Member, Independent Non-Executive Director)

### COMPANY SECRETARIES

1. Bahari bin Johari (LS 0008773)
2. Seuhailey binti Shamsudin @ Azraain (MAICSA 7046575)
3. Lim Ming Toong (MAICSA 7000281)

### REGISTERED OFFICE

Mezzanine Floor, 8A, Jalan Sri Semantan Satu  
Damansara Heights, 50490 Kuala Lumpur  
Tel: 03-2094 1888 Fax: 03-2094 7673

### REGISTRAR

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

### PRINCIPAL BANKERS

Affin Bank Berhad  
AmInvestment Bank Berhad  
CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
Kuwait Finance House (Malaysia) Berhad  
United Overseas Bank (Malaysia) Bhd

### AUDITORS

Moore Stephens  
Chartered Accountants  
8A, Jalan Sri Semantan Satu  
Damansara Heights, 50490 Kuala Lumpur

### STOCK EXCHANGE

Main Board of Bursa Malaysia

Dato' Ismail @ Mansor Bin Said  
Dato' Haji Mustaffa Bin Mohamad  
Dato' W Zulkifli Bin Haji W Muda  
Datuk (Prof.) A Rahman @ Omar Bin Abdullah

*From left to right*

# Corporate Structure



## CONSTRUCTION & PROPERTIES

Ahmad Zaki Sdn Bhd	100%
Kemaman Technology & Industrial Park Sdn Bhd	60%
Fasatimur Sdn Bhd	50%
Maxi Heritage Sdn Bhd	30%
Trend Vista Development Sdn Bhd	100%
AZRB Machinerries Sdn Bhd	100%

## OVERSEAS INVESTMENT

AZRB Construction (India) Pvt Ltd	100%
AZRB International Ventures Sdn Bhd	100%
Ahmad Zaki Saudi Arabia Co Ltd	100%

## BUNKERING SERVICES

Inter Century Sdn Bhd	100%
Astral Far East Sdn Bhd	100%

## PLANTATION

PT Ictiar Gusti Pudi	95%
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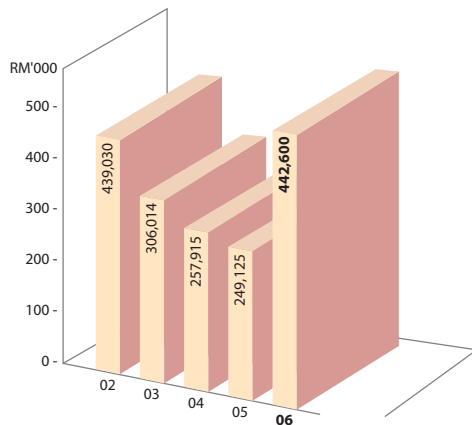
## QUARRY OPERATION

Tadok Granite Manufacturing Sdn Bhd	100%
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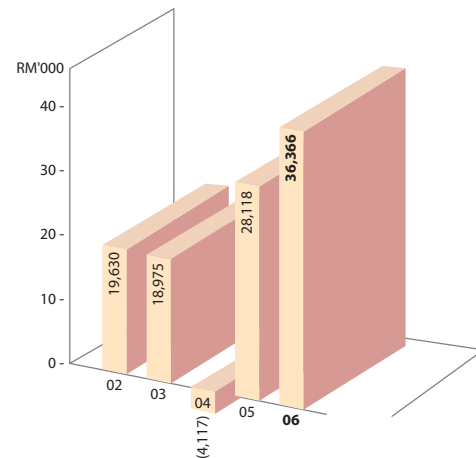


# Financial Highlights

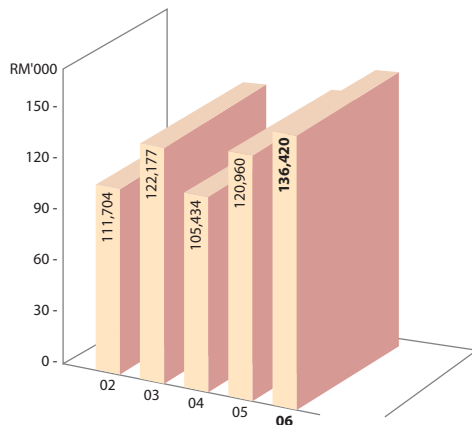
## Revenue



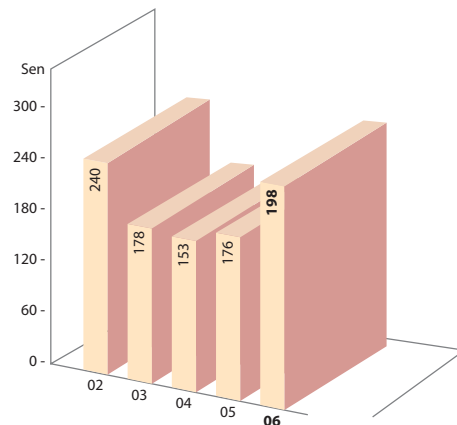
## Profit/(Loss) before taxation



## Shareholders' funds



## Net tangible assets per share



Group Five Year Summary	Year Ended 31 December				
	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Revenue	439,030	306,014	257,915	249,125	442,600
Profit/(Loss) before taxation	19,630	18,975	(4,117)	28,118	36,366
Profit/(Loss) after taxation & minority interest	13,436	12,907	(11,747)	18,899	24,154
Paid up capital	46,301	66,306	66,710	66,710	66,710
Shareholders' funds	111,704	122,177	105,434	120,960	136,420
Net tangible assets per share (sen)	240	178	153	176	198

# Directors' Profile



## Raja Dato' Seri Aman bin Raja Hj Ahmad

SPMP, DPMP, PJK, AMN

A Malaysian, aged 61, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26th February 2004 and subsequently assumed the Chairman of Audit Committee on 8th April 2004. He is also the Chairman of Risk Management Committee and sits on the Remuneration and Nomination Committee as an ordinary member.

He is a Certified Public Accountant (CPA), a member of Malaysian Institute of Accountants (MIA) and a Fellow of the Institute of Chartered Accountant of England and Wales (ICAEW). He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad in 1985 as Executive Director. He left Affin Bank in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer for 2 years before his appointment as Chief Executive Officer of Affin Bank Berhad.

He is also a Director of Affin Holdings Berhad and Tomei Consolidated Berhad (a company listed on the Main Board of Bursa Malaysia) and sits on the board of Affin Merchant Bank Berhad.

During the financial year ended 31 December 2006, he attended four out of four Board meetings held.

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### 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 pages 109 to 110 (note 44) 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.

## Directors' Profile (cont'd)

### **Dato' Sri Haji Wan Zaki bin Haji Wan Muda**

SSAP, SIMP, DPMT, PPN, PJK



A Malaysian, aged 58, 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 Remuneration Committee and an ordinary member of the Audit Committee and Risk Management Committee.

He is the founding member of 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 Perkeyuan Pahang Sdn Bhd as a Financial Assistant and Marketing Officer and subsequently rose to the position of Marketing Manager. He left Perkeyuan 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 start AZSB.

Dato' Sri Haji Wan Zaki is also a Director of Chuan Huat Resources Bhd (a company listed on the Second Board of Bursa Malaysia) and also sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2006, he attended four out of four Board meetings held.

### **Dato' Wan Zakariah bin Haji Wan Muda**

DSSA



A Malaysian, aged 47, was appointed an Executive Director of AZRB on 24 March 1999 and subsequently assumed the post of Managing Director of AZRB with effect from 1 January 2003. He is presently the Chairman of the Establishment Committee and sits on the Remuneration Committee as an ordinary member.

He holds a Bachelor of Science (Quantity Surveying) degree which he obtained in 1986 from the Thames Polytechnic, United Kingdom. He joined AZSB in 1986 as a Quantity Surveyor and was appointed a Director of AZSB in 1994. In 1996, he was promoted to the position of Managing Director of AZSB which he held until 6 February 2003.

He 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 2006, he attended four out of four Board meetings held.

## Directors' Profile (cont'd)

### Dato' Haji Mustaffa bin Mohamad

DPMT, PJK



A Malaysian, aged 56, was appointed an Executive Director of AZRB on 24 March 1999 and is an ordinary member of the Establishment Committee.

He obtained his Bachelor of Law (Honours) degree from the University of London, England in 1976, and was called to the English Bar at Lincolns Inn in 1981. In 1985 he obtained a Post Graduate Diploma in Port and Shipping Administration from the University of Wales, Institute of Science and Technology, Cardiff. He is also a member of the Chartered Institute of Transport (United Kingdom) since 1986. In 1993 he was awarded a Diploma in Syariah Law and Practice by the International Islamic University, Malaysia. He was with Terengganu State Economic Development Corporation, serving in various capacities from 1977-1985 prior to joining ICSB as Managing Director in 1993. From 1985-1993 he served as the General Manager of Pangkalan Bekalan Kemaman Sdn Bhd and concurrently as the Executive Director of Jasa Merin (M) Sdn Bhd. These companies are directly and solely involved in the provision of infrastructure and support services to the oil and gas industry off the shores of Peninsular Malaysia. He is also a Director of AZSB and AFE.

He 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 2006, he attended three out of four Board meetings held.

### Dato' W Zulkifli bin Haji W Muda

DIMP



A Malaysian, aged 45, 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.

He 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 AZSB as a Project Manager in 1985. He was promoted to the position of Executive Director (Operations) of AZSB in 1996 and subsequently became the Managing Director of AZSB effective from 7 February 2003.

He 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 2006, he attended four out of four Board meetings held.



## Directors' Profile (cont'd)

### **Datuk (Prof.) A Rahman @ Omar bin Abdullah**

PJN, DPMT, JSM, SMT, AMN



A Malaysian, aged 61, was appointed an Independent Non-Executive Director on 1 January 2003. He presently sits on the Remuneration Committee as an ordinary member.

He 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 Institute of Surveyors Malaysia, as well as Professional Membership with The Chartered Institute of Building of UK.

Datuk A Rahman was the founding CEO 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 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 an Honorary Professor by the University Teknologi Malaysia. Among other appointments, he has also been President of the Institute of Surveyors, Malaysia, Chairman of the Technical Committee on the Development of the Professional Institute for Baitulmal Wilayah Persekutuan and the President of the Board of Quantity Surveyors, Malaysia.

He 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 2006, he attended three out of four Board meetings held.

### **Dato' Ismail @ Mansor bin Said**

DPMT, AMN



A Malaysian, aged 58, 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, Risk Management Committee and Remuneration Committee as an ordinary member and is the Chairman of the Nomination Committee.

He 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 Ismail is also a director of Lion Diversified Holdings Berhad (a company listed on the Main Board of the Bursa Malaysia) and also sits on the board of directors of a private limited company.

During the financial year ended 31 December 2006, he attended two out of four Board meetings held.

# Statement of Internal Control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its integrity and adequacy. The system of internal control covers, inter alia, internal audit, financial, operational, compliance controls including risk management. The system is designed to monitor, identify and manage risks in the pursuit of the Group's business objectives, safeguard shareholder's investments and the Group's assets.

However, it should be noted that any system can only provide reasonable and not absolute assurance against material misstatement or loss. The concept of reasonable assurance recognizes that the cost of control procedures is not to exceed the expected benefits.

## RISK MANAGEMENT

Pursuant to Best Practices Provision AAI, the Board is expected, in the discharge of its stewardship responsibilities, to identify principal risks and ensure implementation of appropriate systems to manage these risks. Enterprise Risk Management (ERM) is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the Group faces as it creates value. This project involves a series of workshops with the staff and management and interviews with the top management. Progressive meetings were done by the various Risk Management Committees to address the current risk management issues. This risk management exercise is on going and evolved as the Group's expand into new projects, domestic and international and new business ventures.

The following are the key principles of the ERM framework:

- To facilitate a systematic and consistent identification of key business risks for AZRB and AZSB
- To facilitate an objective assessment of key controls in managing the relevant business identified
- To enhance the documentation and communication of risks and promote awareness of risk management
- To develop a framework to monitor and report risks and controls, with the assignment of responsibilities within the pilot companies (AZRB and AZSB) for managing risks; and
- Assist in establishing an appropriate risk management committee/function

The Board acknowledges that considerable effort and commitment is required to implement the risk management framework within the Group. To monitor and approve the Group Risk Management Strategy, Policy and Guidelines, a Risk Management Committee of the Board (Board Risk Committee) had been established. This Board Committee, in ensuring an effective risk management framework is adhered to had established another risk committee at the management level. In relation to that, a risk management committee (RMC) was formed at the management level. The RMC is responsible for continuously coordinating the implementation of the risk management framework and reporting to the Board Risk Committee on an aggregated view of principal risks inherent in all operating units and companies within the Group, and their respective risk response plans to manage these risks. In short, the RMC is primarily responsible for review of the risk management processes.

To ensure an ongoing implementation of risks management and updates of risks registers, the RMC had appointed the risk management unit (RMU) at business unit level. RMU members are nominated employees from Operations, Finance, Human Resources, Information Technology (IT) and a designated Risk Officer. The RMU is currently headed by the Operations Director.

Amongst others, the roles and responsibilities of the RMU include:

- Identify and communicate to the RMC the critical risks (present or potential) the business unit faces, their changes and the management action plans to manage the risks
- Communicate risk management requirements in the business units
- Review risk profiles and performance for the business unit; and
- Review and update the business unit's risk management methodologies applied, specifically those related to risk identification, measuring, controlling, monitoring and reporting

## Statement of Internal Control (cont'd)

### CONTROL ACTIVITIES AND PROCEDURES

Being part of the control tools, the Board reviews and approves annual budget prepared by the management. The budget is then compared to the actual performance of the Group and any material variances will be addressed in detail by the Board and delivered to management for immediate actions.

Performance appraisals are being carried out annually to gauge the employee's performance for any confirmation, promotion, transfer and annual increment exercise. Policies and procedures with regards to employee's code of conducts and benefits are properly set out in the employee handbook for employees to adhere. A Committee has also been established by the Board to look after staff's welfare, grievances and any disciplinary matters.

In line with the newly adopted risk based internal auditing, the Audit Committee had approved a new audit plan for the year 2006 after having carried out the risk assessment exercise. The new audit plan is derived after evaluating the effectiveness of the Group's system of internal control and mitigation of risks including financial, operational and compliance risks. The audit plan is directed to focus in areas of significant risks to the Group. The plan is formulated in order of priority, areas of high and significant risk critical to the Group's performance and conducts independent risk based audits to ensure that the system of internal controls developed to mitigate those risks identified is effective and working satisfactorily. This yearly audit plan will give the opportunity to structure the audit plan in accordance with the changes in risks the Group may be exposed to given the fact of the objectives, the industry and the organization itself that are continuously evolving.

### INFORMATION AND COMMUNICATION

The Board has received and approved periodic financial and operational progress reports detailing the overview performance of divisions within the Group including the material related parties' transactions. The Board also received progressive reports from the investment committee which studies and makes proposals on any viable business opportunities the Group intends to undertake. Major corporate proposals are tabled and deliberated before such proposals are being endorsed by the Board for implementation.

### MONITORING

The Board places importance on maintaining a sound system of internal control and is responsible for reviewing the effectiveness of the system. The need for proper risk assessment which is a critical component of a sound internal control system is essential. This is achieved through the reports by the Audit Committee at periodic Board meetings. The Audit Committee which is chaired by an independent non-executive director reviews the internal control system findings of the internal auditors and external auditors and accordingly endorses appropriate remedial action. The Audit Committee which has engaged external party on a co-sourcing basis with the in-house internal auditors to perform the internal audit function based on the approved audit plan has reviewed and made appropriate recommendations to the Audit Committee in areas like procurement, tendering, project management, contract management, human resource audit, business development audit and finance audit. In line with the Group's expansion, new audit areas have been included in the yearly audit cycle such as Plantation and Bunkering.

Reviews were conducted on these areas and the results of these reviews including comments from the management were reported to the Audit Committee, who in turn reports to the Board. Follow up reviews are carried out by the Group's Internal Auditor to ensure implementation on corrective actions agreed by the management. At present, those internal control weaknesses identified during the financial year under review are being addressed by the management and has not in any way resulted in any material loss to the Group for the financial year ended 31 December 2006 which require disclosure in the Group's financial statement.

The Board remains committed to ensure that appropriate remedial measures are taken to address any control weaknesses that become evident, and that every effort is put into place to further strengthen the internal control system to protect the interests of its shareholders.

This statement of internal control is made in accordance with the resolution of the Board of Directors dated 24 April 2007.

# Corporate Governance Statement

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 throughout the Group. It is recognized that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders value. The Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year unless otherwise noted.

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.

## SECTION 1 : DIRECTORS

### (a) Composition of the Board

The Board is currently led by an Independent Non Executive Chairman and has seven (7) members comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board comprises a balance of members with experience in business and finance required for an 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 15 of the Annual Report.

The presence of three (3) 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 Bursa Malaysia Exchange Berhad ("BMEB") Listing Requirements and the Independent Directors have confirmed their independence in writing.

### (b) Board Responsibilities and Supply of Information

The Board recognizes its responsibilities amongst others include six principal responsibilities set out in Best Practice AAI of the Code in discharging its stewardship role for its shareholders.

The Board has laid down 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 adhered to these 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 contained 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 also 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 with statutory obligations, Listing Rules of the BMEB or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

## Corporate Governance Statement (cont'd)

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.

The additional committees set up are Nomination Committee, Remuneration Committee, Establishment Committee and the Risk Management Committee having the following primary functions and members:

### **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 regard to the overall operations and corporate objectives of the Group and continues to ensure that the Board members undergo the necessary Mandatory Accreditation Programme ("MAP") & Continuous Education Programme ("CEP") prescribed by the BMEB.

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:

- (i) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Chairman)
- (ii) Raja Dato Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Chairman, Member)
- (iii) Datuk (Prof.) A. Rahman @ Omar bin Abdullah (Independent, Non-Executive, Member)

The Company Secretary is the secretary of the Nomination Committee.

### **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:

- (i) Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Executive Vice Chairman, Chairman)
- (ii) Raja Dato Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Chairman, Member)
- (iii) Dato' Wan Zakariah bin Haji Wan Muda (Managing Director, Member)
- (iv) Datuk (Prof.) A Rahman @ Omar bin Abdullah (Independent Non-Executive Director, Member)
- (v) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Member)

The Company Secretary is the secretary of the Remuneration Committee.

## Corporate Governance Statement (cont'd)

### 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:

- (i) Dato' Wan Zakariah bin Haji Wan Muda (Managing Director, Chairman)
- (ii) Dato' Haji Mustaffa bin Mohamad (Executive Director, Member)
- (iii) Dato' W Zulkifli bin Haji W Muda (Executive Director, Member)

The Assistant General Manager, Human Resource is the secretary of the Establishment Committee.

The Establishment Committee held two meetings during the financial year ended 31 December 2006.

### RISK MANAGEMENT COMMITTEE (BOARD)

#### 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 organization. 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.

The members of the Committee are as follows:

- (i) Raja Dato' Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Chairman, Chairman)
- (ii) Dato' Ismail bin Said (Independent Non-Executive Director, Member)
- (iii) Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Non-Independent Executive Vice Chairman, Member)

## Corporate Governance Statement (cont'd)

### (c) Board Meetings

During the financial year ended 31 December 2006, four (4) 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
25 January 2006	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	6	2 (67%)	4 (100%)
28 February 2006	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	4	1 (33%)	3 (75%)
25 August 2006	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
21 November 2006	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2006 is set out in the Statement Accompanying Notice of AGM on page 6 of this Annual Report.

### (d) Appointment to the Board

In previous years, the process of assessing existing Directors and identifying, recruiting, nominating, appointing and orientating new directors were 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.

### (e) 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.

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	1,769,434	21,200	888,145	273,602	658,620	3,611,001
Non-Executive Directors	–	14,500	390,000	–	42,250	446,750

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

## Corporate Governance Statement (cont'd)

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 - RM150,000	–	–
RM150,001 - RM200,000	–	1
RM200,001 - RM250,000	–	1
RM250,001 - RM600,000	–	–
RM600,001 - RM650,000	1	–
RM650,001 - RM750,000	–	–
RM750,001 - RM800,000	1	–
RM800,001 - RM850,000	–	–
RM850,001 - RM900,000	1	–
RM900,001 - RM1,300,000	–	–
RM1,300,001 - RM1,350,000	1	–

### (f) 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 BMEB from time to time. The Company also provides briefings for new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

All Directors have attended the MAP prescribed by the BMEB and have been attaining CEP prescribed by the BMEB from time to time.

In addition, during the year under review, several Directors of the company have attended external training programmes to further enhance their professionalism and knowledge. The Directors are encouraged to attend briefings and seminars to keep abreast with latest developments in the industry.

### (g) Re-election of Directors

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.

## SECTION 2 : RELATIONSHIP WITH SHAREHOLDERS

The Board maintained an effective communications policy 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 Senior Independent Non-Executive Director, to whom concerns may be conveyed was held by Dato' Mohamed bin Awang until 31 December 2003. Subsequently, the role was assumed by Dato Ismail bin Said with effect from 26 February 2004.



## Corporate Governance Statement (cont'd)

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:-

- (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 BMEB, which includes announcement on quarterly results; and
- (iii) the Company website at <http://www.azrb.com>.

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 Chairman and the Board will respond to the questions raised by the shareholders during the AGM.

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.

### SECTION 3 : ACCOUNTABILITY AND AUDIT

#### (a) Financial Reporting

The Board which is assisted by 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 BMEB.

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 24 of this Annual Report.

#### (b) Internal Control and Risk Management

The Statement of Internal Control is set out on pages 16 to 17 of this Annual Report.

#### (c) 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 24 April 2007.

# 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 apply 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 24 April 2007.

# Report of the Audit Committee

## COMPOSITION OF THE AUDIT COMMITTEE / MEMBERSHIP

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

- (i) Raja Dato Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Chairman, Chairman)
- (ii) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Member)
- (iii) Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Non-Independent Executive Vice Chairman, Member)

## TERMS OF REFERENCE OF AUDIT COMMITTEE

### Terms of Membership

- (i) The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three members, of whom majority are Independent Directors.
- (ii) The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (iii) 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 months.
- (iv) The Board of Directors shall review the term of office and the performance of the Committee and each of its members at least once in every three years.
- (v) No alternate Director shall be appointed as a member of the Committee.

### Meetings and Quorum of the Audit Committee

- (i) The Committee shall meet at least 4 times a year and the quorum shall be at least two persons with majority being Independent Directors. The details of the attendance of the meetings are disclosed under the heading 'Attendance of Audit Committee Meetings' on page 27 of this Annual Report.
- (ii) The Company Secretary shall act as secretary of the Committee.
- (iii) The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors.
- (iv) 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.

### Functions of the Audit Committee

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

- (i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit;
- (iii) 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;
- (iv) 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;
- (v) 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.

## Report of the Audit Committee (cont'd)

- (vi) 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);
- (vii) To review the external auditor's management letter and the management's response;
- (viii) 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.
- (ix) To consider any related party transactions that may arise within the Company or the Group;
- (x) To consider the major findings of internal investigations and the management's response;
- (xi) To consider other topics as defined by the Board.

### Rights of the Audit Committee

The Audit Committee has ensured that, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure determined by the Board:-

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to the Company;
- (iv) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

### Procedures of Audit Committee

The Audit Committee regulates its own procedures:-

- (i) the calling of meetings;
- (ii) the notice to be given of such meetings;
- (iii) the voting and proceedings of such meetings;
- (iv) the keeping of minutes; and
- (v) the custody, protection and inspection of such minutes

### Review of the Audit Committee

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 years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

## Report of the Audit Committee (cont'd)

### Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2006 are as follows:-

Date of meeting	Total committee members	Attendance by committee members (Percentage attendance)	
		Independent	Non-Independent
24 February 2006	3	2 (100%)	1 (100%)
24 April 2006	3	2 (100%)	1 (100%)
25 May 2006	3	2 (100%)	1 (100%)
10 August 2006	3	2 (100%)	1 (100%)
25 August 2006	3	2 (100%)	1 (100%)
21 November 2006	3	2 (100%)	1 (100%)

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2006 are as follows:-

Name of Audit Committee member	Total meetings attended by Audit Committee member	% of Attendance
Raja Dato Seri Aman bin Raja Haji Ahmad	6/6	100%
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	6/6	100%
Dato' Ismail @ Mansor bin Said	6/6	100%

### Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2006 include the following:-

- (i) review the Group's year end audited financial statements presented by the external auditors and recommend the same to the Board for approval;
- (ii) review the quarterly financial result announcements;
- (iii) review audit plan of external auditors;
- (iv) review related party transactions within the Group;
- (v) review of 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.

# Other Information

## Required by the Listing Requirements of Bursa Malaysia

### SHARE BUY BACK

During the financial year, the Company did not engage in any share buyback arrangement.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 43 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2006.

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 2006.

### UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2006.

### STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties held for long term investment purpose.

### NON AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2006.

### 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 2006.

## Other Information (cont'd)

### MATERIAL 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 2006 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 2006 RM'000	Period covered from 1 July to 31 December of Year 2006 RM'000
a) Purchase of building materials from following subsidiaries of CHRB:			
i. Chuan Huat Industrial Marketing Sdn Bhd	AZSB	5,053	9,258
b) Insurance premium paid/payable to ZHSB	AZSB, ICSB and AZRB	163	202
c) Administrative charges paid/payable to ZHSB	AZSB and ICSB	61	60
d) Rental of premises paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
e) Accommodation charges paid/payable to RIM	AZSB	2	7
f) Rental received/receivable from RIM	AZSB	18	18

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) Residence 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.  |

# Environmental Management Activities at Project Sites

## HIGHLIGHTS OF OUR ENVIRONMENTAL PERFORMANCE FOR YEAR 2006

In our effort to further improve our environmental performance and in line with our company vision; to be a trusted industry player in delivering commitment with excellence and high value of productivity, we have committed ourselves in embarking into achieving our company to be fully certified with ISO 14001:2004 Environmental Management System (EMS) by end of Year 2007.

With the certification, we will be able to enhance our reputation in undertaking civil construction projects in both locally and internationally. With the implementation of EMS in our organization, we anticipate that it will reduce the environmental risks in carrying out our business activities, meets our legal obligation and enhancing our image as a responsible and reputable construction player practicing good corporate citizen.

In 2006, the environmental expenditure of the projects has been substantially allocated to meet the present demand in achieving environmental related measures for improvements. The budgets which have been set aside for the implementation of environmental management plan in every project were ranging from 5% to 7% of the total preliminary costs. The following projects are still in progress and are running in full steam in order to meet our contractual obligations:-

- 1 Upgrading of Jitra-Kodiang Road Project
- 2 Upgrading of Kuantan-Pekan Road Project
- 3 Projek Menyiapkan Mahkamah Petaling Jaya
- 4 Upgrading of Subang Kelana Link Road Project
- 5 Projek Menyiapkan Masjid Putrajaya
- 6 Projek Menyiapkan Indoor Stadium Kuala Terengganu

Environmental management activities during the year are well demonstrated during the construction stages through our continuous improvement of Environmental Management Plan for each of the project as outlined below:-

### The Upgrading of Jitra-Kodiang Project

Once completed, it serves as a second link trunk road between Alor Setar North and Kangar, Perlis. The project is a dual two lane carriageway with total length of 13 km. Major improvement of road systems is undertaken to cater for the growing demand of traffic generated from rapid development taking place surrounding the corridor. Due to the fact that the road is located within the existing agricultural areas mainly paddy fields and irrigation networks serving the needs for paddy farming, the sensitivity of environmental impact created by construction activities are paramount pertinent to avoid any negative effects to the environment especially deterioration of river water quality which may also affect the existence of commercially river fish rearing project carried out by Malaysian Agricultural Development Authority (MADA).

### The Upgrading of Kuantan-Pekan Road Project

The construction of the project with total length of 37 km, involves large volume of earthworks and ground improvement works such as removal and replacement of unsuitable materials with sand, earth embankment filling and prefabricated vertical drains for soil consolidation. The construction of new bridges to replace the existing ones are major part of the contract and extra precaution measures has been identified in order to ensure that the function of the Sungai Pahang, Sungai Belat, Sungai Jarau and Sungai Soi as important sources of drinking water be taken care of.

The alignment is also located on peat soil which easily catch fire, therefore there was no burning of construction waste been carried out but a systematic rubbish disposal method has been used by transporting the materials to the approved dump sites. Earth drains were constructed along the sides of the alignment to cater for the proper discharge of surface run off as well as surrounding streams affected by the construction activities.



# Environmental Management Activities at Project Sites (cont'd)

## Upgrading of Subang Kelana Link Project

The project which involves the construction of new linkages to improve the connectivity of Subang Jaya road networks with Federal Highway Route 2 acts as traffic dispersal scheme for congested Jalan Kewajipan road. The project is targeted to be completed in December 2008 and being constructed along one of the busiest road in Subang Jaya i.e Jalan Kewajipan. Both residential and commercial buildings are abutting Jalan Kewajipan have added to the complexity and the difficulty in ensuring that the project will not cause major environmental impact during and after the construction works.

During the construction stage, series of dialog session with residents were conducted regularly most importantly to disseminate information pertaining to the activities that need to be carried out next to their properties that require their utmost cooperation and understanding since generally the construction is for the benefit of all road users and Subang Jaya residents particularly. Our construction activities were tailored to the request and suggestion mooted by residents.

Sufficient and effective noise barriers were proposed to be installed along noise sensitive areas after thorough study conducted by the appointed consultant in order to ensure that there is no increase of noise levels due to the presence of new roads and elevated structures along the alignment.

## Projek Mahkamah Petaling Jaya, Projek Masjid Putrajaya and Projek Indoor Stadium Kuala Terengganu

The projects are similar in nature, where involving the building construction works. The impacts to the environment mostly confined to the noise created by construction activities such as piling works, concreting works and dust caused by the material being transported within the construction work area.

Projek Mahkamah Petaling Jaya is located right in the middle of congested development of other buildings and access road leading to the project site is busy most of the time. The method of piling by using jack-in spun pile has been adopted to reduce the noise level generated during piling works and hoarded by plastic sheets to ensure that the dust is only confined within construction site without affecting the adjacent commercial and residential buildings.

Projek Masjid Putrajaya is being constructed by the side of the famous Putrajaya Lake and will become another tourist attraction once it is completed in middle of 2008. The most significant environmental impact that needed to be seriously taken care of is the discharge of surface run off during earthworks stage of the construction. Putrajaya Holding Berhad has imposed a strict rules and regulations pertaining to the protection of water quality of the lake when there was no discharge of surface run off especially during site clearing and earthworks is allowed into the lake without taking any proper treatment in controlling the level of suspended solid in the water. Earth bunds with silt traps were constructed and monitored regularly by our personnel as well as our appointed consultant to ensure that its complied with the rules and regulations set by our client i.e Putrajaya Holding Sdn Bhd.

Projek Indoor Stadium Kuala Terengganu is located in low and muddy area next to the one of the most beautiful beaches in Malaysia that is Pantai Batu Rakit. The area is popular among local and foreign tourist due to the natural beauty of the beach fronting an open and wide South China Sea. In view of the significant roles of its location in the tourist map locally as well as internationally, the environmental impact of the project is highly regarded and looked into by Jabatan Kerja Raya (JKR) by imposing systematic environmental management plan be practiced through out the contract period. Regular monitoring and audits by Department of Environment (DOE), Department of Safety and Health (DOSH) as well as JKR been carried out and Non Conformance Reports (NCRs) were issued to ensure the we comply with the rules and regulations set by those agencies. Fast actions have been taken by us in identifying the root cause of the problems and our for workers and subcontractors that were found responsible for neglecting or ignoring the implementation of the system, will be penalized, in fact to a certain extent, their contract has been terminated after we found that the recurrence of non compliance solely caused by their ignorance and blatant disregards to the strict implementation of environmental protection system.

An independent environmental consultant has been appointed for each of our projects to assist us in carrying out detailed monitoring plan according to the needs of the project which varies based on the geographic factors of the project location. Mitigation measures taken by us in order to minimize the environmental impact in the projects:-

## Environmental Management Activities at Project Sites (cont'd)

### 1 Construction and Maintenance of Silt Traps

Silt traps are being constructed and maintained complete with the recommended earth drains, sand bags as bunds to intercept and channel the surface run-off within the construction site that contains sediments to the silt traps. The silt traps and earth bunds are regularly maintained to ensure the effectiveness of the system.

### 2 Water Quality Monitoring

The most important aspect during the site clearing and earthwork activities is the total suspended solid. Monthly monitoring are being carried out during the construction stage to monitor the rate of change compared with the reading taken prior to the commencement of work and the ambient values at the site and downstream or nearby water ways. In view of the active usage of water generated from rivers for agriculture purposes (not much for drinking), the level of contaminated chemical contents in the water is given serious attention to minimize the risk to the agricultural produce.

### 3 Air Quality Monitoring

The ambient air monitoring was carried out monthly to determine the characteristic at the sensitive receptors to ensure that the total suspended particles concentration is well below the hazard value. Dust control measures were effectively taken by using water browser sprayed at regular intervals at sensitive areas usually created by hive of earthworks activities.

### 4 Noise Quality Monitoring

Noise level readings were taken using a pre calibrated precision integrating noise meter where the equipment was set up at the open space within the project sites. The monitoring was done during day and night time to record the noise level due to the construction activities.

The most common complaints that we received at sites are in relation to the items listed below. However, we always conduct pro-active remedial measures so as to minimize or eradicate the issues. The action plans too were tabled to the respective local authorities and clients during progress monitoring meetings.

#### a) Erosion and Sedimentation Control

Sand bags, concrete blocks / rocks and proper maintenance of perimeter drains are constantly used to filter and intercept the surface run-off and also to act as barrier towards landslides. Temporary turf is also adopted to minimize the problem.

#### b) Solid Waste

Waste bins are provided at designated locations and all the wastes should be disposed at an approved dump site. An area for construction debris too was designated within the site.

#### c) Temporary Toilets

In order to provide a clean sanitary condition within construction area, portable toilets were used beside the standard temporary toilets. For portable toilets, maintenance was every alternate days and desludging were done regularly.

#### d) Housekeeping

Housekeeping of site was carried out by 'gotong-royong' exercise among our site staff, workers and subcontractors every week. The sense of togetherness in keeping the site clean and tidy is achieved through the concept.

#### e) Mosquito and Pest Control

The rodent and pest control services were engaged to carry out the mosquito and pest control activities at sites. The service include the application of abate spraying and fogging which were carried out periodically to prevent dengue or related diseases.

## CONCLUSION

We in AZRB believe that for the successful implementation of an effective environmental programme, a sense of responsibility is to embraced by all personnel involved in the projects. Because of this, we are constantly raising the level of awareness, knowledge and commitment among our staff so as to ensure that an environmentally safe working condition not only to benefit our operations but to the general public and the environment as a whole.

# Quality, Safety and Health Policy

The company's achievements and dedication towards our work, quality, safety and health and environment has been acknowledged by the construction industry as evident in the numerous awards bestowed to AZRB.

The company has received certification from the International Standards Organization (ISO) and Malaysian Standard (MS):

## 1 ISO 9001:2000 Quality Management System

The achievement of ISO 9000 certification since the year 2000 testifies the Group commitment towards its mission of being a trusted leader in delivering commitment with excellence and value in construction industry. The certification under the provision of construction services for civil and building engineering works is not only for the construction subsidiary company (AZSB) but also the parent company, AZRB.

## 2 OHSAS 18001:1999

With our diligent efforts towards safety and health in compliance with the legislative requirements, the company has been certified OHSAS 18001:1999 since 2004.

## 3 ISO 14000:2004

In October 2006, the management has decided to embark on the certification of ISO 14000 by September 2007. Various sites implementing the Environmental Management Plan (EMP) are required to improve the system and documented the activities carried out throughout the construction period.

## QUALITY

As we aim for high standards of performance and striving for superior quality in all undertakings, we have focused on the "DO THINGS RIGHT THE FIRST TIME, EVERY TIME" as our motto for 2006 to be instilled to all our staff, workers, subcontractors and suppliers. This statement is also one of our Quality objectives.

All new projects local and overseas commencing from 2006 are mandatory to implement strict control on quality and the on going projects are required to enhance the system that have already been in place. The projects involved are:

- 1 Indoor Stadium in Kuala Terengganu
- 2 Putrajaya Mosque in Putrajaya
- 3 Subang Kelana Link in Subang Jaya
- 4 Kuantan - Pekan Road Works
- 5 Jitra - Kodiang Road Works
- 6 Mahkamah Complex in Petaling Jaya
- 7 Al Faisal University in Riyadh, Saudi Arabia
- 8 IT Expressway in Chennai, India

The implementation of the quality control for each project sites is based on the Project Quality Plan. The Inspection Test Plan for the construction activities have been the mandatory documents used prior to finalization of the works. The workers have been made to aware and been taught the standard of works to be produced by preparation of mock-up, discussion and clarifying of the detailing shown in the drawings and forming Quality Committee to carry out walk-about auditing on the on-going works. Performance of the system is constantly being measured, monitored and where applicable, improvements are made through corrective and preventive actions.

## Quality, Safety and Health Policy (cont'd)

The company has allocated between 0.5% and 2% of the builder works in the implementation of the quality at project sites. To ensure the successful of the system, external and internal auditors have been scheduled throughout the year to carry out auditing to all the projects. The downward trends of non compliance reports from the audits were significant where about 9% decreases in the numbers have been achieved. Actions were immediately taken on the recurrence of repetitive non-compliance by ultimately terminating the workers, suppliers or subcontractors contracts.

By doing the works correctly once, the company not only improves its productivity but also would improve on the profitability of the projects, safe times and avoid unnecessary abortive works.

Our reputation viewed by clients and public will be upheld if we act in accordance with our Quality Plan and continually improve our system to produce high quality finishes and products to the clients satisfaction.

The company outstanding performance of delivering the quality works, high turnover and profitability has been recognized by the Malaysian Construction Industry Excellence Award 2006. AZRB has been awarded **Builders of the Year Award** for the ultimate achievement in 2006.

We believe that quality enhances the value and reputation towards our continued growth. We strive to provide quality and value added services to our customer's satisfaction.

### SAFETY AND HEALTH

The management always has a systematic approach to health and safety of workers at all levels in order to achieve continuous performance improvement. Apart from building a strong safety minded culture among staff, workers, subcontractors and suppliers, the company aims to continually improve the safety systems at our project sites. The company main objective is to achieve zero occupational injury and illness. We would like to create safety at site and wants the public, employees and workers to always feel safe at our construction sites.

In 2006, the employee and workers have participated in the in-house training programme on various activities including induction courses, awareness courses, fire fighting and emergency response, scaffoldings and working at height and First Aid courses. A stick and carrot approach to the workers, subcontractors and suppliers complying with the safety and health procedure implemented at site has also been practiced. The Safety and Health Plan for each project was aimed at ensuring that the activities carried out were properly analyzed for the risk (using the HIRAC) and that vigilant monitoring of unsafe acts been reprimanded. The company also participated in the seminars organized by DOSH and NIOSH throughout the year. Selected employees and workers have attended the 2006 World Safety and Health Day held in Putrajaya International Convention Center.

The company has allocated the cost for carrying out safety and health and traffic management plan depending on the locations of the project site from 2% to 4% of the contract costs.

To ensure full compliance of the safety and health system, external and internal auditors have been scheduled for auditing. The Department of Occupational Safety and Health have audited the sites. The year under review saw that the non compliance reports were more on the handling of chemicals for most of our sites. The awareness on safety requirement among workers and employees and basic requirement in safety has improved significantly whereas special courses on handling of chemicals have been included in 2007 training needs.

The company has embarked mainly on road projects than buildings projects for 2006. The safety of road users and public has been the utmost important. Thus, a strict safety plan and traffic management plan are crucial and been systematically implemented.

## Quality, Safety and Health Policy (cont'd)



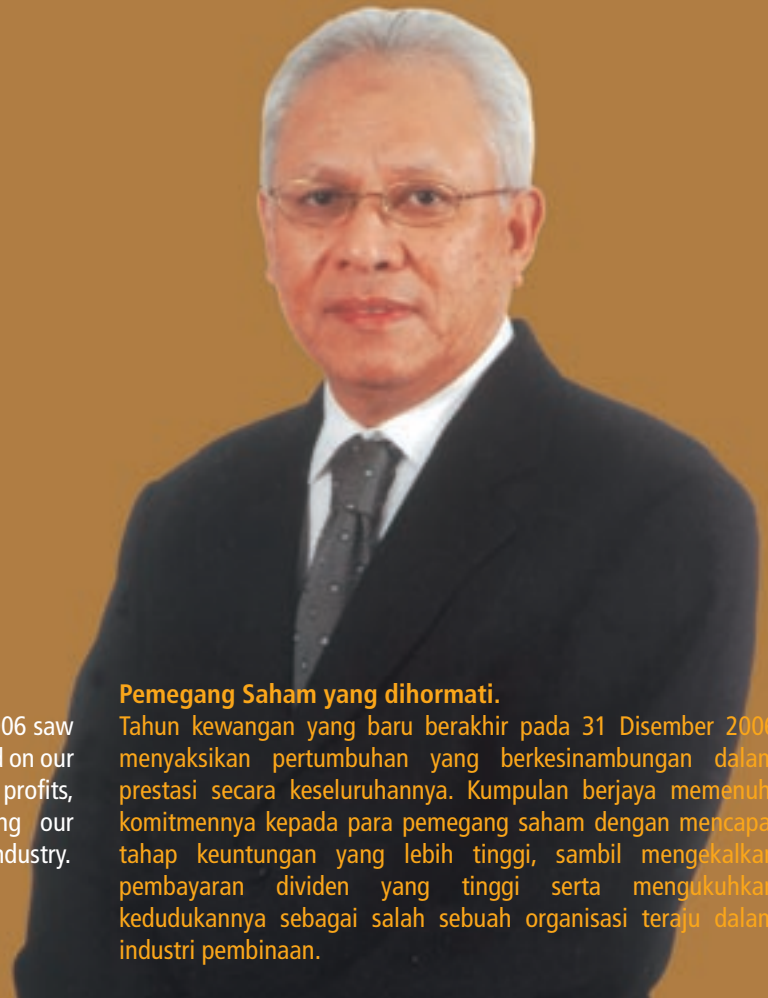
In 2006, our road projects have touched a total of 1,800,000 man-hours without Lost Time Injury (LTI). Our Subang-Kelana Link project in Subang Jaya comprising of the construction of elevated structures along the busy Jalan Kewajipan and crossing Federal Highway being the most busiest highway in Klang Valley have been nominated to participate in the **National Safety Awards for 2006** by the Selangor DOSH. The project has successfully won the **gold medal award** in construction industry presented by our Prime Minister.

The company will continue to instill the partnering concept to all staff, workers, subcontractors and suppliers in safety and health aspects has ensure the successful implementation of the safety and health policy in AZRB.

We are committed to pursue our objective of achieving zero accidents in all our projects and ensuring continuous improvement in safety and health awareness and performance. With the recognition at National level for the above projects as an example, we look forward to working harder to sustain and improve the system for all our projects local and overseas.



# Chairman's Statement / Penyata Pengerusi



#### Dear Shareholders.

The financial year that has just ended on 31 December 2006 saw continued growth in our overall performance. We delivered on our commitment to shareholders by achieving higher profits, maintaining high dividends payout and strengthening our position as one of the leading player in the construction industry.

#### Pemegang Saham yang dihormati.

Tahun kewangan yang baru berakhir pada 31 Disember 2006 menyaksikan pertumbuhan yang berkesinambungan dalam prestasi secara keseluruhannya. Kumpulan berjaya memenuhi komitmennya kepada para pemegang saham dengan mencapai tahap keuntungan yang lebih tinggi, sambil mengekalkan pembayaran dividen yang tinggi serta mengukuhkan kedudukannya sebagai salah sebuah organisasi teraju dalam industri pembinaan.

On behalf of the Board of Directors and the Management of Ahmad Zaki Resources Berhad (AZRB), it is my pleasure to present the Annual Report and Accounts of AZRB for the year ended 31 December 2006.

AZRB delivered strengthened shareholder value through our unwavering focus on growing our core businesses. In a year which saw the Group faced with many challenges, AZRB remained profitable, with a significant improvement in pre-tax profit of RM36 million compared with last year's RM28 million. Attesting to its resilience, the Group has committed to improving operational efficiency, strengthening internal controls and promoting greater consolidation within the Group.

While we are constantly proactive in addressing external and internal developments in this fast-paced globalised economy, I am happy to note that some of the developments of the Group are a fruition of well thought out initiatives that has a long term bearing on us.

Our financial results for 2006 reflect the value of our practices and of the Group's investment policy and business strategy.

Bagi pihak Lembaga Pengarah dan Pengurusan Ahmad Zaki Resources Berhad (AZRB), saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun AZRB untuk tahun kewangan berakhir 31 Disember 2006.

AZRB telah menghasilkan nilai pemegang saham yang diperkuh menerusi tumpuan yang menjurus semata-mata kepada pertumbuhan perniagaan teras. Meskipun terpaksa menempuhi pelbagai rintangan pada tahun kewangan, AZRB telah tetap mengaut keuntungan, iaitu dengan mencatat peningkatan sebelum cukai sebanyak RM36 juta berbanding RM28 juta pada tahun lepas. Sebagai membuktikan keutuhannya, Kumpulan bertekad untuk menambahaik kecekapan operasi, mengukuhkan kawalan dalaman dan menggalakkan pemantapan yang lebih hebat dalam lingkungan Kumpulan.

Sambil Kumpulan terus bersikap proaktif dalam menangani perkembangan dalaman dan luaran dalam ekonomi global yang pesat berkembang, dengan sukacitanya saya memaklumkan bahawa sebahagian daripada perkembangan dan kemajuan dalam Kumpulan adalah berkat inisiatif yang dirancang dan yang memberi manfaat jangka panjang kepada kita.

Keputusan kewangan bagi tahun 2006 mencerminkan nilai amalan-amalan dan dasar-dasar pelaburan serta strategi perniagaan Kumpulan.

## Chairman's Statement (cont'd) / Penyata Pengerusi (samb)

### FINANCIAL PERFORMANCE

For the year ended 31 December 2006, AZRB recorded an impressively significant increase in revenue of RM443 million which is 78% higher when compared to RM249 million the previous year. Profit before tax increased correspondingly to RM36 million compared to RM28 million for 2005.

The better results were achieved against a tough economic environment where the construction industry has been experiencing negative growth for the last three years. Only in the last quarter of 2006, the industry registered a marginal growth of 0.7%. Against this backdrop, we succeeded in securing an order book in excess of RM700 million.

Construction remains at the forefront of our core business activity. To replenish our order book, we are actively bidding for jobs locally, as well as overseas. Expanding our expertise globally is a significant strategy adopted by the Group to further enhance future earnings.

The Group's oil and gas trading subsidiary remained the other significant contributor to the Group's profitability. This division contributed RM52 million revenue and RM9.6 million profit. Continuous focus shall be placed on this subsidiary with the possible intention of taking a larger position in this business segment.

### OUR PEOPLE - THE KEY TO SUCCESS

AZRB is fully cognizant of its role as a leader in the sector it operates in. Being recognized and acknowledged by our peers for its contribution in the construction industry is just reward and a great honour for the Group. AZRB is accorded the 'Builder of the Year' Award 2006 by the Construction Industry Development Board (CIDB) in recognition of its role towards Nation building. We were also placed top in the National Occupational Safety and Health excellence award by being the Gold winner in the Construction sector. Capping off a great year, the Asia Pacific Brands Foundation conferred the 'Best Brands' Award in the Construction Sector to AZRB.

These recognition and honour would not have been possible had its people not been true in delivering commitment with excellence and value. Transforming AZRB into a global organization, we recognize the need for human resource development. It is AZRB's intention to empower every employee within the Group with a greater sense of ownership, accountability and responsibility. Its human resource remained an important cornerstone in its operations and will continue to shape AZRB's present and future success. Kudos to our people for their hard work, honesty, diligence in ensuring best practices is commonplace within the Group.

### PRESTASI KEWANGAN

Bagi tahun berakhir 31 Disember 2006, AZRB mencatat peningkatan mendadak dalam hasil pendapatan sebanyak RM443 juta iaitu 78% lebih tinggi berbanding angka RM249 juta pada tahun sebelumnya. Keuntungan sebelum cukai telah bertambah ke tahap RM36 juta berbanding RM28 juta pada tahun 2005.

Keputusan yang lebih memberangsangkan itu telah dicatat meskipun menghadapi suasana ekonomi yang menyukarkan yang menyaksikan industri pembinaan mengalami pertumbuhan negatif sejak tiga tahun yang lepas. Hanya di suku tahun terakhir 2006, industri tersebut mencatat pertumbuhan berjidar 0.7%. Namun demikian, Kumpulan masih berjaya meraih buku pesanan bernilai melebihi RM700 million.

Sektor pembinaan tetap menjadi kegiatan perniagaan teras. Demi menentukan buku pesanan terus diisi, Kumpulan sedang giat mengemukakan bida untuk meraih projek baik di arena tempatan mahupun di seberang laut. Perluasan kepakaran ke peringkat global merupakan satu strategi tunjang yang diterimapai oleh Kumpulan demi merangsang lagi hasil pendapatan di masa hadapan.

Syarikat subsidiari Kumpulan yang terlibat dalam operasi minyak dan gas telah terus kekal sebagai satu lagi penyumbang utama kepada keberuntungan Kumpulan. Syarikat tersebut menyumbang hasil pendapatan RM52 juta dan keuntungan RM9.6 juta. Tumpuan yang berkesinambungan akan diberi kepada operasi syarikat subsidiari ini dengan kemungkinan memperkembangkan lagi penglibatan dalam segmen perniagaan ini.

### KAKITANGAN - PENENTU PENYERLAHAN UTAMA

AZRB menyedari sepenuhnya peranannya sebagai teraju sektor dalam mana ianya beroperasi. Sambil mendapat pengiktirafan atas sumbangannya terhadap industri pembinaan, Kumpulan telah dianugerahkan penghargaan yang setimpal. AZRB menerima anugerah 'Jurubina Tahun 2006' daripada Lembaga Kemajuan Industri Pembinaan (CIDB) sebagai mengiktiraf peranannya dalam usaha membina Negara. Kumpulan juga menduduki tangga teratas dalam program anugerah kecemerlangan Keselamatan dan Kesihatan Pekerjaan Kebangsaan dengan memenangi hadiah Emas dalam sektor pembinaan. Sebagai kemuncak penyerlahan tahun 2006, AZRB telah berjaya merangkul Anugerah "Jenama Terbaik" dalam Sektor Pembinaan iaitu anugerah yang diberi oleh Asia Pacific Brands Foundation.

Pengiktirafan dan penghormatan yang sebegini unggul ini tidak mungkin menjadi milik AZRB sekiranya pihak daya tenaga tidak bekerja dengan penuh dedikasi dalam memenuhi komitmen dan nilai dengan cemerlang. Sebagai usaha mengubahbentuk AZRB menjadi sebuah organisasi global, keperluan pembangunan sumber manusia telah dikenalpasti



## Chairman's Statement (cont'd) / Penyata Pengerusi (samb)

### CORPORATE RESPONSIBILITY

During the year, AZRB continued to play its part in adopting good practices in its work ethics in order to minimize negative environmental impact as a result of its business operations.

The Group also continue its obligations to all its stakeholders and believe in playing its part in the development of the community and the progress of the country with its monetary and non-monetary support to various charitable, education and cultural programmes.

Such initiatives include a memorandum of understanding signed between the Government of Malaysia and AZRB on cooperation in the area of Education and Training desiring to promote cooperation on the basis of reciprocity and mutual benefit for both parties, and our sponsorship of Adi Putra (child prodigy) maintenance allowance for 2006.

### OUTLOOK AND PROSPECTS

Backed by a wealth of experience and upgraded technology, the Group is always ready to deliver solutions for the local and global construction needs. Our foray into the international construction market is showing positive results and have enhanced the Group's capability and achievements.

Given the close relationship between the construction industry and the nation's economic climate, encouraging signs have emerged in 2007. These included measures introduced by the Government aimed at improving delivery in both private and public sectors and the rolling out of the 9th Malaysia plan projects. AZRB's major business entities were able to benefit from the growing confidence in the economy. The forecast for 2007 remains positive.

The coming year promises to be an eventful year. We are already aggressively bidding for new orders and will continue to pursue selected projects in the international market, especially in countries where we are now operating. With the improved sentiments in the construction sector, plus the initiatives taken to enhance internal performance, we are optimistic of the outlook for 2007.

We have actively put in place strategic investment policies that enhance shareholders value. Initiatives to diversify our operations into new areas have taken shape with our investment in oil palm plantation in Indonesia. Our plantation subsidiary PT Icthiar Gusti Pudi, has established our plantation areas in Kalimantan and field planting has already started. This new division will create a new source of income for the Group in the longer term period.

sebagai faktor yang penting. Adalah menjadi hasrat AZRB untuk menyemaisuburkan semangat kekitaan, akauntabiliti dan kebertanggungjawaban yang sejati di sanubari setiap kakitangan dalam lingkungan Kumpulan. Sumber manusia telah terus menjadi perjuangan penting dalam operasinya dan akan terus merencanakan kejayaan semasa dan masa depan AZRB. Syabas kepada segenap tenaga kerja ARZB di atas kegigihan, keikhlasan dan kebijaksanaan mereka dalam menentukan amalan terbaik menjadi ciri unggul di seluruh Kumpulan.

### TANGGUNGJAWAB KORPORAT

Pada tahun kewangan, AZRB telah terus memainkan peranannya dalam menerimapakai amalan terbaik dalam etika kerjanya demi meminimumkan kesan alam sekitar negatif dari operasi perniagaannya.

Kumpulan telah meneruskan obligasinya kepada semua pemegang kepentingannya dan bertekad untuk memainkan peranannya dalam sebahagian daripada pembangunan masyarakat serta kemajuan Negara dengan sokongan berbentuk kewangan dan bukan-kewangan kepada pelbagai program amal kebajikan, pendidikan dan kebudayaan.

Ini termasuklah memorandum persefahaman antara Kerajaan Malaysia dengan AZRB berhubung kerjasama dalam bidang Pendidikan dan Latihan, sekaligus mempromosi kerjasama atas dasar timbal-balas dan manfaat bersama kepada kedua-dua pihak, dan penajaan Adi Putra berbentuk elauan saraan bagi tahun 2006.

### TINJAUAN DAN PROSPEK

Berbekalkan pengalaman yang begitu meluas dan teknologi yang semakin canggih, Kumpulan sentiasa bersedia untuk menyediakan penyelesaian mantap untuk keperluan pembinaan tempatan dan global. Penceburan dan ketrampilan Kumpulan dalam pasaran pembinaan antarabangsa kini sudah mula menampakkan kesan yang positif dan telah memberangsang serta menyemarakkan lagi keupayaan dan prestasi Kumpulan.

Berdasarkan perkaitan yang begitu rapat antara industri pembinaan dan suasana ekonomi negara, tanda-tanda yang memberangsangkan telah disaksikan pada tahun 2007. Ini termasuklah langkah-langkah yang diperkenalkan oleh Kerajaan yang bertujuan untuk menambahbaik prestasi sektor swasta dan awam serta pelaksanaan projek-projek di bawah rancangan Malaysia ke-9. Entiti perniagaan utama AZRB telah berjaya memanfaatkan keyakinan yang semakin kukuh dalam ekonomi Negara. Ramalan untuk tahun 2007 tetap bersifat positif.

Tahun yang akan datang menjanjikan satu tahun yang cukup hebat. Kumpulan sudah mula membida secara agresif untuk projek-projek baru dan akan terus berusaha meraih projek-projek terpilih di pasaran

## Chairman's Statement (cont'd) / Penyata Pengerusi (samb)

### DIVIDEND PAYOUT

In view of the good performance of the Group in 2006, the Board recommended a first and final dividend of 15%. The Board believes that the firm support from its investors and shareholders have largely contributed to the success of the Group and would like to reward its investors and shareholders for their support.

However, the Board is fully aware of the need to maintain a balance between the Group's funding requirements for future expansion and growth, and the enhancement of shareholder value.

### ACKNOWLEDGEMENT

Throughout 2006, our people have shown exemplary dedication, commitment and professionalism to meet the challenges of a highly competitive environment. Working together in concert and with a sense of common enterprise, we accomplished all we set out to do in 2006. I thank all of you for being such great members of a formidable team.

I would also like to express my gratitude and appreciation to various government agencies, clients, consultants, contractors, suppliers and business partners who have contributed to our success.

Finally, I extend my appreciation to my fellow members of the Board for their dedication and diligence and the shareholders for your continued support and confidence in us.

**Raja Dato' Seri Aman Bin Raja Haji Ahmad**  
Chairman / Pengerusi

antarabangsa, khususnya di negara-negara dalam mana AZRB kini sedang beroperasi. Dengan bertambah baiknya sentimen dalam sektor pembinaan, serta segala inisiatif yang diambil untuk merangsang prestasi dalaman, kami tetap optimistik tentang tinjauan bagi tahun 2007.

AZRB telah mengasaskan pelbagai dasar pelaburan yang berupaya merangsang nilai pemegang saham. Usaha untuk mempelbagaikan operasi kepada bidang-bidang baru telah bermula dengan pelaburan dalam perladangan kelapa sawit di Indonesia. Syarikat subsidiari perladangan iaitu PT Icthiar Gusti Pudi, telah membuka kawasan perladangan di Kalimantan dan kerja penanaman sudah pun bermula. Bahagian perniagaan baru ini akan membentuk sumber pendapatan baru bagi Kumpulan dalam jangka masa panjang.

### PEMBAYARAN DIVIDEN

Berdasarkan prestasi Kumpulan yang memberangsangkan pada tahun 2006, Lembaga Pengarah telah mengesyorkan dividen pertama dan akhir sebanyak 15%. Lembaga Pengarah percaya bahawa sokongan mantap dari para pelabur dan pemegang saham telah banyak menyumbang kepada kejayaan Kumpulan dan ingin memberi ganjaran kepada pelabur dan pemegang saham di atas segala sokongan mereka.

Walau bagaimanapun, Lembaga Pengarah sedar akan peri pentingnya menyenggara suatu keseimbangan antara keperluan pendanaan Kumpulan untuk perluasan dan pertumbuhan masa depan dengan rangsangan nilai pemegang saham.

### PENGHARGAAN

Sepanjang tahun 2006, barisan tenaga kerja Kumpulan telah memaparkan dedikasi, komitmen dan tahap profesionalisme yang disegani demi menangani pelbagai cabaran dalam suasana yang amat bersaing hebat. Sambil berganding bahu dan berusaha sehati sejiwa untuk kejayaan bersama, segala yang direncanakan untuk tahun 2006 telah berjaya dilaksanakan. Terima kasih kerana menjadi anggota pasukan yang sungguh cemerlang.

Izinkan saya juga untuk merakamkan ucapan setinggi-tinggi penghargaan kepada pelbagai agensi kerajaan, kontraktor, juruperunding, pembekal dan rakan kongsi perniagaan yang telah menyumbang ke arah kejayaan Kumpulan.

Akhir kata, izinkan saya juga untuk menyatakan penghargaan saya kepada seluruh anggota Lembaga Pengarah di atas sokongan dan tunjukajar mereka dan juga kepada seluruh pemegang saham di atas sokongan yang tidak berbelah bahagi dan keyakinan kepada Kumpulan.



Gold Winner in the  
National Occupational  
Safety & Health Award

CIDB Award  
BUILDER OF THE YEAR  
AWARD 2006

The Brand Laureate Award  
for Best Brands in  
Construction 2006-2007

# Review of Operations

The construction sector in Malaysia registered a growth of 0.7% in the last quarter of 2006 after experiencing negative growth for more than two years.

Our construction division remains, by far, the main area of AZRB's business operations. As the major contributor to the Group's performance both in terms of revenue and profits, the construction division has an important role as a catalyst impacting strongly upon the Nation's economic growth. We see the current intense competition for construction contracts as a challenge to be more efficient and competitive in carrying out our ongoing projects and bidding for new tenders.

We foresee continued growth in this division especially since AZRB possess good sound technical and financial strength in specialized areas such as infrastructure and turnkey projects. In line with the Government initiatives to promote PFI (Private Funding Initiative), the Company will diligently pursue this mode of procurement for our future contracts.



## Review of Operations (cont'd)

### ONGOING AND NEW PROJECTS

For the year 2006, the construction division has secured several new projects totaling approximately RM700.0 million. These projects together with our ongoing works are as follows:-

No.	Project Name	Approximate Contract Value (RM Million)	Expected Project Completion Date
1.	Construction of Al-Faisal University, Riyadh, Saudi Arabia (Phase 1 and 2)	397	Dec 2007
2.	Improvement and Maintenance of IT Expressway in Chennai, India	117	Dec 2007
3.	Proposed Construction and Completion of an Indoor Sports Complex, Gong Badak, Terengganu	116	Jan 2008
4.	Construction of Kiblat Walk, Putrajaya Mosque, Putrajaya	209	May 2008
5.	Design and Build for Jitra Road through Kodiang, from Kedah to Arau, Perlis	87	August 2008
6.	Design and Build for Subang-Kelana Link (Phase 1 and 2)	316	Dec 2008
7.	Upgrading of Federal Road 3 from Kuantan to Pekan	384	May 2009

During the year, the construction division won the following awards:-

- Persatuan Arkitek Malaysia 2006 Awards for excellence in Architecture for the construction of Universiti Teknologi Petronas, Perak;
- Malaysian Construction Industry Excellence Awards for "Builder of the Year" 2006 by Construction Industry Development Board (CIDB);
- Gold Winner in the National Occupational Safety and Health Award from the Human Resources Ministry;
- The BrandLaureate Awards 2006/2007 for Best Brands in the Construction category by the Asia Pacific Brands Foundation, a not for profit organization promoting branding standards in the Asia Pacific region.

These awards will further propel the construction division to excel and to achieve the highest standards in the industry. With such an excellent track record of completing projects of technical and aesthetical complexity, we believe we are in a strong position to scale greater heights.



## Review of Operations (cont'd)

### OIL AND GAS DIVISION

Our oil and gas division, Inter Century Sdn Bhd (ICSB) and Austral Far East Sdn Bhd (AFESB) is expected to continue to register growth in its revenue as a result of higher volume of fuel handling to cater for likely increase in off shore exploration activities. The increase of demand and consumption of oil and oil related products such as fuel, diesel, lubricants etc is expected to continue unabated.

This division will benefit from the increase in the concentration of oil-related activities such as oil exploration and oil production activities that will result in increased demand for fuel, diesel, lubrication for the offshore vessels. This division is poised for sustainable growth in 2007.



### PLANTATION

The Group has established a presence in the oil palm industry with the acquisition of an Indonesian company, PT Ichtiar Gusti Pudi (IGP). PT IGP had been granted the permission to cultivate (Izin Lokasi) oil palm with a total area of 20,500 hectares which is inclusive of the rights for cultivation (Hak Guna Kuasa) of 8,297 hectares of palm oil in Kalimantan Barat, Indonesia.

Actual field planting of the oil palm seedlings had commenced since December 2006. We anticipate up to 4,000 hectares of land shall be utilized for actual field planting in 2007.



## Review of Operations (cont'd)



### PROPERTY DEVELOPMENT

As a result of the continued soft market conditions, no major development was undertaken throughout the year under review for the Group's only property development project, namely the Taman Industri Paka at Dungun, Terengganu. Our subsidiary, Kemaman Technology and Industrial Park Sdn Bhd ("KTIP") will continue to evaluate its position and study all possible options available before undertaking further development of the land. The future looks promising for KTIP's growth when the much anticipated Eastern Growth Corridor is launched soon and implemented thereafter.

# Calendar of Events



**24th JANUARY 2006** *(Left)*  
AZRB participated in the 24th Career Day UKM at Dewan Canselor Tunku Abdul Rahman (DECTAR), UKM Bangi.

**31st JANUARY 2006** *(Right)*  
Sponsorship of Adi Putra (Child Prodigy) maintenance allowance for 2006.



**3rd to 5th MARCH 2006** *(Left)*  
AZRB Family Day 2006 organised at A-Famosa Resort Melaka.

**8th to 11th MARCH 2006** *(Right)*  
AZRB participated in the Career Carnival 06' organised by Universiti Teknologi Malaysia, Skudai.



**14th APRIL 2006** *(Left)*  
Our Staff of Al-Faisal University Riyadh Project camped at Tsumamah Dessert, Saudi Arabia.

**29th APRIL 2006** *(Right)*  
In-house training programme on e-mail organising conducted by the IT Manager.



**8th MAY 2006** *(Left)*  
AZRB staff participated in the training programme of Scaffolding Fabricated Level 1 and 2, organised by CIDB.

**13th MAY 2006** *(Right)*  
AZRB staff participated in the National Labor Day 2006 at Stadium Putra Bukit Jalil, Kuala Lumpur, organised by the Ministry of Human Resource Malaysia.



**22nd to 24th MAY 2006** *(Right)*  
Team Building Programme was held at Outward Bound School (OBS) Lumut Perak.



## Calendar of Events (cont'd)



**12th JUNE 2006** *(Left)*  
9th Annual General Meeting (AGM) for AZRB at Sime Darby Convention Centre, Bukit Kiara Kuala Lumpur.



**12th JULY 2006** *(Left)*  
Briefing on Taxation.

**22nd JULY 2006** *(Right)*  
Head Office, Fire Prevention Awareness Programme, briefing given by Fire Brigade Officer En. Zakaria Muhd (from Head Quarters Fire Brigade, Wilayah Persekutuan).



**7th AUGUST 2006** *(Left)*  
Induction of Management Trainee Program.

**19th AUGUST 2006** *(Right)*  
Bowling Tournament 2006 organised by AZRB Sports and Recreational Club held at Ampang Superbowl, Ampang Point.



**1st to 2nd NOVEMBER 2006** *(Left)*  
In-house training programme on Business Writing Skills organised by Farooq Consultant.

**12th NOVEMBER 2006** *(Right)*  
AZRB Hari Raya Aidil Fitri Open House at Sime Darby Convention Centre.



**18th to 20th DECEMBER 2006** *(Right)*  
AZRB participated at National Career Fair organised by International Islamic University (UIA), Gombak.





# Financial Statements

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# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

## Principal Activities

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural construction works. The principal activities of the subsidiary companies are disclosed in note 6 to the financial statements. There have been no significant changes in the nature of these activities.

## Results

	Group RM	Company RM
Profit for the year	24,391,261	10,150,131
Profit attributable to shareholders:-		
Equity holders of the Company	24,154,951	
Minority interest	236,310	
	24,391,261	

## Dividend

Since the end of the financial year, the Company paid a first and final dividend of 15% less tax at 28% amounting to RM7,204,723/- in respect of the financial year ended 31 December 2005.

The Directors recommend a first and final dividend of 15% less tax at 27% amounting to RM7,304,789/- in respect of the current financial year, subject to the approval of the shareholders at the Annual General Meeting.

## Reserves and Provisions

There were no material transfers to or from reserves or provisions during the year other than those disclosed in the financial statements.

## Bad and Doubtful Debts

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts is required.

At the date of this report, the Directors are not aware of any circumstances which would require provision to be made for doubtful debts or the amount written off for bad debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

# Directors' Report (cont'd)

## Current Assets

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## Valuation Methods

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

## Contingent and Other Liabilities

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company 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 or of the Company to meet their obligations as and when they fall due.

## Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## Items of an Unusual Nature

In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Issue of Shares

During the year, no new issue of shares was made by the Company.

# Directors' Report (cont'd)

## Employees' Share Option Scheme ("ESOS")

The Group's ESOS was approved by shareholders of the Company at the Annual General Meeting held on 20 June 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26 July 2002 and expiring on 25 July 2012.

The salient features of the ESOS are:-

- eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- the number of ordinary shares of RM1/- 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;
- the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) 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;
- 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 preceding the Date of Offer;
- 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 share capital of the Company shall not exceed ten percent (10%) of the total AZRB shares available under the ESOS; and
- new shares issued under the ESOS shall rank *pari passu* in all respects 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 allotment of the new shares.

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

	Number of Share Options 2006	2005
At 1 January	2,707,600	2,798,800
Lapsed	(39,200)	(91,200)
At 31 December	2,668,400	2,707,600

ESOS options lapsed due to resignations of employees.  
There were no share options exercised during the financial year.

The terms of share options outstanding as at the end of the financial year are as follows:-

Expiry Date	Exercise Price RM	Number of Share Options Outstanding	
		2006	2005
25.7.2012	2.05	2,668,400	2,707,600

# Directors' Report (cont'd)

## Directors of the Company

The Directors in office 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' ISMAIL @ MANSOR BIN SAID

In accordance with Article 80 of the Articles of Association, Dato' Sri Haji Wan Zaki bin Haji Wan Muda and Dato' Haji Mustaffa bin Mohamad retire, and being eligible offer themselves for re-election.

## Directors' Interests in Shares and ESOS Options

The interest of those who were directors as at financial year end in the shares and the ESOS options of the Company and related companies are as follows:-

### (a) Shareholdings in the Company and Ultimate Holding Company

	Number of Ordinary Shares of RM1/- Each			
	At 1.1.06	Bought	Sold	At 31.12.06
<b>The Company</b>				
<b>Direct Interest</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	498,690	—	—	498,690
Dato' Wan Zakariah bin Haji Wan Muda	149,674	—	—	149,674
Dato' Haji Mustaffa bin Mohamad	1,350,912	—	—	1,350,912
Dato' W Zulkifli bin Haji W Muda	225,874	38,800	—	264,674
Dato' (Prof.) A Rahman @ Omar bin Abdullah	300,000	—	—	300,000
Dato' Ismail @ Mansor bin Said	1	—	—	1
<b>Indirect Interest</b>				
<b>Being shares held through Zaki Holdings (M) Sdn. Bhd.</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	40,262,410	502,874	—	40,765,284
<b>Ultimate Holding Company</b>				
<b>- Zaki Holdings (M) Sdn. Bhd.</b>				
<b>Direct Interest</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	50,001	—	—	50,001
Dato' Wan Zakariah bin Haji Wan Muda	10,000	—	—	10,000
Dato' W Zulkifli bin Haji W Muda	10,000	—	—	10,000

# Directors' Report (cont'd)

## Directors' Interests in Shares and ESOS Options (cont'd)

### (b) Share Options Pursuant to ESOS

	Number of Options Over Ordinary Shares of RM1/- Each			
	At 1.1.06	Exercised	Lapsed	At 31.12.06
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	588,000	–	–	588,000
Dato' Wan Zakariah bin Haji Wan Muda	425,600	–	–	425,600
Dato' Haji Mustaffa bin Mohamad	324,000	–	–	324,000
Dato' W Zulkifli bin Haji W Muda	406,000	–	–	406,000

By virtue of Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than fifteen percent (15%) of the shares in the Company, he is deemed interested in the shares of its subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, none of the other directors held any shares or have any interest in the Company and its related companies during the financial year.

## Directors' Benefits

Since the end of the previous financial year no director's of the Company has received or become entitled to receive any benefit (other than those disclosed as directors fees, other emoluments and benefits-in-kind disclosed in note 25(c) to the financial statements) 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 except for any benefits that may have arisen out of ordinary course of business as disclosed in notes 44(a) and 44(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the ESOS disclosed in the financial statements.

## Significant Events During the Year

Significant events arising subsequent to the financial year are disclosed in note 48 to the financial statements.

## Subsequent Events

Significant events arising subsequent to the financial year are disclosed in note 49 to the financial statements.

# Directors' Report (cont'd)

## Ultimate Holding Company

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

## Auditors

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board

**RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD**

**DATO' WAN ZAKARIAH BIN HAJI WAN MUDA**

KUALA LUMPUR  
24 April 2007

# Statement by Directors

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 56 to 122, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

**RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD**

**DATO' WAN ZAKARIAH BIN HAJI WAN MUDA**

KUALA LUMPUR  
24 April 2007

# Statutory Declaration

I, Gan Meng Yong, NRIC No.:651127-05-5084, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 56 to 122 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 at  
Kuala Lumpur in the Federal Territory  
on 24 April 2007

**GAN MENG YONG**

Before me

**M. NAMASIVAYAM**  
PPN  
No. W299  
Pesuruhjaya Sumpah



# Report of the Auditors

## to the Members of Ahmad Zaki Resources Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 56 to 122.

The preparation of the financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia for entities other than private entities so as to give a true and fair view of:-
- (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiary companies of which we have not acted as auditors are disclosed in note 6 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174(3) of the Companies Act, 1965.

**MOORE STEPHENS**  
Chartered Accountants  
(AF.0282)

**AU TAI WEE**  
1551/01/09 (J)  
Partner

KUALA LUMPUR  
24 April 2007

# Consolidated Balance Sheet

As at 31 December 2006

	Note	2006 RM	2005 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<b>47,766,177</b>	35,418,056
Investment properties	5	<b>24,550,000</b>	24,200,000
Investments in subsidiary companies	6	–	–
Interest in associated companies	7	<b>59,875</b>	63,120
Interest in joint ventures	8	<b>(28,601,943)</b>	(28,407,817)
New planting expenditure	9	<b>12,862,724</b>	2,293,598
Other Investments	10	<b>4,615,500</b>	4,615,500
Deferred tax assets	11	–	30,827
Goodwill	12	<b>3,744,605</b>	3,744,605
		<b>64,996,938</b>	41,957,889
<b>Current assets</b>			
Inventories	13	<b>10,521,722</b>	15,513,481
Property development costs	14	<b>1,784,567</b>	1,642,492
Receivables	15	<b>246,063,818</b>	156,200,474
Tax assets	16	<b>737,035</b>	2,850,925
Cash and cash deposits	17	<b>145,004,720</b>	154,096,042
		<b>404,111,862</b>	330,303,414
<b>TOTAL ASSETS</b>		<b>469,108,800</b>	372,261,303

# Consolidated Balance Sheet (cont'd)

	Note	2006 RM	2005 RM
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	18	<b>66,710,400</b>	66,710,400
Reserves	19	<b>69,710,468</b>	54,249,887
<b>Total equity attributable to shareholders of the Company</b>		<b>136,420,868</b>	120,960,287
Minority interest		<b>2,760,664</b>	2,524,354
<b>Total equity</b>		<b>139,181,532</b>	123,484,641
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other borrowings	20	<b>51,350,526</b>	50,582,645
Deferred tax liabilities	11	<b>5,039,510</b>	3,981,991
		<b>56,390,036</b>	54,564,636
<b>Current liabilities</b>			
Payables	21	<b>254,826,555</b>	185,382,323
Other borrowings	20	<b>12,640,669</b>	2,916,026
Bank overdrafts - secured	22	<b>3,687,933</b>	5,361,355
Tax liabilities		<b>2,382,075</b>	552,322
		<b>273,537,232</b>	194,212,026
<b>Total liabilities</b>		<b>329,927,268</b>	248,776,662
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>469,108,800</b>	372,261,303

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 RM	2005 RM
Operating revenue	23	<b>442,600,300</b>	249,124,615
Direct operating costs	24	<b>(378,671,527)</b>	(199,522,413)
<b>Gross profit</b>		<b>63,928,773</b>	49,602,202
Other operating revenue		<b>5,018,843</b>	4,012,515
Administrative costs		<b>(22,609,156)</b>	(19,391,174)
Other operating costs		<b>(5,022,555)</b>	(2,471,975)
		<b>(27,631,711)</b>	(21,863,149)
<b>Profit from operations</b>		<b>41,315,905</b>	31,751,568
Finance costs		<b>(4,751,830)</b>	(3,067,938)
Share of results of joint ventures		<b>(194,126)</b>	(561,846)
Share of result of associated companies		<b>(3,245)</b>	(3,899)
<b>Profit before taxation</b>	25	<b>36,366,704</b>	28,117,885
Taxation	26	<b>(11,975,443)</b>	(9,249,362)
<b>Profit for the year</b>		<b>24,391,261</b>	18,868,523
Attributable to :			
Equity holders of the Company		<b>24,154,951</b>	18,898,874
Minority interest		<b>236,310</b>	(30,351)
		<b>24,391,261</b>	18,868,523
<b>Earning per share attributable to equity holder of the Company (sen)</b>			
Basic, earnings per ordinary shares (Sen)	27	<b>36.21</b>	28.33
Fully diluted earnings per ordinary shares (Sen)	27	–	–
Proposed net dividend per ordinary shares (Sen)		<b>10.95</b>	10.80

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	← Attributable to Equity Holders of the Company →							
	← Non Distributable →				Distributable			
	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM	Sub Total RM	Minority Interest RM	Total Equity RM
<b>At 1.1.05</b>	66,710,400	2,180,250	(121)	7,002,890	29,540,538	105,433,957	1,585,330	107,019,287
Net profit for the year	-	-	-	-	18,898,874	18,898,874	(30,351)	18,868,523
Foreign exchange translation difference from foreign branches and subsidiary companies*	-	-	(10,340)	-	-	(10,340)	-	(10,340)
Total income and expenses recognised for the year	-	-	(10,340)	-	18,898,874	18,888,534	(30,351)	18,858,183
Acquisition of subsidiary company	-	-	-	-	-	-	340,681	340,681
Allotment of shares by subsidiary company to minority interest	-	-	-	-	-	-	628,694	628,694
First and final dividend paid for year 2004 (7% per share less 28% income tax)	-	-	-	-	(3,362,204)	(3,362,204)	-	(3,362,204)
<b>At 31.12.05 (As previously reported)</b>	66,710,400	2,180,250	(10,461)	7,002,890	45,077,208	120,960,287	2,524,354	123,484,641
Effect of adopting FRS 140	-	-	-	(5,454,890)	5,454,890	-	-	-
Deferred tax relating to adoption of FRS 140	-	-	-	(1,548,000)	-	(1,548,000)	-	(1,548,000)
<b>At 1.1.06 (As restated)</b>	<b>66,710,400</b>	<b>2,180,250</b>	<b>(10,461)</b>	<b>-</b>	<b>50,532,098</b>	<b>119,412,287</b>	<b>2,524,354</b>	<b>121,936,641</b>

# Consolidated Statement of Changes in Equity (cont'd)

	Attributable to Equity Holders of the Company							Total Equity RM
	Non Distributable			Distributable				
	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM	Sub Total RM	Minority Interest RM	
Balance brought down	66,710,400	2,180,250	(10,461)	–	50,532,098	119,412,287	2,524,354	121,936,641
Net profit for the year	–	–	–	–	24,154,951	24,154,951	236,310	24,391,261
Foreign exchange translation difference from foreign branches and subsidiary companies*	–	–	58,353	–	–	58,353	–	58,353
Total income and expenses recognised for the year	–	–	58,353	–	24,154,951	24,213,304	236,310	24,449,614
First and final dividend paid for year 2005 (15% per share less 28% income tax)	–	–	–	–	(7,204,723)	(7,204,723)	–	(7,204,723)
<b>At 31.12.06</b>	<b>66,710,400</b>	<b>2,180,250</b>	<b>47,892</b>	<b>–</b>	<b>67,482,326</b>	<b>136,420,868</b>	<b>2,760,664</b>	<b>139,181,532</b>

\* Income and expenses recognised directly in equity.

# Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 RM	2005 RM
<b>Cash Flows From Operating Activities</b>			
Profit before taxation		<b>36,366,704</b>	28,117,885
Adjustments for:-			
Amortisation of leasehold land		<b>22,376</b>	22,376
Amortisation of goodwill		-	513,825
Bad debts written off		-	13,163
Depreciation of property, plant and equipment		<b>5,459,571</b>	3,743,632
Dividend revenue		<b>(2,609)</b>	(7,800)
Gain on disposal of property, plant and equipment		<b>(356,019)</b>	(201,505)
Changes in fair value of investment properties		<b>(350,000)</b>	-
Impairment loss on investment in associated company		-	400
Interest expenses		<b>4,481,301</b>	1,936,363
Interest revenue		<b>(3,190,472)</b>	(2,709,463)
Loss on foreign exchange - unrealised		<b>794,444</b>	18,426
Property, plant and equipment written off		<b>277,102</b>	-
Share of results of associated companies		<b>3,245</b>	3,899
Share of results in joint ventures		<b>194,126</b>	561,846
Operating profit before working capital changes		<b>43,699,769</b>	32,013,047
Decrease/(Increase) in inventories		<b>4,991,759</b>	(5,225,443)
Increase in amount due from customers for contract works		<b>(82,175,440)</b>	(12,061,952)
Increase in property development costs		<b>(142,075)</b>	(73,384)
Decrease in amount due to customers for contract works		<b>(178,695)</b>	(11,542,971)
Increase in trade and other receivables		<b>(8,484,132)</b>	(27,776,625)
Increase in trade and other payables		<b>69,530,344</b>	56,084,343
Cash generated from operations		<b>27,241,530</b>	31,417,015
Interest paid		<b>(4,481,301)</b>	(2,155,954)
Tax paid		<b>(8,398,343)</b>	(8,027,002)
Net Cash Generated From Operating Activities Carried Down		<b>14,361,886</b>	21,234,059

# Consolidated Cash Flow Statement (cont'd)

	Note	2006 RM	2005 RM
Net Cash Generated From Operating Activities Brought Down		<b>14,361,886</b>	21,234,059
<b>Cash Flows From Investing Activities</b>			
Distribution received from joint ventures		–	15,199
Dividend received		<b>2,609</b>	7,800
Effect of acquisition of subsidiary companies, net of cash acquired	28	–	(7,096,899)
Interest received		<b>3,190,472</b>	2,648,636
New planting expenditure incurred		<b>(9,935,163)</b>	(2,099,344)
Acquisition of other investments		–	(4,500,000)
Proceeds from disposal of property, plant and equipment		<b>725,598</b>	521,484
Purchase of property, plant and equipment	29	<b>(14,430,436)</b>	(3,120,900)
Repayments from joint ventures		–	1,656,686
Repayments from related companies		–	4,765
Repayment of associated companies		–	9,300
Net cash used in investing activities		<b>(20,446,920)</b>	(11,953,273)
<b>Cash Flows From Financing Activities</b>			
Advances from ultimate holding company		<b>(528)</b>	–
Advances from related companies		<b>1,784</b>	46,186
Advances from associated companies		–	–
Dividend paid		<b>(7,204,723)</b>	(3,362,204)
Payments to hire purchase payables		<b>(2,586,970)</b>	(2,204,250)
Proceeds from trust receipts/Mudarabah facility		<b>10,260,378</b>	2,425,517
Repayments of term loans		<b>(818,441)</b>	(781,102)
Repayments of trust receipts		<b>(1,062,372)</b>	(3,509,630)
Drawdown of term loan		–	45,000,000
Net cash (used in)/generated from financing activities		<b>(1,410,872)</b>	37,614,517
		<b>(7,495,906)</b>	46,895,303
Effects of exchange rate changes		<b>8,860,623</b>	(11,009)
<b>Net increase in cash and cash equivalents</b>		<b>1,364,717</b>	46,884,294
Cash and cash equivalents at beginning of the year			
As previously reported		<b>148,734,687</b>	101,850,393
Effects of exchange rate changes on cash and cash equivalents		<b>(8,782,617)</b>	–
		<b>139,952,070</b>	101,850,393
<b>Cash and cash equivalents at end of the year</b>	30	<b>141,316,787</b>	148,734,687

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# Balance Sheet

As at 31 December 2006

	Note	2006 RM	2005 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,518,487	2,784,254
Investments in subsidiary companies	6	43,711,997	43,220,553
Other investments	10	4,568,000	4,568,000
		<b>49,798,484</b>	50,572,807
<b>Current assets</b>			
Receivables	15	118,834,418	95,163,861
Tax assets	16	1,653,851	409,722
Cash and cash deposits	17	20,756,821	52,910,271
		<b>141,245,090</b>	148,483,854
<b>TOTAL ASSETS</b>		<b>191,043,574</b>	199,056,661
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	66,710,400	66,710,400
Reserves	19	23,636,210	20,684,859
<b>Total equity</b>		<b>90,346,610</b>	87,395,259
<b>Non-current liabilities</b>			
Other borrowings	20	45,593,775	45,880,663
Deferred tax liabilities	11	4,459,052	1,581,389
		<b>50,052,827</b>	47,462,052
<b>Current liabilities</b>			
Payables	21	47,506,804	63,836,959
Other borrowings	20	3,137,333	347,703
Tax liabilities		-	14,688
		<b>50,644,137</b>	64,199,350
<b>Total liabilities</b>		<b>100,696,964</b>	111,661,402
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>191,043,574</b>	199,056,661

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Income Statement

For the year ended 31 December 2006

	Note	2006 RM	2005 RM
Operating revenue	23	<b>189,611,794</b>	164,386,352
Direct operating costs	24	<b>(165,318,808)</b>	(143,107,511)
<b>Gross profit</b>		<b>24,292,986</b>	21,278,841
Other operating revenue		<b>1,634,449</b>	751,826
Administrative costs		<b>5,344,557</b>	4,219,412
Other operating costs		<b>578,248</b>	121,881
		<b>(5,922,805)</b>	(4,341,293)
<b>Profit from operations</b>		<b>20,004,630</b>	17,689,374
Finance costs		<b>(3,372,131)</b>	(1,774,063)
<b>Profit before taxation</b>	25	<b>16,632,499</b>	15,915,311
Taxation	26	<b>(6,482,368)</b>	(5,355,355)
<b>Profit for the year</b>		<b>10,150,131</b>	10,559,956

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2006

	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Total Equity RM
<b>At 1.1.05</b>	66,710,400	2,180,250	–	11,313,332	80,203,982
Foreign exchange translation difference*	–	–	(6,475)	–	(6,475)
Net profit for the year	–	–	–	10,559,956	10,559,956
Total income and expenses recognised for the year	–	–	(6,475)	10,559,956	10,553,481
First and final dividend paid for year 2004 (7% per share less 28% income tax)	–	–	–	(3,362,204)	(3,362,204)
<b>At 31.12.05</b>	66,710,400	2,180,250	(6,475)	18,511,084	87,395,259
First and final dividend paid for year 2005 (15% per share less 28% income tax)	–	–	–	(7,204,723)	(7,204,723)
Foreign exchange translation difference*	–	–	5,943	–	5,943
Net profit for the year	–	–	–	10,150,131	10,150,131
Total income recognised for the year	–	–	5,943	10,150,131	10,156,074
<b>At 31.12.06</b>	<b>66,710,400</b>	<b>2,180,250</b>	<b>(532)</b>	<b>21,456,492</b>	<b>90,346,610</b>

\* Income and expenses recognised directly in equity.

# Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 RM	2005 RM
<b>Cash Flows From Operating Activities</b>			
Profit Before Taxation		<b>16,632,499</b>	15,915,311
Adjustments for:-			
Depreciation of property, plant and equipment		<b>911,967</b>	434,834
Dividend revenue		<b>(10,000,040)</b>	(10,000,040)
Interest expenses		<b>3,351,028</b>	922,454
Interest revenue		<b>(1,634,449)</b>	(751,826)
Loss on foreign exchange - unrealised		<b>294,415</b>	18,426
Property, plant and equipment written off		<b>5,519</b>	-
Operating Profit Before Working Capital Changes		<b>9,560,939</b>	6,539,159
Decrease in amount due from customers for contract works		<b>(21,338,382)</b>	(10,234,610)
(Decrease)/Increase in amount due to customers for contract works		<b>(347,510)</b>	347,510
Decrease/(Increase) in trade and other receivables		<b>26,276,418</b>	(43,619,273)
(Decrease)/Increase in trade and other payables		<b>(16,277,059)</b>	44,484,039
Cash used in operations		<b>(2,125,594)</b>	(2,483,175)
Interest paid		<b>(3,351,028)</b>	(52,203)
Tax paid		<b>(1,260,581)</b>	(959,369)
Net cash used in operating activities carried down		<b>(6,737,203)</b>	(3,494,747)

# Cash Flow Statement (cont'd)

	Note	2006 RM	2005 RM
Net cash used in operating activities brought down		<b>(6,737,203)</b>	(3,494,747)
<b>Cash Flows From Investing Activities</b>			
Acquisition of investment in subsidiary companies		<b>(491,444)</b>	(19,042,713)
Dividend received		<b>7,300,030</b>	7,200,030
Interest received		<b>1,634,449</b>	749,822
Acquisition of other investment		–	(4,500,000)
Purchase of property, plant and equipment	29	<b>(534,845)</b>	(1,472,701)
Repayments from related companies		<b>(28,629,266)</b>	11,734,012
Repayment from associated companies		–	7,002
Net cash used in investing activities		<b>(20,721,076)</b>	(5,324,548)
<b>Cash Flows From Financing Activities</b>			
Dividend paid		<b>(7,204,723)</b>	(3,362,204)
Payments to hire purchase payables		<b>(347,703)</b>	(240,199)
Drawdown of Mudarabah facility		<b>1,770,000</b>	–
Drawdown of trust receipts		<b>1,080,444</b>	–
Drawdown of term loan		–	45,000,000
Net cash (used in)/generated from financing activities		<b>(4,701,982)</b>	41,397,597
Effects of exchange rate changes		<b>(32,160,261)</b> <b>4,896,153</b>	32,578,302 (7,143)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(27,264,108)</b>	32,571,159
Cash and cash equivalents at beginning of the year			
As previously reported		<b>52,910,271</b>	20,339,112
Effects of exchange rate changes on cash and cash equivalents		<b>(4,889,342)</b>	–
		<b>48,020,929</b>	20,339,112
<b>Cash and cash equivalents at end of the year</b>	30	<b>20,756,821</b>	52,910,271

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Notes to the Financial Statements

31 December 2006

## 1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, with its shares listed on the Main Board of Bursa Malaysia.

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural construction works. The principal activities of the subsidiary companies are disclosed in note 6 to the financial statement. There have been no significant changes in the nature of those activities.

The registered office and principal place of business are located at Mezzanine Floor, 8A, Jalan Sri Semantan Satu, Damansara Height, 50490 Kuala Lumpur and No. 88, Jalan Gombak, Setapak, 53000 Kuala Lumpur respectively.

The ultimate holding company of the Company is Zaki Holdings (M) Sdn. Bhd., a company incorporated in Malaysia.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 24 April 2007.

## 2. Basis of Preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities issued by the Malaysian Accounting Standards Board ('MASB').

The measurement bases applied in the presentation of the financial statement of the Group and of the Company included cost, recoverable amount, fair value and realisable value. Estimates are used in measuring these values.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. All financial information presented in RM has been rendered to nearest RM, unless otherwise stated.

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Assumptions and estimates are reviewed on an ongoing basis and are recognized in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:-

- i. Fair value of investment properties (note 5) - the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.
- ii. Annual testing for impairment of goodwill (note 12) and property, plant and equipment (note 4) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management.
- iii. Construction contracts (note 31) - significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making judgments, the Group evaluates based on past experience and work of specialists.
- iv. Property development costs (note 14) - significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and cost, as well as the recoverability of the development projects. In making judgements, the Group evaluates based on past experience and work of specialists.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies

On 1 January 2006, the Group and the Company adopted the following Financial Reporting Standards ("FRS") issued by MASB mandatory for accounting periods beginning on or after 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 104	Depreciation Accounting
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economics
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosures and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of these FRS standards does not have any material financial impact on the Group and on the Company, or any significant changes in accounting policies of the Group and of the Company except as disclosed in note 51 to the financial statements.

The Group and the Company have not early adopted the FRS as follows:-

- FRS117 - Leases, which is effective for financial periods on or after 1 October 2006
- FRS124 - Related Party Disclosures, which is effective for financial periods on or after 1 October 2006
- FRS139 - Financial Instruments: Recognition and Measurement, for which MASB has yet to announce the effective date.

The impact of applying these standards on this financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS117, paragraph 22A of FRS124 and paragraph 103AB of FRS139.

### (a) Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiary companies which are disclosed in note 6 to the financial statements made up to the end of the financial year.

Intra-group balances, transactions and resulting unrealised profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of the subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements based on the purchase method from the effective date of acquisition or up to the effective date of disposal respectively. The assets, liabilities and contingent liabilities assumed of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (a) Basis of Consolidation (cont'd)

Goodwill or negative goodwill acquired in a business combination represents the difference between purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities over the cost of acquisition is recognised as negative goodwill in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minority interests' share of the fair value of net assets at the acquisition date and the minorities' share of changes in the equity since then.

The consolidated financial statements are prepared on the basis that exceeds of losses attributable to minority shareholders over their equity interest will be absorbed by the Group. All profits subsequently reported by the subsidiary companies will be allocated to the Group until the minority shareholders' share of losses previously absorbed by the Group has been recovered.

### (b) Goodwill

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of interest in the subsidiary company, the related goodwill will be included in the computation of gain or loss on disposal of interest in the subsidiary company in the consolidated income statement.

### (c) Subsidiary Company

A subsidiary company is defined as a company in which the Group has a long term equity interest, directly or indirectly, and has control over its financial and operating policies so as to obtain benefits therefrom.

Investment in subsidiary company, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. Impairment loss is determined on individual basis.

On disposal of such investments, difference between the net disposal proceeds and their carrying amount is included in the income statement.

### (d) Associated Company

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associated companies are accounted for in the Group's consolidated financial statements using the equity method. The Group's investment in associated companies is recognised in the consolidated balance sheet at cost plus the Group's share of post-acquisition net results of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in the consolidated income statement from the date that significant influence commences until the date that significant influence ceases. Unrealised gains and losses on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated company.



# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (d) Associated Company (cont'd)

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

Investments in associated companies are stated at cost, less accumulated impairment losses, if any, in the Company's financial statements.

### (e) Joint Venture

Joint venture is defined as a contractual arrangement entered into by two or more parties to undertake a jointly controlled economic activity in which no single venturer has unilateral control in the financial and operating decisions of the joint venture.

Interest in joint venture which does not involve any establishment of a separate entity is accounted for in the financial statements based on the agreed share of the results, assets and liabilities of the joint venture.

Investment in joint venture which involves an establishment of a separate entity is stated at cost less accumulated impairment losses, if any, in the financial statements. Where consolidated financial statements are prepared, the interest in the joint venture entity is accounted for using the equity method based on the audited financial statements of the entity. When audited financial statements of the entities are not co-terminous with those of the Group, the share of results is based on the unaudited management financial statements made up to the financial year end of the Group. The consolidated income statement includes the Group's share of the entity's results of the operation. In the consolidated balance sheet, the Group's interest is stated at cost and adjusted for the Group's share of changes in the net assets of the entity.

### (f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation on property, plant and equipment is calculated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period of 23 and 77 years
Buildings	2%
Furniture, fittings and equipment	10% - 20%
Plant and machinery	10% - 20%
Motor vehicles	20%
Renovation	20%

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (f) Property, Plant and Equipment and Depreciation (cont'd)

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

### (g) Impairment of Assets

The carrying amounts of assets other than investment property that is measured at fair value, construction contract assets, property development costs, inventories, deferred tax assets and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely independent from other assets and group.

An impairment loss is recognised as an expense in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of other assets. Reversal of impairment loss of an asset, other than goodwill, due to a subsequent increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement.

### (h) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair values of investment properties are determined either by independent professional valuers or by management based on their judgement and estimates. Management's estimates have been made with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.

Gains or losses arising from changes of fair values of investment properties are recognised in income statement in the year in which they arise.

Investment properties are derecognised when either there have been disposed of or when the investment property is permanently withdraw from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

### (i) New Planting Expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as costs and is amortised upon maturity over the remaining lease period of the leasehold land.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value and are costed on the first-in- first-out basis. Cost includes the actual cost of purchases and incidentals in bringing the inventories into store. Cost of completed development properties is determined on specific identification basis and includes land, construction and appropriate development overheads.

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

### (k) Construction Contracts

Contract work-in-progress consists of cost incurred to date plus a proportion of estimated profit attributable to contract work performed to date less progress billings received and receivable. Contract costs include direct materials, labour, sub-contract costs and attributable construction overheads. Where foreseeable losses on contract are anticipated, full provision of these losses is made in the financial statements.

The aggregate of the costs incurred plus the profit/loss recognised on each contract is compared against the respective progress billings up to the end of the financial year. The excess of costs incurred plus recognised profit (less recognised losses) over progress billings, is shown as 'Amount due from customers for contract work' under current assets. Conversely, the excess of progress billings over costs incurred and recognised profit (less recognised losses), is shown as 'Amount due to customers for contract work' under current liabilities.

### (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 income statement by reference to the stage of completion of development activities at the balance sheet 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.

Any 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 income statement over billings to purchasers. Progress billings as current liabilities represent the excess of billings to purchasers over revenue recognised in the income statement.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (m) Capitalisation of Borrowing Costs

Borrowing costs incurred on borrowings related to property, plant and equipment, development properties and investment properties are capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when these assets are ready for their intended use or sale.

All other borrowings are recognised in income statement in the period in which they are incurred.

### (n) Finance Lease

Property, plant and equipment acquired by way of hire purchase or finance lease are capitalised at the inception of the lease or hire purchase at the lower of the fair values of the asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### (o) Foreign Currencies

#### i. Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rate of exchange ruling at the time of the transaction and where settlement had not taken place at year end, at the approximate rates ruling as at that date. All gains and losses on exchange are included in the income statement.

#### ii. Translation of foreign currency financial statements

Assets, liabilities and reserves of foreign subsidiary company are translated into Ringgit Malaysia at the rates of exchange approximating those ruling as at the financial year end. Income and expense items are translated at the average rate of exchange for the financial year. The translation differences arising therefrom are recorded as movements in translation reserve. Upon disposal of a foreign subsidiary company, the accumulative amount of translation differences at the date of disposal of the subsidiary company is taken to the income statement.

### (p) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised for prior years' tax.

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (q) Revenue Recognition

Revenue from construction contracts is recognised on the percentage of completion method in the proportion of which the contract costs incurred to date bear to the total estimated contract costs, when the outcome of the contracts can be reliably estimated.

Revenue from development properties sold is recognised on the percentage of completion method in the proportion of which the development costs incurred to date bear to the total estimated development costs, when the outcome of development can be reliably estimated.

Sales of goods are recognised when goods are delivered.

Rental and management fees revenue are recognised on due and receivable basis.

Interest revenue is recognised on a time proportion basis that reflects the effective yield of the assets.

Dividend revenue from investment in subsidiary companies, associated companies and other investments is recognised when the right to receive the dividend is established.

### (r) Employee Benefits

#### i. Short Term Employee Benefits

Wages, salaries, social security contributions, bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

#### iii. Share-Based Compensation

The Employees' Share Option Scheme ("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 income statement 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 conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. At the balance sheet 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 income statement and a corresponding adjustment to equity over the remaining vesting period.

### (s) Murabahah Facility

Construction materials acquired under the Murabahah facility are capitalised as construction costs and the corresponding obligations included in other borrowings. The related financial charges are allocated to the income statement on a systematic basis over the period of the financing.

# Notes to the Financial Statements (cont'd)

## 3. Significant Accounting Policies (cont'd)

### (t) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, losses and gains relating to financial instruments classified as assets or liabilities are reported as expense or revenue. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, other non-current investments, bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments comprise financial guarantees given to financial institutions for banking and credit facilities granted to subsidiary companies and legal claims by suppliers. The financial guarantees and legal claims would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

#### i. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value.

#### ii. Receivables

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

#### iii. Payables

Payables are stated at cost which are the fair values of considerations to be paid in the future for goods and services received.

#### iv. Other Non-Current Investments

Non-current investments other than investments in subsidiary companies, associated companies, jointly controlled entities and investment properties are stated at cost less allowance for diminution in value, if any.

On disposal of investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

#### v. Interest Bearing Bank Borrowings

The interest bearing bank borrowings include bank overdrafts, trade financing and loans and are stated at the amount of proceeds received, net of transaction costs.

#### vi. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

# Notes to the Financial Statements (cont'd)

## 4. Property, Plant and Equipment

	Leasehold Land RM	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
<b>GROUP</b>							
<b>COST</b>							
At 1.1.06	10,672,129	5,531,840	8,119,715	14,099,049	16,419,206	3,236,386	58,078,325
Additions	–	–	29,496	13,814,838	4,266,266	1,019,766	19,130,366
Disposals	–	–	(16,434)	(300,600)	(1,154,840)	(14,100)	(1,485,974)
Translation difference	–	–	–	(28,783)	(18,001)	(17,211)	(63,995)
Written off	–	–	(307,770)	–	–	(7,358)	(315,128)
At 31.12.06	10,672,129	5,531,840	7,825,007	27,584,504	19,512,631	4,217,483	75,343,594
<b>ACCUMULATED DEPRECIATION</b>							
At 1.1.06	299,189	–	866,975	9,620,970	9,743,228	2,129,907	22,660,269
Charge for the year	355,383	–	155,897	2,443,414	2,765,765	395,452	6,115,911
Disposals	–	–	(4,657)	(300,592)	(797,049)	(14,097)	(1,116,395)
Translation difference	–	–	–	(35,596)	(6,056)	(2,690)	(44,342)
Written off	–	–	(36,187)	–	–	(1,839)	(38,026)
At 31.12.06	654,572	–	982,028	11,728,196	11,705,888	2,506,733	27,577,417
<b>NET BOOK VALUE</b>							
At 31.12.06	10,017,557	5,531,840	6,842,979	15,856,308	7,806,743	1,710,750	47,766,177

# Notes to the Financial Statements (cont'd)

## 4. Property, Plant and Equipment (cont'd)

	Leasehold Land RM	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
<b>GROUP</b>							
<b>COST</b>							
At 1.1.05	1,347,925	5,369,840	7,471,715	13,652,355	14,348,910	2,613,238	44,803,983
In respect of subsidiary company acquired	9,324,204	–	–	–	–	3,965	9,328,169
Additions	–	162,000	648,000	603,194	3,088,520	688,086	5,189,800
Disposals	–	–	–	(156,500)	(1,018,224)	(68,903)	(1,243,627)
At 31.12.05	10,672,129	5,531,840	8,119,715	14,099,049	16,419,206	3,236,386	58,078,325
<b>ACCUMULATED DEPRECIATION</b>							
At 1.1.05	82,559	–	718,590	8,745,567	8,192,501	1,884,597	19,623,814
Charge for the year	216,630	–	148,385	1,031,944	2,249,496	313,807	3,960,262
Disposals	–	–	–	(156,494)	(698,739)	(68,415)	(923,648)
Translation difference	–	–	–	(47)	(30)	(82)	(159)
At 31.12.05	299,189	–	866,975	9,620,970	9,743,228	2,129,907	22,660,269
<b>NET BOOK VALUE</b>							
At 31.12.05	10,372,940	5,531,840	7,252,740	4,478,079	6,675,978	1,106,479	35,418,056



# Notes to the Financial Statements (cont'd)

## 4. Property, Plant and Equipment (cont'd)

	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Plant & Machinery RM	Total RM
<b>COMPANY</b>				
<b>COST</b>				
At 1.1.06	2,809,144	381,199	594,994	3,785,337
Additions	112,416	359,262	63,167	534,845
Written off	–	(7,358)	–	(7,358)
Disposals	(372,056)	(325,763)	(593,475)	(1,291,294)
Translation difference	–	(1,449)	(68)	(1,517)
At 31.12.06	2,549,504	405,891	64,618	3,020,013
<b>ACCUMULATED DEPRECIATION</b>				
At 01.01.06	953,917	22,337	24,829	1,001,083
Charge for the year	548,640	54,857	308,470	911,967
Written off	–	(1,839)	–	(1,839)
Disposals	(57,598)	(27,302)	(324,136)	(409,036)
Translation difference	(221)	(322)	(106)	(649)
At 31.12.06	1,444,738	47,731	9,057	1,501,526
<b>NET BOOK VALUE</b>				
At 31.12.06	1,104,766	358,160	55,561	1,518,487
<b>COST</b>				
At 1.1.05	1,562,008	4,728	–	1,566,736
Additions	1,247,136	376,471	594,994	2,218,601
At 31.12.05	2,809,144	381,199	594,994	3,785,337
<b>ACCUMULATED DEPRECIATION</b>				
At 1.1.05	561,680	4,728	–	566,408
Charge for the year	392,267	17,691	24,876	434,834
Translation difference	(30)	(82)	(47)	(159)
At 31.12.05	953,917	22,337	24,829	1,001,083
<b>NET BOOK VALUE</b>				
At 31.12.05	1,855,227	358,862	570,165	2,784,254

# Notes to the Financial Statements (cont'd)

## 4. Property, Plant and Equipment (cont'd)

Included in property, plant and equipment of the Group are:-

(i) analysis of leasehold land as follows:-

	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Total RM
<b>2006</b>			
Cost	1,188,180	9,483,949	10,672,129
Net book value	1,095,596	8,921,961	10,017,557
<b>2005</b>			
Cost	1,188,180	9,483,949	10,672,129
Net book value	1,111,027	9,261,913	10,372,940

Long term lease refers to lease periods with unexpired periods of fifty years or more.

Short term lease refers to lease periods with unexpired periods of less than fifty years.

(ii) property, plant and equipment under hire purchase instalments plans as follows:-

	Motor Vehicles RM	Plant & Machinery RM	Total RM
<b>GROUP</b>			
<b>2006</b>			
Cost	13,356,122	2,969,337	16,325,459
Net Book Value	6,878,021	2,323,567	9,201,588
<b>2005</b>			
Cost	11,121,398	1,604,937	12,726,335
Net Book Value	5,969,316	1,155,960	7,125,276

# Notes to the Financial Statements (cont'd)

## 4. Property, Plant and Equipment (cont'd)

(ii) property, plant and equipment under hire purchase instalments plans as follows:- (cont'd)

	Motor Vehicles RM	Plant & Machinery RM	Total RM
<b>COMPANY</b>			
<b>2006</b>			
Cost	2,237,088	–	2,237,088
Net Book Value	962,161	–	962,161
<b>2005</b>			
Cost	2,237,088	–	2,237,088
Net Book Value	1,409,571	–	1,409,571

(iii) freehold and leasehold land and buildings with a total net book value of RM11,418,082/- (2005 : RM11,815,253/-) charged to financial institutions as securities for banking facilities of a subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB") as disclosed in notes 22 and 42 to the financial statements.

## 5. Investment Properties

	GROUP	
	2006 RM	2005 RM
At fair value/At valuation		
At beginning of the year	24,200,000	24,200,000
Changes in fair value (Note 25)	350,000	–
At end of the year	24,550,000	24,200,000
Included in above are:		
Freehold land	5,300,000	4,950,000
Hotel properties		
- freehold land	543,912	543,912
- hotel buildings	18,706,088	18,706,088
	19,250,000	19,250,000
	24,550,000	24,200,000

# Notes to the Financial Statements (cont'd)

## 5. Investment Properties (cont'd)

The hotel properties are charged to financial institutions as security for facilities of a subsidiary company, AZSB, as disclosed in note 22 to the financial statements.

## 6. Investments in Subsidiary Companies

	COMPANY	
	2006 RM	2005 RM
Unquoted shares, at cost		
At beginning of the year	<b>43,220,553</b>	24,177,840
Additions	<b>491,444</b>	19,042,713
At end of the year	<b>43,711,997</b>	43,220,553

The subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<b>Held by the Company</b>				
# Ahmad Zaki Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Contractors of civil and structural contract works
# Inter-Century Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Dealer of marine fuels and lubricants
# Tadok Granite Manufacturing Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Dormant
# AZRB International Ventures Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Dormant
<b>Held by the Company</b>				
# AZRB Machineries Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Dormant
# Trend Vista Development Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Dormant
* P.T. Ichtiar Gusti Pudi	Republic of Indonesia	<b>95%</b>	95%	Oil palm cultivation
@* Ahmad Zaki Saudi Arabia Co. Ltd	Kingdom of Saudi Arabia	<b>95%</b>	—	Contractors of civil and structural contract works
<b>Held through Ahmad Zaki Sdn. Bhd.</b>				
* Kemaman Technology & Industrial Park Sdn. Bhd. ("KTIP")	Malaysia	<b>60%</b>	60%	Property development

# Notes to the Financial Statements (cont'd)

## 6. Investments in Subsidiary Companies (cont'd)

The subsidiary companies are as follows:- (cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<b>Held through Inter-Century Sdn. Bhd.</b>				
# Astral Far East Sdn. Bhd.	Malaysia	100%	100%	Dealer of lubricants and petroleum-based products
<b>Held through AZRB International Ventures Sdn. Bhd.</b>				
* AZRB Construction (India) Pvt. Ltd.	India	100%	100%	Dormant
@* Ahmad Zaki Saudi Arabia Co. Ltd	Kingdom of Saudi Arabia	5%	–	Contractors of civil and structural contract works

# Audited by an associated firm of the auditors of the Company.

\* Audited by another professional firm of accountants.

@ Wholly owned subsidiary company of the Group.

## 7. Interest in Associated Companies

	GROUP	
	2006 RM	2005 RM
Unquoted shares, at cost		
At beginning of the year	110,400	110,400
Impairment loss	(400)	(400)
At end of the year	110,000	110,000
Share of losses of associated companies	(50,125)	(46,880)
	<b>59,875</b>	63,120
Represented by:-		
Group's share of net tangible assets	51,819	55,064
Goodwill on acquisition	40,288	40,288
Less: Accumulated amortisation	(32,232)	(32,232)
	<b>8,056</b>	8,056
	<b>59,875</b>	63,120

# Notes to the Financial Statements (cont'd)

## 7. Interest in Associated Companies (cont'd)

Post acquisition losses of an associated company not recognised in the financial statements are as follows:-

	GROUP	
	2006 RM	2005 RM
Loss for the year	-	8
Accumulated losses	<b>3,381</b>	3,381

The associated companies, all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2006	2005	
<b>Held through Ahmad Zaki Sdn. Bhd.</b>			
# Fasatimur Sdn. Bhd.	<b>50%</b>	50%	Project management
# Maxi Heritage Sdn. Bhd.	<b>20%</b>	20%	General contractor
# Hidro Fokus Sdn. Bhd.	<b>40%</b>	40%	Dormant
# Audited by another professional firm of accountants.			

The summarised financial information of the associated companies are as follows:-

	2006 RM	2005 RM
Total assets	<b>705,966</b>	713,742
Total liabilities	<b>578,409</b>	578,959
Operating revenue	-	-
Net loss	<b>(6,726)</b>	(7,772)

# Notes to the Financial Statements (cont'd)

## 8. Interest in Joint Ventures

	GROUP	
	2006 RM	2005 RM
Shares of post acquisition results in joint ventures		
At beginning of the year	<b>(28,407,817)</b>	(27,830,772)
Add: Share of results for the year	<b>(194,126)</b>	(561,846)
Less: Distribution from joint ventures	–	(15,199)
At end of the year	<b>(28,601,943)</b>	(28,407,817)

The Group has a 50% and 7.70% 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) Malaysia-China Hidro Joint Venture which undertakes the contract for design and execution of works for Bakun Hydroelectric Project Package CW2 - Main Civil Works at Sarawak.
- (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	
	2006 RM	2005 RM
Property, plant and equipment	<b>415</b>	415
<b>CURRENT ASSETS</b>		
Trade receivables	<b>12,787,411</b>	8,889,060
Other receivables, deposits and prepayments	<b>240,331</b>	341,714
Cash and cash deposits	<b>1,294,646</b>	4,804,808
	<b>14,322,388</b>	14,035,582
<b>LESS: CURRENT LIABILITIES</b>		
Amount due to customers for contract works	–	6,739,588
Trade payables	<b>30,887,334</b>	16,840,452
Other payables and accruals	<b>12,037,412</b>	18,863,774
	<b>(42,924,746)</b>	(42,443,814)
Share of net assets of the joint ventures	<b>(28,601,943)</b>	(28,407,817)

# Notes to the Financial Statements (cont'd)

## 8. Interest 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	
	2006 RM	2005 RM
Attributable contract revenue	48,889,765	15,561,320
Attributable contract costs	(48,889,765)	(15,595,896)
Gross loss	-	(34,576)
Other operating revenue	762	56,798
Finance costs	762 (194,888)	22,222 (584,068)
Share of losses for the year	<b>(194,126)</b>	(561,846)

## 9. New Planting Expenditure

	GROUP	
	2006 RM	2005 RM
At cost:		
At beginning of the year	2,293,598	-
Additions	10,569,126	2,293,598
At end of the year	<b>12,862,724</b>	2,293,598

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

Included in new planting expenditure is amortisation and depreciation of leasehold land and property, plant and equipment amounting to RM633,964/- (2005 : 194,254/-).



# Notes to the Financial Statements (cont'd)

## 10. Other Investments

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost:				
Unquoted shares in Malaysia				
At beginning of the year	<b>4,547,500</b>	47,500	<b>4,500,000</b>	–
Additions	–	4,500,000	–	4,500,000
At end of the year	<b>4,547,500</b>	4,547,500	<b>4,500,000</b>	4,500,000
Club membership	<b>68,000</b>	68,000	<b>68,000</b>	68,000
	<b>4,615,500</b>	4,615,500	<b>4,568,000</b>	4,568,000

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

## 11. Deferred Tax Assets/(Liabilities)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of the year	<b>(3,951,164)</b>	(637,132)	<b>(1,581,389)</b>	(18,000)
Transfer to income statement (note 26)	<b>474,551</b>	(703,283)	<b>(3,550,443)</b>	(1,563,417)
In respect of subsidiary company acquired (note 28)	–	(2,610,777)	–	–
Adjustment relating to the adoption of FRS 140	<b>(1,548,000)</b>	–	–	–
Transfer to subsidiary company in respect of disposal of foreign operations	–	–	<b>672,700</b>	–
Translation differences	<b>(14,897)</b>	28	<b>80</b>	28
At end of the year	<b>(5,039,510)</b>	(3,951,164)	<b>(4,459,052)</b>	(1,581,389)
Presented after appropriate offsetting as follows:-				
Deferred tax assets	–	30,827	–	–
Deferred tax liabilities	<b>(5,039,510)</b>	(3,981,991)	<b>(4,459,052)</b>	(1,581,389)
	<b>(5,039,510)</b>	(3,951,164)	<b>(4,459,052)</b>	(1,581,389)

# Notes to the Financial Statements (cont'd)

## 11. Deferred Tax Assets/(Liabilities) (cont'd)

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:-

	<b>GROUP</b>			
	<b>2006</b>		<b>2006</b>	<b>2005</b>
	<b>RM</b>		<b>RM</b>	<b>RM</b>
<b>Deferred tax assets</b>				
Differences between the carrying amount of property, plant and equipment and its tax base	–		–	1,305
Unrelieved tax losses	–		–	29,522
	–		–	30,827
	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Deferred tax liabilities</b>				
Differences between the carrying amount of property, plant and equipment and its tax base	<b>(351,593)</b>	(169,374)	<b>(57,382)</b>	(61,674)
Taxable temporary differences in respect of foreign branch's revenue	–	(672,700)	–	(672,700)
Surplus arising from revaluation of investment property	<b>(2,077,140)</b>	(529,140)	–	–
Deductible temporary differences in respect of expenses	–	–	<b>(4,401,670)</b>	(847,015)
Fair value adjustment in respect of acquisition of subsidiary company	<b>(2,610,777)</b>	(2,610,777)	–	–
	<b>(5,039,510)</b>	(3,981,991)	<b>(4,459,052)</b>	(1,581,389)

In previous year, the estimated temporary differences for which no deferred tax assets had been recognised were in respect of share of joint venture's allowance for foreseeable losses amounting to RM6,341,000/-.

## 12. Goodwill

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At cost:		
At beginning of the year	<b>5,358,197</b>	4,733,643
In respect of subsidiary company acquired (note 28)	–	624,554
	<b>5,358,197</b>	5,358,197
Less: Accumulated amortisation	<b>(1,613,592)</b>	(1,613,592)
At end of the year	<b>3,744,605</b>	3,744,605

# Notes to the Financial Statements (cont'd)

## 13. Inventories

	GROUP	
	2006 RM	2005 RM
At cost:		
Completed development properties	<b>1,787,498</b>	2,896,627
Marine fuels and lubricants	<b>8,657,485</b>	12,540,115
Granite blocks and slabs	<b>76,739</b>	76,739
	<b>10,521,722</b>	15,513,481

## 14. Property Development Costs

	2006 RM	2005 RM
Development costs		
At beginning of the year	<b>1,678,031</b>	2,757,920
Costs incurred during the year	<b>142,075</b>	73,384
At end of the year	<b>1,820,106</b>	2,831,304
Transfer to inventories	–	(1,153,273)
Cost recognised in income statement	<b>1,820,106</b> <b>(35,539)</b>	1,678,031 (35,539)
	<b>1,784,567</b>	1,642,492

## 15. Receivables

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Trade receivables</b>				
External parties	<b>59,447,141</b>	61,022,723	–	30,007,683
Amount due from customers for contract works (note 31)	<b>158,011,660</b>	75,836,210	<b>31,823,484</b>	10,485,102
Amount owing by related companies (note 33)	<b>109,882</b>	111,670	<b>69,508,327</b>	40,899,733
Balance carried down	<b>217,568,683</b>	136,970,603	<b>101,331,811</b>	81,392,518

# Notes to the Financial Statements (cont'd)

## 15. Receivables (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance brought down	217,568,683	136,970,603	101,331,811	81,392,518
<b>Other receivables</b>				
Amount owing by				
- associated companies (note 34)	20,000	20,000	-	-
- joint ventures (note 35)	49,773	49,773	-	-
Other receivables, deposits and prepayments (note 32)	69,773	69,773	-	-
	<b>28,425,362</b>	19,160,098	<b>17,502,607</b>	13,771,343
	<b>28,495,135</b>	19,229,871	<b>17,502,607</b>	13,771,343
	<b>246,063,818</b>	156,200,474	<b>118,834,418</b>	95,163,861

The Group's and the Company's normal trade credit term ranges from 60 to 90 days.

The foreign currency exposure profile of trade receivables is as follows:-

	GROUP/COMPANY	
	2006 RM	2005 RM
Saudi Riyal	28,885,152	20,029,868

## 16. Tax Assets

This is in respect of tax paid in advance to the relevant tax authorities.

# Notes to the Financial Statements (cont'd)

## 17. Cash and Cash Deposits

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	<b>36,025,977</b>	31,185,173	<b>2,306,293</b>	23,744,149
Cash deposits with licensed banks	<b>108,978,743</b>	122,910,869	<b>18,450,528</b>	29,166,122
	<b>145,004,720</b>	154,096,042	<b>20,756,821</b>	52,910,271

Included in cash deposits with licensed banks of the Group are deposits of RM61,715,785/- (2005 : RM57,146,267/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group.

Included in cash deposits with licensed banks of the Company are deposits of RM2,421,626/- (2005 : RM2,352,599/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary company, AZSB.

The cash deposits with licensed banks of the Group and of the Company bear effective interest at rates ranging from 2.50% to 3.75% (2005 : 2.50% to 3.70%) and 2.50% to 3.75% (2005 : 2.50% to 3.65%) respectively per annum.

The foreign currency exposure profile is as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Indonesia Rupiah	<b>1,955,627</b>	163,268	–	–
India Rupee	<b>350,584</b>	778,365	<b>350,584</b>	776,706
United States Dollar	–	29,635,526	–	16,549,064
Saudi Riyal	<b>6,423,224</b>	1,914,474	–	1,914,474
	<b>8,729,435</b>	32,491,633	<b>350,584</b>	19,240,244

## 18. Share Capital

	GROUP/COMPANY	
	2006 RM	2005 RM
Authorised: 100,000,000 ordinary shares of RM1/- each	<b>100,000,000</b>	100,000,000
Issued and fully paid: 66,710,400 ordinary shares of RM1/- each	<b>66,710,400</b>	66,710,400

# Notes to the Financial Statements (cont'd)

## 19. Reserves

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>NON-DISTRIBUTABLE</b>				
Share premium	2,180,250	2,180,250	2,180,250	2,180,250
Revaluation Reserve	–	7,002,890	–	–
Foreign exchange translation reserve	47,892	(10,461)	(532)	(6,475)
	<b>2,228,142</b>	9,172,679	<b>2,179,718</b>	2,173,775
<b>DISTRIBUTABLE</b>				
Retained profits	67,482,326	45,077,208	21,456,492	18,511,084
	<b>69,710,468</b>	54,249,887	<b>23,636,210</b>	20,684,859

The Directors proposed a first and final dividend of 15% (2005 : 15%) per ordinary share in respect of the current financial year. The retained profits appropriated for this proposed dividend less tax at 27% (2005 : 28%) amounted to RM7,304,789/- (2005 : RM7,204,723/-).

## 20. Other Borrowings

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Current Liabilities</b>				
Hire purchase payables (note 41)	2,549,456	2,096,146	286,889	347,703
Trust receipts - secured	7,428,006	–	1,080,444	–
Murabahah facility - secured	1,770,000	–	1,770,000	–
Term loans (note 42)	893,207	819,880	–	–
	<b>12,640,669</b>	2,916,026	<b>3,137,333</b>	347,703
<b>Non-Current Liabilities</b>				
Hire purchase payables (note 41)	5,764,945	4,105,295	593,775	880,663
Term loans (note 42)	45,585,581	46,477,350	45,000,000	45,000,000
	<b>51,350,526</b>	50,582,645	<b>45,593,775</b>	45,880,663

# Notes to the Financial Statements (cont'd)

## 20. Other Borrowings (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Total Borrowings</b>				
Hire purchase payables (note 41)	8,314,401	6,201,441	880,664	1,228,366
Trust receipts - secured	7,428,006	—	1,080,444	—
Murabahah facility - secured	1,770,000	—	1,770,000	—
Term loans (note 42)	46,478,788	47,297,230	45,000,000	45,000,000
	<b>63,991,195</b>	53,498,671	<b>48,731,108</b>	46,228,366

The trust receipt facilities bear interest at rates ranging from 7.75% to 8.25% (2005 : Nil) per annum. These facilities are secured and supported by:-

- (i) cash deposits of a subsidiary company, AZSB; and
- (ii) corporate guarantee from the Company.

The Murabahah facility bears a financial charge at a rate of 5.97% (2005 : Nil) per annum and is secured by assignments of contract proceeds, guarantees and insurance proceeds from a specific construction contract.

## 21. Payables

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Trade payables</b>				
Amount due to customers for contract works (note 31)	8,513,471	8,692,166	—	347,510
External parties (note 36)	167,284,086	117,248,352	26,453,936	10,747,267
	<b>175,797,557</b>	125,940,518	<b>26,453,936</b>	11,094,777
<b>Other payables</b>				
Amounts owing to				
- holding company (note 38)	246,776	247,304	—	—
- associate company (note 39)	53,089	53,089	—	—
Advance payments received (note 40)	74,531,085	55,977,621	19,687,145	50,977,621
	<b>74,830,950</b>	56,278,014	<b>19,687,145</b>	50,977,621
Other payables and accruals (note 37)	4,198,048	3,163,791	1,365,723	1,764,561
	<b>79,028,998</b>	59,441,805	<b>21,052,868</b>	52,742,182
	<b>254,826,555</b>	185,382,323	<b>47,506,804</b>	63,836,959

# Notes to the Financial Statements (cont'd)

## 22. Bank Overdrafts - Secured

The bank overdraft facilities are payable on demand and bear interest at rates ranging from 7.25% to 8.25% (2005 : 7.00% to 7.50%) per annum. These facilities are secured and supported by:-

- (i) cash deposits and freehold and leasehold land and buildings of a subsidiary company, AZSB, as disclosed in notes 4 and 5 to the financial statements;
- (ii) cash deposits of the Company; and
- (iii) corporate guarantee from the Company.

## 23. Operating Revenue

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Management fees	–	–	<b>2,113,000</b>	1,570,000
Dividend revenue	–	–	<b>10,000,040</b>	10,000,040
Sale of goods	<b>54,613,505</b>	36,663,528	–	–
Attributable contract revenue	<b>387,986,795</b>	212,461,087	<b>177,498,754</b>	152,816,312
	<b>442,600,300</b>	249,124,615	<b>189,611,794</b>	164,386,352

## 24. Direct Operating Costs

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cost of goods sold	<b>40,385,700</b>	23,148,131	–	–
Attributable contract costs	<b>338,285,827</b>	176,374,282	<b>165,318,808</b>	143,107,511
	<b>378,671,527</b>	199,522,413	<b>165,318,808</b>	143,107,511



# Notes to the Financial Statements (cont'd)

## 25. Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting):-

(a) Others

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amortisation of goodwill	–	513,825	–	–
Amortisation of leasehold land	<b>22,376</b>	22,376	–	–
Auditors' remuneration				
- statutory audit	<b>149,078</b>	98,152	<b>34,341</b>	37,016
- under provision in prior year	–	2,100	–	–
Bad debts written off	–	13,163	–	–
Depreciation of property, plant and equipment	<b>5,459,571</b>	3,743,632	<b>911,967</b>	434,834
Impairment loss on investment in associated company	–	400	–	–
Interest expense	<b>4,481,301</b>	1,936,363	<b>3,351,028</b>	922,454
Loss on foreign exchange				
- realised	<b>244,760</b>	40,578	<b>244,760</b>	39,913
- unrealised	<b>794,444</b>	18,426	<b>294,415</b>	18,426
Property, plant and equipment written off	<b>277,102</b>	–	<b>5,519</b>	–
Rental and running cost of machinery and equipment	<b>6,628,761</b>	1,428,319	–	–
Rental of motor vehicles	<b>36,639</b>	85,195	–	83,182
Rental of premises	<b>1,871,124</b>	1,848,125	<b>180,000</b>	187,866
Dividend revenue - unquoted shares	<b>(2,609)</b>	(7,800)	–	–
Gain on disposal of property, plant and equipment	<b>(356,019)</b>	(201,505)	–	–
Changes in fair value of investment properties	<b>(350,000)</b>	–	–	–
Interest revenue	<b>(3,190,472)</b>	(2,709,463)	<b>(1,634,449)</b>	(751,826)
Rental revenue from investment properties	<b>(109,600)</b>	(147,950)	–	–

(b) Employees Information

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Staff costs	<b>29,040,175</b>	16,450,131	<b>5,590,323</b>	3,436,056
Included in staff cost are as follows:				
EPF and SOCSO	<b>2,738,380</b>	1,878,491	<b>433,228</b>	331,201

The staff costs of the Group and of the Company consist of aggregate remuneration of salaried directors, other staff's salaries, allowances, bonus, EPF, SOCSO, medical expenses, staff welfare and other expenses directly related to employment of staff.

# Notes to the Financial Statements (cont'd)

## 25. Profit Before Taxation (cont'd)

- (c) The remuneration paid or payable to the Directors and the estimated monetary value of benefits provided to the Directors during the financial year by the Group and by the Company are as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Executive Directors</b>				
Fees	888,145	265,000	—	—
Other emoluments	2,064,236	1,559,923	1,155,708	892,946
Benefits-in-kind	658,620	635,800	228,550	251,100
	<b>3,611,001</b>	2,460,723	<b>1,384,258</b>	1,144,046
<b>Non-Executive Directors</b>				
Fees	390,000	390,000	372,000	372,000
Other emoluments	14,500	20,700	10,300	18,900
Benefits-in-kind	42,250	25,900	31,150	14,200
	<b>446,750</b>	436,600	<b>413,450</b>	405,100

The estimated monetary value of benefits provided to the Directors are not recognised in the income statement.

Share options granted to directors are disclosed in note 43 to the financial statements.

The Executive directors are as follows:-

### 2006

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

### 2005

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

# Notes to the Financial Statements (cont'd)

## 25. Profit Before Taxation (cont'd)

- (c) The remuneration paid or payable to the Directors and the estimated monetary value of benefits provided to the Directors during the financial year by the Group and by the Company are as follows:- (cont'd)

The Non-Executive directors are as follows:-

### 2006

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

### 2005

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

## 26. Taxation

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Based on results for the year	<b>11,809,323</b>	8,585,128	<b>4,507,020</b>	3,791,938
Origination and reversal of temporary differences (note 11)	<b>(474,551)</b>	703,283	<b>3,550,443</b>	1,563,417
	<b>11,334,772</b>	9,288,411	<b>8,057,463</b>	5,355,355
Under/(Over) provision in prior years	<b>640,671</b>	(39,049)	<b>(1,575,095)</b>	–
Tax expense	<b>11,975,443</b>	9,249,362	<b>6,482,368</b>	5,355,355

# Notes to the Financial Statements (cont'd)

## 26. Taxation (cont'd)

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate to the profit before taxation as a result of the following differences:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Accounting profit before taxation	<b>36,366,704</b>	28,117,885	<b>16,632,499</b>	15,915,311
Tax at the statutory income tax rate of 28%	<b>10,182,700</b>	7,873,008	<b>4,657,100</b>	4,456,287
Effect of lower tax rate for Malaysian subsidiary companies with issued and paid-up share capital of RM2.5 million and below	–	(5,900)	–	–
Effect of lower tax rate for foreign branches/subsidiary companies	<b>(294,761)</b>	(269,000)	<b>(73,690)</b>	(269,000)
Tax effect of non-deductible expenses	<b>1,446,833</b>	1,702,503	<b>689,439</b>	499,053
Under/(Over) provision of taxation in prior years				
- income tax	<b>640,671</b>	(39,049)	<b>(1,575,095)</b>	–
- deferred tax	–	(12,200)	<b>2,784,614</b>	669,015
Tax expense	<b>11,975,443</b>	9,249,362	<b>6,482,368</b>	5,355,355

Subject to agreement by the Inland Revenue Board:-

- (i) the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank payment of dividends out of its entire retained profits as at 31 December 2006, without incurring additional tax liability; and
- (ii) the Company has tax exempt income account available for distribution by way of tax exempt dividends amounted to RM297,002/- (2005 : RM297,002/-). This is in respect of chargeable income of which the income tax has been waived.

## 27. Basic Earnings Per Ordinary Share

The basic earnings per ordinary share of the Group is calculated based on the profit attributable to shareholders of RM24,154,951/- (2005 : of RM18,898,874/-) divided by the number of ordinary shares of RM1/- each in issue of 66,710,400 (2005 : 66,710,400).

The fully diluted earnings per ordinary share is not presented in the financial statements as the effect of the assumed subscriptions for new ordinary shares by ESOS option holders is anti-dilutive.

## 28. Acquisition of Subsidiary Companies

During the year, the Company completed the incorporation of a foreign subsidiary company know as Ahmad Zaki Saudi Arabia Company Ltd. ("AZSA") in Riyadh, the Kingdom of Saudi Arabia. AZSA was incorporated with a paid-up share of SR500,000/- divided into 1,000 cash shares of equal value of SR500/-.

In the previous year, the Group completed the acquisition of 95% equity shareholdings in P.T. Ictiar Gusti Pudi ("IGP") for a cash consideration of Rp17,000,000,000/- or RM7,097,500/-.

# Notes to the Financial Statements (cont'd)

## 28. Acquisition of Subsidiary Companies (cont'd)

- (i) Effect of acquisition of subsidiary companies, net of cash acquired.

The fair values of the assets acquired and the liabilities assumed at the effective date of acquisition are as follows:-

	GROUP	
	AZSA 2006 RM	IGP 2005 RM
Property, plant and equipment	–	9,328,169
Cash at bank	491,444	601
Other receivables	–	95,634
Deferred taxation	–	(2,610,777)
Goodwill on consolidation	–	624,554
Minority interest	–	(340,681)
Total purchase consideration	491,444	7,097,500
Cash at bank	(491,444)	(601)
Effect of acquisition of subsidiary companies, net of cash acquired	–	7,096,899

- (ii) Effect on Consolidated Income Statement

The effect on the consolidated results of the Group from their effective date of acquisition are as follows:-

	GROUP	
	AZSA 2006 RM	IGP 2005 RM
Operating revenue	84,031,539	–
Direct operating costs	(77,824,653)	–
Gross profit	6,206,886	–
Other operating revenue	–	–
Administrative costs	1,068,962	–
Other operating costs	1,684,766	–
	(2,753,728)	–
Finance costs	3,453,158	–
	(689,763)	–
Net profit for the year	2,763,395	–

# Notes to the Financial Statements (cont'd)

## 28. Acquisition of Subsidiary Companies (cont'd)

### (iii) Effect of Consolidated Financial Position

The effect on the consolidated balance sheet as at financial year end are as follows:-

	<b>GROUP</b>	
	<b>AZSA 2006 RM</b>	<b>IGP 2005 RM</b>
Property, plant and equipment	<b>10,475,403</b>	9,484,251
Planting development expenditure	–	2,293,598
Cash at bank	<b>6,423,224</b>	13,249,730
Trade receivables	<b>63,444,254</b>	–
Other receivables and deposits	<b>3,956,973</b>	119,399
Trade payables	<b>(19,221,760)</b>	(7,540)
Other payables and accruals	<b>(27,047,082)</b>	(24,143)
Amount owing to related companies	<b>(34,158,425)</b>	(2,976,945)
Tax liabilities	<b>(1,533,522)</b>	–
Minority interest	–	(969,166)
Deferred taxation	–	(2,610,777)
Revaluation reserve	–	(6,713,427)
Translation reserve	<b>225,081</b>	(4,216)
	<b>2,564,146</b>	11,840,764

## 29. Purchase of Property, Plant and Equipment

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM19,130,366/- (2005 : RM5,189,800/-) of which RM4,699,930/- (2005 : RM2,068,900/-) was financed by means of hire purchase. Cash payments of RM14,430,436/- (2005 : RM3,120,900/-) were made to purchase property, plant and equipment.

During the financial year, the Company acquired property, plant and equipment with aggregate cost of RM534,845/- (2005 : RM2,218,601/-) of which RM Nil (2005 : RM745,900/-) was financed by means of hire purchase. Cash payments of RM534,845/- (2005 : RM1,472,701/-) were made to purchase property, plant and equipment.

# Notes to the Financial Statements (cont'd)

## 30. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following amounts:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	<b>36,025,977</b>	31,185,173	<b>2,306,293</b>	23,744,149
Cash deposits with licensed banks	<b>108,978,743</b>	122,910,869	<b>18,450,528</b>	29,166,122
Bank overdrafts	<b>(3,687,933)</b>	(5,361,355)	–	–
	<b>141,316,787</b>	148,734,687	<b>20,756,821</b>	52,910,271

Included in cash deposits with licensed banks of the Group are deposits of RM61,715,785/- (2005: RM57,146,267/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group and are only available to be utilised for repayment of the said facilities.

Included in cash deposits with licensed banks of the Company are deposits of RM2,421,626/- (2005 : RM2,352,599/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary company, AZSB, and are only available to be utilised for repayment of the said facilities.

## 31. Amount Due From/(To) Customers for Contract Works

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Aggregate costs incurred to date	<b>1,527,743,035</b>	1,183,708,034	<b>307,031,029</b>	200,064,649
Attributable profits	<b>167,033,376</b>	117,559,687	<b>19,313,299</b>	12,813,191
	<b>1,694,776,411</b>	1,301,267,721	<b>326,344,328</b>	212,877,840
Progress billings	<b>(1,545,278,222)</b>	(1,234,123,677)	<b>(294,520,844)</b>	(202,740,248)
	<b>149,498,189</b>	67,144,044	<b>31,823,484</b>	10,137,592
Represented By:-				
Amount due from customers for contract works (note 15)	<b>158,011,660</b>	75,836,210	<b>31,823,484</b>	10,485,102
Amount due to customers for contract works (note 21)	<b>(8,513,471)</b>	(8,692,166)	–	(347,510)

Included in the above progress billings of the Group are retention sums of RM20,162,977/- (2005 : RM17,304,945/-).

# Notes to the Financial Statements (cont'd)

## 32. Other Receivables, Deposits and Prepayments

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	<b>23,209,059</b>	17,161,436	<b>17,289,612</b>	12,902,668
Sundry deposits	<b>4,789,887</b>	999,618	<b>50,128</b>	71,756
Prepayments	<b>426,416</b>	999,044	<b>162,867</b>	796,919
	<b>28,425,362</b>	19,160,098	<b>17,502,607</b>	13,771,343

Included in other receivables of the Group and of the Company are advances to sub-contractors of RM18,771,006/- (2005 : RM12,905,661/-) and RM16,212,251/- (2005 : RM9,905,661/-) respectively.

The foreign currency exposure profile is as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Indonesia Rupiah	<b>3,898,929</b>	119,399	–	–
India Rupee	<b>14,912,480</b>	9,126,924	<b>14,912,480</b>	9,125,663
Saudi Riyal	<b>3,956,973</b>	1,720,018	–	1,720,018
	<b>22,768,382</b>	10,966,341	<b>14,912,480</b>	10,845,681

## 33. Amount Owning by Related Companies

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Holding Company</b>				
- Zaki Holdings (M) Sdn. Bhd.	–	–	<b>106,232</b>	96,650
<b>Subsidiary Companies</b>				
- AZRB Construction (India) Pvt. Ltd.	–	–	<b>10,568</b>	9,490
- Ahmad Zaki Sdn. Bhd.	–	–	<b>23,683,006</b>	33,236,027
- Ahmad Zaki Saudi Arabia Co. Ltd	–	–	<b>34,451,164</b>	–
- Inter-Century Sdn. Bhd.	–	–	<b>5,074,868</b>	4,424,485
- Tadok Granite Manufacturing Sdn. Bhd.	–	–	<b>339,503</b>	289,360
- AZRB International Ventures Sdn. Bhd.	–	–	<b>46,884</b>	41,734
- Kemaman Technology & Industrial Park Sdn. Bhd.	–	–	<b>2,274</b>	1,460
- AZRB Machineries Sdn. Bhd.	–	–	<b>23,684</b>	17,673



# Notes to the Financial Statements (cont'd)

## 33. Amount Owing by Related Companies (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Subsidiary Companies (cont'd)</b>				
- Trend Vista Development Sdn. Bhd.	–	–	<b>23,734</b>	17,673
- P.T. Ichtiar Gusti Pudi	–	–	<b>5,746,410</b>	2,765,181
<b>Related Company</b>				
- Residence Inn & Motels Sdn. Bhd.	<b>109,882</b>	111,670	–	–
	<b>109,882</b>	111,670	<b>69,508,327</b>	40,899,733

These amounts are non-trade in nature, unsecured, interest free and with no fixed term of repayment.

The foreign currency exposure profile is as follows:-

	COMPANY	
	2006 RM	2005 RM
India Rupee	<b>10,568</b>	9,490
Indonesia Rupiah	<b>5,746,410</b>	2,765,181
Saudi Riyal	<b>34,451,164</b>	–
	<b>40,208,142</b>	2,774,671

## 34. Amount Owing by Associated Company

The amount owing by Maxi Heritage Sdn .Bhd is non-trade in nature, unsecured, interest free and with no fixed term of repayment.

# Notes to the Financial Statements (cont'd)

## 35. Amount Owning by Joint Ventures

	GROUP	
	2006 RM	2005 RM
<b>Trade</b>		
Bumi Hiway - Ahmad Zaki Joint Venture	2,856	2,856
<b>Non-Trade</b>		
Bumi Hiway - Ahmad Zaki Joint Venture	46,917	46,917
	<b>49,773</b>	<b>49,773</b>

The non-trade amount is unsecured, interest free and with no fixed term of repayment.

## 36. Trade Payables

Included in trade payables of the Group are amounts owing to:-

	GROUP	
	2006 RM	2005 RM
Chuan Huat Industrial Marketing Sdn. Bhd., a subsidiary company of 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	923,581	573,193

The Group's and the Company's normal trade credit term ranges from 60 to 90 days.

The foreign currency exposure profile is as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
India Rupee	89,262	–	89,262	–
Indonesia Rupiah	1,596,100	7,540	–	–
Saudi Riyal	19,221,760	10,747,267	–	10,747,267
	<b>20,907,122</b>	<b>10,754,807</b>	<b>89,262</b>	<b>10,747,267</b>

# Notes to the Financial Statements (cont'd)

## 37. Other Payables and Accruals

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	2,295,639	1,196,645	347,475	90,377
Deposits received	–	680	–	–
Accruals	1,902,409	1,966,466	1,018,248	1,674,184
	<b>4,198,048</b>	<b>3,163,791</b>	<b>1,365,723</b>	<b>1,764,561</b>

In previous year, accruals of the Group and of the Company included the balance of consideration owing for acquisition of PT Ichtia Gusti Pudi amounting to RM695,300/-.

The foreign currency exposure profile is as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Indonesia Rupiah	39,766	24,143	–	–
India Rupee	343,595	75,647	341,162	71,972
Saudi Riyal	797,548	91,843	–	91,843
	<b>1,180,909</b>	<b>191,633</b>	<b>341,162</b>	<b>163,815</b>

## 38. Amount Owing to Holding Company

This amount owing to Zaki Holdings (M) Sdn. Bhd. is non-trade in nature, unsecured, interest free and with no fixed term repayment.

## 39. Amount Owing to an Associated Company

This amount owing to Fasatimur Sdn. Bhd. is non-trade in nature, unsecured, interest free and with no fixed term of repayment.

## 40. Advance Payments Received

This amount is in respect of interest free advances received for performance of the Group's and of the Company's construction contracts. These advances are to be set off against the Group's and the Company's progress billings on the related contracts.

# Notes to the Financial Statements (cont'd)

## 40. Advance Payments Received (cont'd)

The foreign currency exposure profile is as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
India Rupee	<b>12,471,925</b>	9,966,252	<b>12,471,925</b>	9,966,252
Saudi Riyal	<b>26,249,534</b>	31,011,368	–	31,011,368
	<b>38,721,459</b>	40,977,620	<b>12,471,925</b>	40,977,620

## 41. Hire Purchase Payables

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Total instalment payments	<b>9,203,740</b>	6,841,724	<b>949,495</b>	1,352,347
Less: Future finance charges	<b>(889,339)</b>	(640,283)	<b>(68,831)</b>	(123,981)
Present value of hire purchase payables	<b>8,314,401</b>	6,201,441	<b>880,664</b>	1,228,366
Payable within one year				
Total instalment payments	<b>2,958,067</b>	2,397,391	<b>322,496</b>	402,852
Less: Future finance charges	<b>(408,611)</b>	(301,245)	<b>(35,607)</b>	(55,149)
Present value of hire purchase payables (note 20)	<b>2,549,456</b>	2,096,146	<b>286,889</b>	347,703
Payable after one year but not later than five years				
Total instalment payments	<b>6,245,673</b>	4,444,333	<b>626,999</b>	949,495
Less: Future finance charges	<b>(480,728)</b>	(339,038)	<b>(33,224)</b>	(68,832)
Present value of hire purchase payables (note 20)	<b>5,764,945</b>	4,105,295	<b>593,775</b>	880,663
	<b>8,314,401</b>	6,201,441	<b>880,664</b>	1,228,366

The hire purchase payables of the Group and of the Company bear effective interest at rates ranging from 7.30% to 7.67% (2005 : 4.46% to 7.60%) per annum.

# Notes to the Financial Statements (cont'd)

## 42. Term Loans

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CURRENT LIABILITIES</b>				
Secured				
Repayable within one year (note 20)	<b>893,207</b>	819,880	–	–
<b>NON-CURRENT LIABILITIES</b>				
Secured				
Repayable after one year but not later than five years	<b>585,581</b>	1,305,387	–	–
Repayable after five years	–	171,963	–	–
	<b>585,581</b>	1,477,350	–	–
Unsecured				
Repayable after one year but not later than 5 years	<b>45,000,000</b>	45,000,000	<b>45,000,000</b>	45,000,000
	<b>45,585,581</b>	46,477,350	<b>45,000,000</b>	45,000,000
	<b>46,478,788</b>	47,297,230	<b>45,000,000</b>	45,000,000

### SECURED

The term loans bear effective interest at rates ranging from 6.85% to 8.75% (2005 : 6.60% to 8.00%) per annum.

The term loans are repayable in monthly instalments over 5 and 10 years commencing in April, 2003 and April, 2001 respectively.

The term loans are secured and supported as follows:-

- (i) legal charges over freehold and leasehold land and buildings of a subsidiary company, AZSB, as disclosed in note 4 to the financial statements; and
- (ii) a corporate guarantee from the Company.

### UNSECURED

The unsecured term loan bears interest at a fixed rate of 7.13% (2005 : 7.13%) per annum and is repayable in one lump sum on the last day of the tenor of the facility which should not exceed five years.

# Notes to the Financial Statements (cont'd)

## 43. Equity Compensation Benefits

- (i) The Group's ESOS was approved by shareholders of the Company at the Annual General Meeting held on 20 June 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26 July 2002 and expiring on 25 July 2012.

The salient features of the ESOS are:-

- (a) eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in 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 RM1/- 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;
  - (c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) 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 preceding 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 share 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 respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.
- (ii) During the financial year, the number of ESOS options exercised and lapsed are as follows:-

	<b>Number of Share Options</b>	
	<b>2006</b>	<b>2005</b>
At 1 January	<b>2,707,600</b>	2,798,800
Lapsed	<b>(39,200)</b>	(91,200)
At 31 December	<b>2,668,400</b>	2,707,600

ESOS options lapsed due to resignations of employees.

There were no share options exercised during the financial year.

# Notes to the Financial Statements (cont'd)

## 43. Equity Compensation Benefits (cont'd)

(ii) The terms of share options outstanding as at the end of the financial year are as follows:-

Expiry Date	Exercise Price RM	Number of Share Options Outstanding	
		2006	2005
25.7.2012	2.05	2,668,400	2,707,600

(iii) The Directors' interest in ESOS options are as follows:-

	Number of Options Over Ordinary Shares of RM1/- Each			
	At 1.1.06	Exercised	Lapsed	At 31.12.06
<b>Interest in share options pursuant to the ESOS</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	588,000	—	—	588,000
Dato' Wan Zakariah bin Haji Wan Muda	425,600	—	—	425,600
Dato' Haji Mustaffa bin Mohamad	324,000	—	—	324,000
Dato' W Zulkifli bin Haji W Muda	406,000	—	—	406,000

## 44. Significant Related Party Transactions

(a) The significant transactions with related companies are as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Accommodation charged by:-				
- Residence Inn & Motels Sdn. Bhd.	8,393	4,103	—	—
Management fees charged to:-				
- Ahmad Zaki Sdn. Bhd.	—	—	(1,200,000)	(1,200,000)
- Inter-Century Sdn. Bhd.	—	—	(600,000)	(300,000)
- Tadok Granite Manufacturing Sdn. Bhd.	—	—	(10,000)	(5,000)
- AZRB International Ventures Sdn. Bhd.	—	—	(5,000)	(5,000)
- Trend Vista Development Sdn. Bhd.	—	—	(5,000)	(5,000)
- Technipolitan Sdn. Bhd.	—	—	(5,000)	(5,000)
- PT Ichtiar Gusti Pudi	—	—	(288,000)	(50,000)
- Ahmad Zaki Saudi Arabia Co. Ltd.	—	—	—	—

# Notes to the Financial Statements (cont'd)

## 44. Significant Related Party Transactions (cont'd)

(a) The significant transactions with related companies are as follows:- (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Dividend revenue from:-				
- Ahmad Zaki Sdn. Bhd.	-	-	<b>(5,000,030)</b>	(5,000,030)
- Inter-Century Sdn. Bhd.	-	-	<b>(5,000,010)</b>	(5,000,010)
Interest received and receivable from:-				
- Ahmad Zaki Saudi Arabia Co. Ltd.	-	-	<b>(892,738)</b>	-
- PT Ihtiar Gusti Pudi	-	-	<b>(288,748)</b>	-
Administrative service charged by:-				
- Zaki Holdings (M) Sdn. Bhd.	<b>121,200</b>	122,400	-	-
Rental paid and payable to:-				
- Zaki Holdings (M) Sdn. Bhd.	<b>420,000</b>	420,000	<b>180,000</b>	180,000
Insurance premium paid and payable to:-				
- Zaki Holdings (M) Sdn. Bhd.	<b>365,640</b>	327,792	<b>47,267</b>	59,090

(b) The significant transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interest are as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Purchases from subsidiary companies of 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:-				
- Chuan Huat Industrial Marketing Sdn. Bhd.	<b>14,311,923</b>	5,764,393	-	-
- Chuan Huat Hardware Sdn. Bhd.	-	8,300	-	-
Rental of premises paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	<b>36,000</b>	36,000	-	-

The Directors are of the opinion that the above transactions are entered into in the normal course of business and have been established under terms mutually agreed upon between the parties involved.



# Notes to the Financial Statements (cont'd)

## 45. Contingent Liabilities

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
(1) UNSECURED				
(a) Legal claims by suppliers of joint ventures of AZSB	<b>18,453,756</b>	18,453,756	–	–
(b) Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to AZSB	–	–	<b>66,766,503</b>	96,962,740
(2) PARTIALLY SECURED				
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,421,026/- (2005 : RM2,352,599/-) to a financial institutions in respect of credit facilities granted to AZSB	–	–	<b>62,588,205</b>	34,830,149
	<b>18,453,756</b>	18,453,756	<b>129,354,708</b>	131,792,889

No provision has been made for the contingent liabilities mentioned in 1(a) above as the outcome of the legal proceedings are still pending and that AZSB has supplementary agreements with joint venture partners to indemnify AZSB against any liabilities which may arise therefrom.

## 46. Capital Commitment

	COMPANY	
	2006 RM	2005 RM
Approved and contracted for	<b>704,000</b>	–

## 47. Segment Analysis - By Activity

Segment information is presented in respect of the Group's business and geographical segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets and liabilities do not include income tax assets and tax liabilities respectively. Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one accounting period.

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

# Notes to the Financial Statements (cont'd)

## 47. Segment Analysis - By Activity (cont'd)

### Business Segments

The Group comprises the following three major business segments:-

- |  |   |
|--|---|
| (i) Construction                                       | - civil and structural construction works.  |
| (ii) Trading in oil and gas and other related services | - dealing in marine fuels, lubricants and petroleum based products.                                 |
| (iii) Cultivation                                      | - oil palm.   |
| (iv) Other operations                                  | - property development, investment holding, provision of management services and dormant companies. |

### 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, provision of management services and dormant companies. |
| (ii) Republic of Indonesia   | - oil palm cultivation.  |
| (iii) India                  | - civil and structural construction works and dormant company.   |
| (iv) Kingdom of Saudi Arabia | - civil and structural construction works.   |

### MAJOR SEGMENT BY ACTIVITY

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2006</b>						
<b>Revenue</b>						
External revenue	387,986,792	52,105,877	-	2,507,631	-	442,600,300
Inter-segment revenue	-	1,511,410	-	2,088,000	(3,599,410)	-
<b>Total revenue</b>	<b>387,986,792</b>	<b>53,617,287</b>	<b>-</b>	<b>4,595,631</b>	<b>(3,599,410)</b>	<b>442,600,300</b>

# Notes to the Financial Statements (cont'd)

## 47. Segment Analysis - By Activity (cont'd)

### MAJOR SEGMENT BY ACTIVITY (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2006 (cont'd)</b>						
<b>Results</b>						
Segment result	30,714,604	9,485,471	–	(2,345,171)	–	37,854,904
Interest revenue						3,190,472
Interest expenses						(4,481,301)
Share of results in joint ventures	(194,126)	–	–	–	–	(194,126)
Share of results of associated companies	(3,245)	–	–	–	–	(3,245)
Income taxes						(11,975,443)
Minority interest						(236,310)
Profits attributable to shareholders						<u>24,154,951</u>
<b>Other Information</b>						
Segment assets	295,068,528	20,557,121	27,865,959	11,533,377	–	355,024,985
Investment properties						24,550,000
Interest in joint ventures	(28,601,943)	–	–	–	–	(28,601,943)
Goodwill						3,744,605
Tax assets						737,035
Deferred tax assets						–
Cash deposits with licensed banks						108,978,743
Other investments						4,615,500
Interest in associated companies	59,875	–	–	–	–	59,875
Consolidated total assets						<u>469,108,800</u>

# Notes to the Financial Statements (cont'd)

## 47. Segment Analysis - By Activity (cont'd)

### MAJOR SEGMENT BY ACTIVITY (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2006 (cont'd)</b>						
Segment liabilities	250,310,003	982,012	1,635,865	1,898,675	–	254,826,555
Interest bearing borrowings						67,679,128
Tax liabilities						2,382,075
Deferred tax liabilities						5,039,510
Consolidated total liabilities						329,927,268
Capital expenditure	16,215,576	1,081,328	1,653,282	180,180	–	19,130,366
Depreciation	4,239,130	729,651	–	553,166	(40,000)	5,481,947
<b>2005</b>						
<b>Revenue</b>						
External revenue	212,461,087	36,663,528	–	–	–	249,124,615
Inter-segment revenue	–	959,584	–	1,570,000	(2,529,584)	–
Total revenue	212,461,087	37,623,112	–	1,570,000	(2,529,584)	249,124,615
<b>Results</b>						
Segment result	22,379,788	9,644,591	–	(4,113,849)	–	27,910,530
Interest revenue						2,709,463
Interest expenses					(1,936,363)	
Share of results in joint ventures	(561,846)	–	–	–	–	(561,846)
Share of results of associated companies	(3,899)	–	–	–	–	(3,899)
Income taxes						(9,249,362)
Minority interest						30,351
Profits attributable to shareholders						18,898,874

# Notes to the Financial Statements (cont'd)

## 47. Segment Analysis - By Activity (cont'd)

### MAJOR SEGMENT BY ACTIVITY (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2005 (cont'd)</b>						
<b>Other Information</b>						
Segment assets	179,343,547	20,197,137	11,866,261	30,846,329	–	242,253,274
Investment properties						24,200,000
Interest in joint ventures	(28,407,817)	–	–	–	–	(28,407,817)
Goodwill on consolidation					3,744,605	
Tax assets				2,850,925		
Deferred tax assets					30,827	
Cash deposits with licensed banks						122,910,869
Other investments					4,615,500	
Interest in associated companies	63,120	–	–	–	–	63,120
Consolidated total assets						<u>372,261,303</u>
Segment liabilities	179,123,409	3,939,856	31,683	2,287,375	–	185,382,323
Interest bearing borrowings					58,860,026	
Tax liabilities				552,322		
Deferred tax liabilities						3,981,991
Consolidated total liabilities						<u>248,776,662</u>
Capital expenditure	3,338,172	799,642	156,082	895,904	–	5,189,800
Depreciation	2,702,839	696,873	–	406,296	(40,000)	3,766,008

# Notes to the Financial Statements (cont'd)

## 47. Segment Analysis - By Activity (cont'd)

### MAJOR SEGMENT BY GEOGRAPHICAL LOCATION

	Malaysia	Republic of Indonesia	India	Kingdom Of Saudi Arabia	Consolidated
<b>2006</b>					
Total revenue from external customers	308,963,014	–	21,595,235	112,042,051	442,600,300
Segment assets	221,086,809	27,865,959	21,479,624	84,592,593	355,024,985
Investments in associate companies	59,875	–	–	–	59,875
Interest in joint ventures	(28,601,943)	–	–	–	(28,601,943)
Goodwill	3,744,605	–	–	–	3,744,605
Tax assets	737,035	–	–	–	737,035
Cash deposits with licensed banks	107,908,108	1,070,635	–	–	108,978,743
Investment properties	24,550,000	–	–	–	24,550,000
Other investments	4,615,500	–	–	–	4,615,500
Consolidated total assets	334,099,989	28,936,594	21,479,624	84,592,593	469,108,800
Capital expenditure	6,570,170	1,653,282	225,689	10,681,225	19,130,366
<b>2005</b>					
Total revenue from external customers	210,213,767	–	3,202,339	35,708,509	249,124,615
Segment assets	185,063,491	11,866,261	10,571,548	34,751,974	242,253,274
Investments in associate companies	63,120	–	–	–	63,120
Interest in joint venture	(28,407,817)	–	–	–	(28,407,817)
Goodwill on consolidation	3,744,605	–	–	–	3,744,605
Tax assets	2,850,925	–	–	–	2,850,925
Deferred tax assets	30,827	–	–	–	30,827
Fixed deposits with licensed banks	109,824,407	13,086,462	–	–	122,910,869
Investment properties	24,200,000	–	–	–	24,200,000
Other investments	4,615,500	–	–	–	4,615,500
Consolidated total assets	301,985,058	24,952,723	10,571,548	34,751,974	372,261,303
Capital expenditure	3,708,533	156,082	33,891	1,291,294	5,189,800

# Notes to the Financial Statements (cont'd)

## 48. Significant Events

- (i) On 2 March 2006, the Company signed a Supplemental agreement with the Government of Malaysia for additional works to be undertaken for the Subang-Kelana Link Project in Selangor Darul Ehsan, Malaysia for RM133.113 million.
- (ii) On 26 March 2006, the Company completed the incorporation of a foreign subsidiary company know as Ahmad Zaki Saudi Arabia Company Ltd. ("AZSA") in Riyadh, the Kingdom of Saudi Arabia. AZSA was incorporated with an paid-up share of SR500,000/- divided into 1,000 cash shares of equal value of SR500/- each.
- (iii) On 31 March 2006, the wholly owned subsidiary company, Technipolitan Sdn.Bhd. changed its name to AZRB Machinerics Sdn. Bhd..
- (iv) On 24 April 2006, the Company signed an agreement with the State Government of Terengganu of Malaysia to complete a stadium in Gong Badak, Mukim Kuala Nerus, Daerah Kuala Terengganu, Tengganu for RM115.989 million.
- (v) On 10 May 2006, the Company signed an agreement with the Government of Malaysia for improvement the Federal Highway 3 from Kuantan (KM3) to Pekan (KM46), Pahang Darul Makmur for RM383.909 million.

## 49. Subsequent Events

- (i) On 8 January 2007, the Company signed a Facility Agreement with RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) ("the Lender") and Prima Uno Berhad ("the Issuer") for an unsecured fixed loan facility under Primary Collateralised Loan Obligation Programme up to the maximum principal amount of RM40.0 Million ("the Facility").
- (ii) Subsequent to the financial year end and up to the date of this report, the Company had increased its paid-up share capital from RM66,710,400/- to RM66,757,800/- by the allotment of 47,400 ordinary shares of RM1/- each, pursuant to its ESOS. All allotted shares rank pari passu with the existing shares of the Company and were granted listing by Bursa Malaysia Securities Berhad ("Bursa Securities").

## 50. Financial Instruments

### (a) Financial Risk Management Policies

The Group is exposed to a variety of risks in the formal course of business. The Company's risk management seeks to minimize the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:-

#### i. Foreign Exchange Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

# Notes to the Financial Statements (cont'd)

## 50. Financial Instruments (cont'd)

### (a) Financial Risk Management Policies (cont'd)

#### ii. Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities:-

##### - Interest bearing financial assets

Cash deposits are short term in nature and are not held for speculative purposes but are placed to satisfy conditions for bank guarantee and borrowing facilities granted to the Group and for better yield returns than cash at banks.

The Group manages its interest rate yield by prudently balancing the placement of deposits with varying maturity periods.

##### - Interest bearing financial liabilities

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

#### iii. Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the tendering assessment and evaluation process, application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant credit risk exposure to any individual customer.

#### iv. Liquidity and Cash Flow Risks

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

### (b) Fair Values

The methods and assumptions used to estimate the fair value of each class of financial assets and liabilities are as follows:-

#### i. Cash and Bank Balances, Cash Deposits, Trade and Other Receivables and Payables

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

#### ii. Other Investments

The fair values of transferable golf club memberships are estimated based on the current market price of the memberships determined on an individual basis.



# Notes to the Financial Statements (cont'd)

## 50. Financial Instruments (cont'd)

### (b) Fair Values (cont'd)

#### iii. Borrowings

The carrying amounts of bank overdrafts approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amounts of floating rate term loans and financing facilities approximate their fair values.

The fair values of hire purchase payables and fixed rate term loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the balance sheets approximate their fair values except for the following:-

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>2006</b>					
<b>Financial Assets</b>					
Club memberships	10	68,000	100,000	68,000	100,000
Unquoted shares	10	4,547,500	—*	4,500,000	—
<b>Financial Liability</b>					
Hire purchase payables	41	8,314,401	8,004,903	880,663	860,355
Borrowings	42	46,478,788	35,936,024	45,000,000	34,330,284
<b>2005</b>					
<b>Financial Assets</b>					
Club memberships	10	68,000	100,000	68,000	100,000
Unquoted shares	10	4,547,500	—*	4,500,000	—
<b>Financial Liability</b>					
Hire purchase payables	41	8,314,401	8,004,903	880,663	860,355
Borrowings	42	45,000,000	44,766,839	45,000,000	44,766,839

\* It is not practical to estimate the fair values of other investments because of the lack of quoted market prices and inability to estimate fair value without incurring excessive costs.

# Notes to the Financial Statements (cont'd)

## 50. Financial Instruments (cont'd)

### (b) Fair Values (cont'd)

The nominal/notional amounts and fair values of financial liabilities not recognised in the balance sheets of the Group and of the Company are as follows:-

	Note	GROUP		COMPANY	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
<b>2006</b>					
Contingent liabilities in respect of:-					
Legal claims by suppliers of joint ventures of AZSB	45(1a)	<b>18,453,756</b>	—*	—	—
Corporate guarantees given to financial institutions and suppliers of AZSB	45(1b)	—	—	<b>66,766,503</b>	<b>66,766,503</b>
Corporate guarantees given to a financial institution of AZSB	45(a) (partially secured)	—	—	<b>62,588,205</b>	<b>62,588,205</b>
		<b>18,453,756</b>	—	<b>129,354,708</b>	<b>129,354,708</b>
<b>2005</b>					
Contingent liabilities in respect of:-					
Legal claims by suppliers of joint ventures of AZSB	45(1a)	18,453,756	—*	—	—
Corporate guarantees given to financial institutions and suppliers of AZSB	45(1b)	—	—	96,962,740	96,962,740
Corporate guarantees given to a financial institution of AZSB	45(a) (partially secured)	—	—	34,830,149	35,423,648
		18,453,756	—	131,792,889	132,386,388

\* It is not practical to estimate the fair value of the contingent liabilities reliable due to uncertainties of timing, costs and eventual outcome.

# Notes to the Financial Statements (cont'd)

## 51. Changes in Accounting Policies

The adoption of the FRS standards as set out in note 3 to the financial statements does not have any material financial impact on the Group and on the Company, or any significant changes in accounting policies of the Group and of the Company except as follows:-

### (a) FRS 3: Business Combination, FRS136: Impairment of Assets and FRS 138: Intangible Assets

Prior to 1 January 2006, goodwill was amortised over a period of ten years or the expected useful life, whichever is shorter, commencing in the year of acquisition of subsidiary company or associated company. Goodwill is written down when there is an impairment in their carrying value. Negative goodwill (formerly known as reserve on consolidation) was amortised over a period of three years or the expected useful life, whichever is shorter, commencing one year after the year of acquisition of subsidiary company or associated company.

With the adoption of FRS, goodwill is carried at cost less accumulated impairment losses, if any, and is tested for impairment annually or when indication of impairment exists. Negative goodwill is written off to the income statement in the year of acquisition.

In accordance with the transitional provisions of FRS 3, the Group has applied the standard prospectively from 1 January 2006. The Group has eliminated the accumulated amortisation at 1 January 2006 amounting to RM1,613,592/- against the goodwill of RM5,358,197/-. The carrying amount of goodwill as at 1 January 2006 of RM3,744,605/- ceased to be amortised thereafter. Accordingly, the annual amortisation has not been recognised resulting in an increase to profits of RM513,825/-.

The Group has ceased to include annual amortisation of goodwill included in the carrying amount of investments in associates in the determination of the Group's share of profits or losses of associates. The net carrying amount of goodwill included in investment in associated company as at 1 January 2006 is RM8,056/-. Accordingly, the annual amortisation has not been recognised resulting in an increase to profits of RM4,029/-.

### (b) FRS 140: Investment Property

Prior to January 2006, investment properties were stated at valuation less accumulated impairment losses, if any. Revaluations were carried out at least once every five years and any increase is taken to equity as a revaluation surplus. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in a carrying amount is charged to the income statement. The investment properties were last revalued in 2002. Upon the adoption of FRS 140, investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in income statement in the year in which they arise.

The Group has applied FRS 140 in accordance with the transitional provision and the change in accounting policy has no impact on amounts reported for 2005 or prior periods. The changes have been accounted for by adjusting the opening balance of revaluation reserve of RM5,454,890/- to Retained earnings and the balance of RM1,548,000/- to deferred tax.

### (c) FRS 2: Share Based Payment

Prior to 1 January 2006, no compensation expense was recognised in income statement for share options granted. The Group and the Company recognised an increase in the share capital and share premium when the options were exercised. With the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity.

Under the Transitional Provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group and to the Company as there were no new share options granted after 31 December 2004 which remain unvested on 1 January 2006.

# Notes to the Financial Statements (cont'd)

## 51. Changes in Accounting Policies (cont'd)

### (d) FRS 101: Presentation of Financial Statements

Prior to 1 January 2006, minority interest at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interest are now presented within total equity. In the consolidated income statement, minority interest are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosures, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

The changes in presentation are applied retrospectively and the comparative amounts have been restated.

# Analysis of Shareholdings

As at 30 April 2007

Authorised Share Capital	:	RM 100,000,000.00
Class of Shares	:	Ordinary Share of RM1.00 each
Issued and Fully Paid-up Share Capital	:	RM 66,761,800
Voting Rights	:	One vote per RM1.00 per share

## Statement of Director's Shareholdings

	Number of Ordinary Shares of RM1.00 Each			
	Direct Interest	%	Deemed Interest	%
<b>The Company</b>				
<b>Ahmad Zaki Resources Berhad</b>				
Raja Dato' Seri Aman bin Raja Haji Ahmad	—	—	—	—
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	498,690	0.75	40,765,284	61.06*
Dato' Wan Zakariah bin Haji Wan Muda	149,674	0.22	—	—
Dato' Haji Mustaffa bin Mohamad	1,280,912	1.91	—	—
Dato' W Zulkifli bin Haji W Muda	264,674	0.40	—	—
Datuk (Prof) A Rahman @ Omar bin Abdullah	300,000	0.45	—	—
Dato' Ismail @ Mansor bin Said	1	—	—	—
<b>Ultimate Holding Company</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	50,001	50.00	—	—
Dato' Wan Zakariah bin Haji Wan Muda	10,000	10.00	—	—
Dato' W Zulkifli bin Haji W Muda	10,000	10.00	—	—

\* 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 2007.

## Distribution of Shareholders

Category	No. of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	138	—	7,015	—	—	—
100 to 1,000	400	1	335,850	1,000	0.50	—
1,001 to 10,000	1,317	6	4,840,660	126,760	7.25	0.19
10,001 to 100,000	222	26	6,756,634	141,000	10.12	0.21
100,001 to less than 5% of Issued Shares	31	—	13,787,597	—	20.65	—
5% and above of Issued Shares	2	—	40,765,284	—	61.06	—
<b>Total</b>	<b>2,110</b>	<b>33</b>	<b>66,493,040</b>	<b>268,760</b>	<b>99.5859</b>	<b>0.4026</b>

# Analysis of Shareholdings (cont'd)

## List of Substantial Shareholders (5% and Above Excluding Bare Trustees)

		Number of Ordinary Shares of RM1.00 Each			
		Direct Interest	%	Deemed Interest	%
1	Zaki Holdings (M) Sdn Bhd	40,765,284	61.06	—	—
2	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	498,690	0.75	40,765,284	61.06*

\* Shares held through Zaki Holdings (M) Sdn Bhd

## List of 30 Largest Shareholders as at 30 April 2007

No.	Name	Shares Held	%
1	Zaki Holdings Sdn Bhd	32,919,768	49.31
2	Zaki Holdings Sdn Bhd	7,845,516	11.75
3	Geosakti Sdn Bhd	1,588,400	2.38
4	Employees Provident Fund Board	1,530,440	2.29
5	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee BHD for OSK-UOB Small CAP Oppurtunity Unit Trust	1,340,700	2.00
6	OSK Nominees (Tempatan) Sdn Bhd Idris bin Mohammad	1,000,000	1.49
7	Al-Wakalah Nominees (Tempatan) Sdn Bhd Pledged Securities account for Dato Mustaffa bin Mohamad (CKT)	784,000	1.17
8	Nik Mahani binti Nik Mohd Rashid	727,727	1.09
9	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for MAAKL Value Fund	517,000	0.77
10	Fong Ting Wong	500,000	0.75
11	Dato Sri Haji Wan Zaki bin Haji Wan Muda	498,690	0.75
12	Dato' Haji Mustaffa bin Mohamad	496,912	0.74
13	Betanaz Corporation Sdn Bhd	492,500	0.74
14	M&A Securities Sdn Bhd	486,600	0.73
15	AXA Affin General Insurance Berhad	439,200	0.66
16	Valuecap Sdn Bhd	328,200	0.49
17	Datuk (Prof) A Rahman @ Omar bin Abdullah	300,000	0.45
18	HSBC Nominees (Tempatan) Sdn Bhd	275,900	0.41
19	Dato' W Zulkifli bin Haji W Muda	264,674	0.40
20	CitiGroup Nominees (Tempatan) Sdn Bhd	231,900	0.35
21	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities account for Lee Keng Hong	216,860	0.32
22	Rosmini Azah binti Abdul Rahman	200,300	0.30
23	Hoo Hock San	194,500	0.29
24	Tengku Ab Malek bin Tengku Mohamed	178,360	0.27
25	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee BHD for MAAKL Al-Fauzan (5170)	165,000	0.25
26	Goonchen Investment Trust Sdn Berhad	161,000	0.24
27	Dato' Wan Zakariah bin Haji Wan Muda	149,674	0.22
28	Kurnia Insurans (Malaysia) Berhad	136,500	0.20
29	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for PHEIM Asia Ex-Japan Islamic Fund	132,400	0.20
30	Alliance Group Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund	118,600	0.18
<b>Total</b>		<b>54,221,321</b>	<b>81.21</b>

# List of Properties

As at 31 December 2006

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV RM'000
GM372, Lot 981 and GM 4708, Lot 985, Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 981 and Lot 985")	20.01.1994 & 16.02.1994	Vacant land	Freehold	54,967 sq.ft.	5,300
EMR 873, Lot 826 Mukim Sungai Karang Kuantan, Pahang ("Lot 826")	30.10.1993	Land and 1-storey and 3-storey buildings held for rental	Freehold (13 years)	202,815/ (64,670) sq.ft.	19,250
HS (M) 1038, Lot PT4782 and HS (M) 1039, Lot PT4783 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT4782 and Lot PT4783")	05.05.1997	Adjoining 5-storey buildings for own use	Freehold (11 years)	3,498/ (20,728) sq.ft.	3,963
Daerah Kuala HS (M) 994, Lot PT16360 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT16360")	28.09.2000	5-storey building for own use	Freehold (21 years)	1,581/ (10,364) sq.ft.	1,294
HS (D)15563, Lot 4910 PT1921, Mukim Hulu Klang District of Gombak Negeri Selangor ("Lot PT4970")	21.01.2000	Double storey bungalow for rental	Leasehold expiring 17.06.2078/ (22 years)	10,332/ (2,457) sq.ft.	1,282
GM 1821, Lot No. 5413 Mukim Kuala Lumpur District of Negeri Wilayah Persekutuan ("Lot PT5419")	26.11.2002	Double storey bungalow for own use	Freehold (29 years)	42,738/ (9,640) sq.ft.	6,173
Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu ("Lot PT2100")	15.07.2003	Vacant land	Leasehold expiring 18.10.2025	20 hectares	125
HS (M) 929, Lot PT 16343 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16343")	24.11.2005	4-storey building for own use	Freehold (11 years)	1,604/ (8,291) sq.ft.	795
HGU No. 5 Desa Amboyo Selatan Kecamatan Ngabang Kabupaten Pontianak Kalimantan Barat, Republic of Indonesia	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	7,740 hectares	8,797

# Appendix 1

The Articles of Association of Ahmad Zaki Resources Berhad are proposed to be amended in the following manner, to reflect current practice and be in compliance with the amendments to the Listing Requirement of Bursa Malaysia Securities Berhad:

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 2	<p><u>Interpretation</u></p> <p>“the Exchange”</p> <ul style="list-style-type: none"> <li>– <u>Kuala Lumpur Stock Exchange.</u></li> </ul>	<p><u>Interpretation</u></p> <p>“the Exchange”</p> <ul style="list-style-type: none"> <li>– <b>Bursa Malaysia Securities Berhad (635998-W)</b> including any further change to its name and such other stock exchange, if any, upon which the shares or other securities of the Company may be listed and quoted.</li> </ul>
	<p>“Member”</p> <ul style="list-style-type: none"> <li>– <u>any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository nominees Sdn. Bhd.) including depositors whose names appear on the Record of Depositors.</u></li> </ul>	<p>“Member”</p> <ul style="list-style-type: none"> <li>– Any person for the time being holding shares in the Company and whose name appear in the Register of Members including a Depositor who shall be treated as if he were a Member pursuant to Section 35 of the Central Depositories Act but excludes the Depository in its capacity as a bare trustee.</li> </ul>
	<p>“Central Depository”</p> <ul style="list-style-type: none"> <li>– <u>Malaysian Central Depository Sdn Bhd.</u></li> </ul>	<p>“Depository”</p> <ul style="list-style-type: none"> <li>– <b>Bursa Malaysia Depository Sdn Bhd (165570-W)</b> including any further change to its name.</li> </ul>
	<p>“Depositor”</p> <ul style="list-style-type: none"> <li>– a holder of a securities account.</li> </ul>	<p>“Depositor”</p> <ul style="list-style-type: none"> <li>– A holder of a securities account established by the Depository.</li> </ul>
	<p>“Deposited Security”</p> <ul style="list-style-type: none"> <li>– <u>a security standing to the credit of a securities account and includes securities in a securities account that is in suspense.</u></li> </ul>	<p>“Deposited Security”</p> <ul style="list-style-type: none"> <li>– Shall have the meaning given in section 2 of the Central Depositories Act.</li> </ul>
	<p>“Record of Depositors”</p> <ul style="list-style-type: none"> <li>– a record provided by the <u>Central Depository</u> to the Company under Chapter 24.0 of the Rules.</li> </ul>	<p>“Record of Depositors</p> <ul style="list-style-type: none"> <li>– A record provided by the <b>Depository</b> to the Company under Chapter 24.0 of the Rules.</li> </ul>
	<p>“Rules”</p> <ul style="list-style-type: none"> <li>– the Rules of the <u>Central Depository.</u></li> </ul>	<p>“Rules”</p> <ul style="list-style-type: none"> <li>– the Rules of the <b>Depository.</b></li> </ul>



# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 2	<p>“Securities Account”</p> <ul style="list-style-type: none"> <li>– an account established by the <u>Central Depository</u> for a Depositor for the recording of deposit or withdrawal of securities and for dealing in such securities by the Depositor.</li> </ul>	<p>“Securities Account”</p> <ul style="list-style-type: none"> <li>– An account established by the <b>Depository</b> for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor.</li> </ul>
To amend Article 6	<p><u>Rights of Preference Shareholders</u></p> <p>Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed <u>but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time</u> and the Company shall not issue preference shares ranking in priority over preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and Balance Sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning the disposal of the whole of the Company’s property, business and undertakings, or where any proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six (6) months, or during the winding up of the Company.</p>	<p><u>Rights of Preference Shareholders</u></p> <p>Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority over preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and Balance Sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning the disposal of the whole of the Company’s property, business and undertakings, or where any proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six (6) months, or during the winding up of the Company.</p>
To amend Article 6A	<p><u>Rights of Preference Shareholders</u></p> <p>Preference Shareholders shall be entitled to a return of capital in preference to ordinary shareholders when the Company is wound up.</p>	<p><u>Rights of Preference Shareholders</u></p> <p><b>(Deleted)</b></p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 27A	<p><u>Transfer in writing</u></p> <p>The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the <u>Central Depository</u> in accordance with rules of the <u>Central Depository</u> and notwithstanding section 103 and 104 of the Companies Act 1965, and provisions herein but subject to subsection 107C(2) of the Companies Act 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act 1965, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.</p>	<p><u>Transfer in writing</u></p> <p>The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the <b>Depository</b> in accordance with rules of the <b>Depository</b> and notwithstanding section 103 and 104 of the Companies Act 1965, and provisions herein but subject to subsection 107C(2) of the Companies Act 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act 1965, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.</p>
To amend Article 29(3)	<p><u>No liability</u></p> <p>With the exception of transfer in favour of the <u>Central Depository</u> the Directors may decline to register the transfer of any shares if in their opinion, such transfer is made to an individual who or to a corporation or any other legal entity which will hold the shares as a nominee unless such transfer shall be accompanied by a declaration by the transferee as to the persons entitled to the beneficial interest thereof.</p>	<p><u>No liability</u></p> <p>With the exception of transfer in favour of the <b>Depository</b> the Directors may decline to register the transfer of any shares if in their opinion, such transfer is made to an individual who or to a corporation or any other legal entity which will hold the shares as a nominee unless such transfer shall be accompanied by a declaration by the transferee as to the persons entitled to the beneficial interest thereof.</p>
To amend Article 31	<p><u>Suspension of registration</u></p> <p>The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) Market Days in any year. Eighteen (18) Market Days' notice of intention to suspense the said register of members shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the purpose or purposes for which the register of members is being closed. The Company shall give notice in accordance with <u>Rules of MCD to the Central Depository</u> to enable the <u>Central Depository</u> to prepare the appropriate Record of Depositors.</p>	<p><u>Suspension of registration</u></p> <p>The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) Market Days in any year. Ten (10) Market Days' notice of intention to suspense the said register of members shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the purpose or purposes for which the register of members is being closed. The Company shall give notice in accordance with the Rules to enable the <b>Depository</b> to prepare the appropriate Record of Depositors.</p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 35	<p><u>Notice of election</u></p> <p>If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects provided that where the share is a Deposited Security and the person becoming entitled, elects to have the share transferred to him, the aforesaid notice must be served by him on the <u>Central Depository</u>. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the shares. All the limitations, restrictions and provisions of these Articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.</p>	<p><u>Notice of election</u></p> <p>If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects provided that where the share is a Deposited Security and the person becoming entitled, elects to have the share transferred to him, the aforesaid notice must be served by him on the <b>Depository</b>. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the shares. All the limitations, restrictions and provisions of these Articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.</p>
To insert new Article 36A	–	<p><b><u>Transmission of Securities</u></b></p> <p><b>Where:-</b></p> <p>(i) <b>The securities of the Company are listed on another stock exchange; and</b></p> <p>(ii) <b>The Company is exempted from compliance with Section 14 of the Central Depository Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities;</b></p> <p><b>the Company shall upon request of a securities holder, permit a transmission of securities held by such securities holders from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of the Company in Malaysia (“Malaysian Register”) and vice versa provided that there shall be no change in the ownership of such securities.</b></p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 57(a)	<p><u>Notice of meeting</u></p> <p>The notice convening meetings shall specify the place, day and hour of the meeting, and shall be given in a manner hereinafter mentioned to persons who are under the provisions of these Articles entitled to receive notices of general meetings from the Company at least 14 days before the meeting or least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting of every such meeting shall be given by advertisement in <u>the daily press</u> and in writing to the Exchange and other stock exchange, if any, on which the shares of the Company is listed.</p>	<p><u>Notice of meeting</u></p> <p>The notice convening meetings shall specify the place, day and hour of the meeting, and shall be given in a manner hereinafter mentioned to persons who are under the provisions of these Articles entitled to receive notices of general meetings from the Company at least 14 days before the meeting or least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting of every such meeting shall be given by advertisement in <b>at least one nationally circulated Bahasa Melayu or English daily newspaper</b> and in writing to the Exchange and other stock exchange, if any, on which the shares of the Company is listed.</p>
To amend Article 57(b)	<p><u>Notice of meeting</u></p> <p>Subject to the Central Depositories Act and the Rules, the Company shall by written request made in duplicate in the prescribed form, request the <u>Central Depository</u> in accordance with the Rules, to prepare the Record of Depositors to whom notices of general meetings shall be given by the Company.</p>	<p><u>Notice of meeting</u></p> <p>Subject to the Central Depositories Act and the Rules, the Company shall by written request made in duplicate in the prescribed form, request the <b>Depository</b> in accordance with the Rules, to prepare the Record of Depositors to whom notices of general meetings shall be given by the Company.</p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 57(c)	<p><u>Notice of meeting</u></p> <p>The Company shall inform the <u>Central Depository</u> of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request <u>the Central Depository</u> in accordance with the Rules, to prepare the Record of Depositors, as at a <u>date not earlier than 3 market days from the date of the general meeting</u>. The General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meeting.</p>	<p><u>Notice of meeting</u></p> <p>The Company shall inform the <b>Depository</b> of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request the <b>Depository</b> in accordance with the Rules, to prepare the Record of Depositors, as at <b>the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting</b>. The General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meeting.</p>
To amend Article 68	<p><u>Voting</u></p> <p>Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy who may but need not be a member of the Company or by attorney upon which all calls due to the Company have been paid and <u>on a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote</u>, and on a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands or on a poll.</p>	<p><u>Voting</u></p> <p>Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy who may but need not be a member of the Company or by attorney upon which all calls due to the Company have been paid and <b>on a show of hands, a member of ordinary shares or preference share who is personally present and entitled to vote shall be entitled to one (1) vote</b>, and on a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands or on a poll.</p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 79	<p><u>Number of Directors</u></p> <p>All the Directors of the Company shall be natural persons and until otherwise determined by general meeting the number of Directors shall not be less than three (3) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Director or Directors may except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company. The first directors are Dato' Ismail @ Mansor Bin Said and Dato' Haji Hamzah Bin Mamat @ Muhamad.</p>	<p><u>Number of Directors</u></p> <p>Until otherwise determined by general meeting the number of Directors shall not be less than three (3) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Director or Directors may except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company. The first directors are Dato' Ismail @ Mansor Bin Said and Dato' Haji Hamzah Bin Mamat @ Muhamad.</p>
To amend Article 91	<p><u>When offices of Director deemed vacant</u></p> <p>The office of director shall become vacant if the director:-</p> <p>(a) <u>has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally;</u></p> <p>(b) becomes prohibited from being a director by reason of any order made under the Act or contravenes Section 130 of the Act;</p> <p>(c) ceases to be or is prohibited from being a Director by virtue of the Act;</p> <p>(d) <u>becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</u></p> <p>(e) resigns his office by notice in writing to the Company and deposited at the registered address of the Company;</p> <p>(f) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;</p> <p>(g) becomes prohibited from being a director by reason of Section 129(1) of the Act unless otherwise reappointed pursuant to the provision of the Act;</p>	<p><u>When offices of Director deemed vacant</u></p> <p>The office of director shall become vacant if the Director:-</p> <p>(a) <b>becomes of unsound mind or bankrupt during his term of office;</b></p> <p>(b) becomes prohibited from being a director by reason of any order made under the Act or contravenes Section 130 of the Act;</p> <p>(c) ceases to be or is prohibited from being a Director by virtue of the Act;</p> <p>(d) resigns his office by notice in writing to the Company and deposited at the registered address of the Company;</p> <p>(e) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;</p> <p>(f) becomes prohibited from being a director by reason of Section 129(1) of the Act unless otherwise reappointed pursuant to the provision of the Act;</p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 91 (Cont'd)	(h) <u>is absent from more than 50% of the total board of directors' meeting held during a financial year.</u>	
To amend Article 131	<p><u>To whom copies of profit and loss accounts etc may be sent</u></p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the Section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these presents. The requisite number of copies of each such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s). Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's registered office.</p>	<p><u>To whom copies of profit and loss accounts etc may be sent</u></p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the Section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed four (4) months. A copy of each such documents (<b>whether in hard or soft copy</b>) shall not less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these presents. The requisite number of copies of each such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s). Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been shall be entitled to receive a copy free of charge on application at the Company's registered office.</p>
To amend Article 150(c)	<p><u>Who may receive notice</u></p> <p>All notices served for and on behalf of the Company or the Directors shall <u>only be effectual if it bears the signature of a Director or</u> the Company Secretary or a duly authorised officer of the Company.</p>	<p><u>Who may receive notice</u></p> <p>All notices served for and on behalf of the Company or the Directors shall <b>be deemed effectual if it purports to bear the signature of a Director or</b> the Company Secretary or a duly authorised officer of the Company.</p>

# Appendix 1 (cont'd)

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS (HIGHLIGHTED IN BOLD)
To amend Article 157(g)	<p data-bbox="454 525 774 550"><u>Effects of the Listing Requirements</u></p> <p data-bbox="454 584 938 721">For the purpose of this Article, unless the context otherwise require, "Listing Requirements" means the Listing Requirements of <u>Kuala Lumpur Stock Exchange</u> including any amendment to the Listing Requirements that may be made from time to time.</p>	<p data-bbox="986 525 1305 550"><u>Effects of the Listing Requirements</u></p> <p data-bbox="986 584 1498 750">For the purpose of this Article, unless the context otherwise require, "Listing Requirements" means the Listing Requirements of <b>Bursa Malaysia Securities Berhad (635998-W)</b> including any amendment to the Listing Requirements that may be made from time to time.</p>



# 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 Tenth Annual General Meeting of the Company to be held at Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 21 June 2007 at 10.00am 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. RESOLUTION 1		
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		

(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).

As Witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
 Signature of member(s)/Seal

(\*Delete where inapplicable)

**NOTES:**

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. 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.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
5. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 15-2, 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.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

**Resolution 7**

The proposed ordinary resolution No. 7, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a General Meeting will expire at the next Annual General Meeting of the Company.

**Resolution 8**

Please refer to the Circular to Shareholders dated 31 May 2007 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2006.

**Resolution 9**

Please refer to the Circular to Shareholders dated 31 May 2007 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2006.

**Resolution 10**

The proposed special resolution No. 10, if passed, will bring the Articles of Association of the Company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.