

laporan tahunan
annual report

'04

AZRB
AHMAD ZAKI RESOURCES BERHAD

Company No. 432768-X
(Incorporated in Malaysia under the Companies Act, 1965)

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NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 23 June 2005 at 10.00 a.m. for the following purposes:-

Notice Of Annual General Meeting

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final dividend of 7% less 28% tax for the year ended 31 December 2004.
3. To approve the payment of Directors' Fees for the year ended 31 December 2004.
4. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-
 - (i) Dato' W Zulkifli bin Haji W Muda
 - (ii) Dato' Ismail @ Mansor bin Said
5. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business:

To consider and if thought fit, passing the following Resolutions as Ordinary Resolutions:-

6. AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

"**THAT** subject to the provisions of Section 132D of the Companies Act, 1965 and approvals from the 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 1

resolution 2

resolution 3

resolution 4

resolution 5

resolution 6

resolution 7

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

resolution 8

“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 30 May 2005 (“Circular”) provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading 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 9th 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 9th 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."

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

resolution 9

"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 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 9th 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 9th 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."

- 9. 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 7% less 28% tax for the financial year ended 31 December 2004, if approved, will be paid on 19 July 2005 to depositors registered in the Record of Depositors at the close of business on 12 July 2005.

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

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 July 2005 in respect of ordinary transfer; and
- b. 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
Lim Ming Toong
Liew Wai Kean
 Secretaries

Kuala Lumpur
 30 May 2005

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 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 11-2, 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

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.
8. The proposed ordinary resolutions No. 8 & 9, if passed, will allow the AZRB Group to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandates").
 The Proposed Shareholders' Mandates would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the AZRB Group.
 Further information on the Proposed Shareholders' Mandates is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2004.

Statement Accompanying Notice Of AGM

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Listing Requirements

1. Details of Board meetings held during financial year ended 31 December 2004:

There were 6 Board meetings held during the financial year ended 31 December 2004. Details of attendance of the Directors are as follows:-

Name of Director	Total Meetings attended by the Director	% of Attendance
Executive Directors		
Dato' Haji Wan Zaki bin Haji Wan Muda	6/6	100%
Dato' Wan Zakariah bin Haji Wan Muda	6/6	100%
Dato' Haji Mustaffa bin Mohamad	6/6	100%
Dato' W Zulkifli bin Haji W Muda	6/6	100%
Non-Executive Directors		
Dato' Ismail @ Mansor bin Said	6/6	100%
Datuk (Prof.) A Rahman @ Omar bin Abdullah	6/6	100%
Raja Dato' Seri Aman bin Raja Haji Ahmad*	5/6	83%

* Raja Dato' Seri Aman bin Raja Haji Ahmad was appointed on 26 February 2004.

2. Place, Date and Time of Meeting

The Eighth Annual General Meeting of the Company will be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 23 June 2005 at 10.00 a.m.

3. Profiles of Directors who are standing for re-election

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

Name of Director

Dato' W Zulkifli bin Haji W Muda (Executive Director)
Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director)

Further details of the above Directors are set out in the Profile of Directors on pages 10 to 13 of this Annual Report and Statement of Directors' shareholdings on page 105 of this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Raja Dato' Seri Aman bin Raja Haji Ahmad
Independent Non-Executive Chairman

Dato' Haji Wan Zaki bin Haji Wan Muda
Executive Vice Chairman

Dato' Wan Zakariah bin Haji Wan Muda
Managing Director

Dato' Haji Mustaffa bin Mohamad
Executive Director

Dato' W Zulkifli bin Haji W Muda
Executive Director

Datuk (Prof.) A Rahman @ Omar bin Abdullah
Independent Non-Executive Director

Dato' Ismail @ Mansor bin Said
Independent Non-Executive Director

AUDIT COMMITTEE

Raja Dato' Seri Aman bin Raja Haji Ahmad
Chairman, Independent Non-Executive Chairman

Dato' Ismail @ Mansor bin Said
Member, Independent Non-Executive Director

Dato' Haji Wan Zaki bin Haji Wan Muda
Member, Executive Vice Chairman

COMPANY SECRETARIES

Bahari bin Johari (LS No. 0008773)
Lim Ming Toong (MAICSA: 7000281)
Liew Wai Kean (MAICSA: 7020245)

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 11-2, Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2692 4271 Fax: 03-2732 5388

PRINCIPAL BANKERS

Affin Bank Berhad
AmBank Berhad
AmMerchant Bank Berhad
Bumiputra-Commerce Bank (M) Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

AUDITORS

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

STOCK EXCHANGE

Main Board of Bursa Malaysia



AZ-MRT-WCT
Joint Venture
Special Project Award



CIDB
Builder of the Year
Award



Johawaki-Ahmad Zaki
Joint Venture
The Malaysia Construction Industry
Large Scale Project Award



CIDB - Project Awards
Major Scale Project -
Building Category

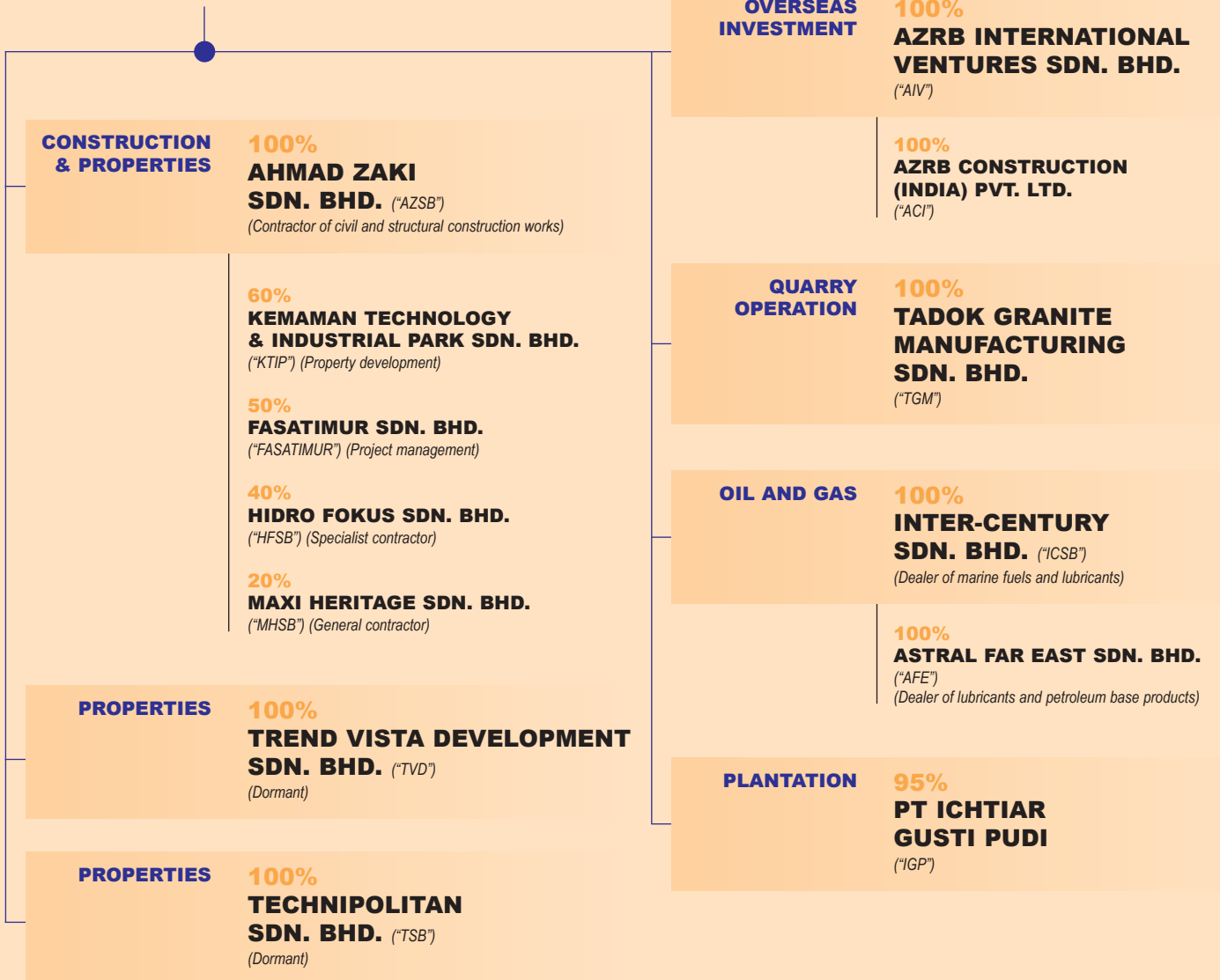


Corporate Structure



AHMAD ZAKI RESOURCES BERHAD

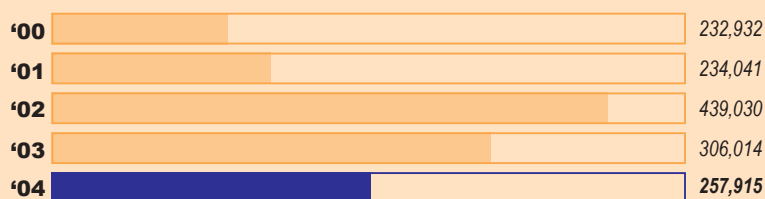
Company No. 432768-X
(Incorporated in Malaysia under the Companies Act, 1965)



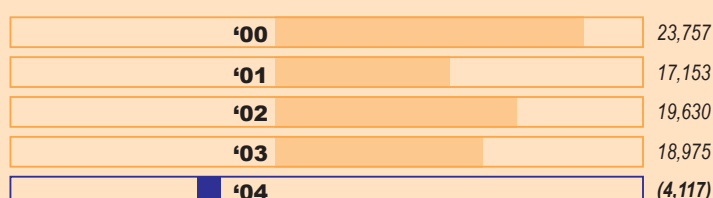
	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
Revenue	257,915	306,014	439,030	234,041	232,932
Profit/(loss) before taxation	(4,117)	18,975	19,630	17,153	23,757
Profit/(loss) after taxation and minority interest	(11,747)	12,907	13,436	11,479	16,614
Paid up capital	66,710	66,306	46,301	30,000	30,000
Shareholders' funds	105,434	122,117	111,704	81,147	73,748
Net tangible assets per share (sen)	153	178	240	268	243

Financial Highlights

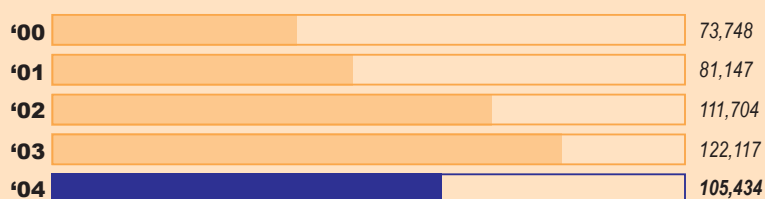
Revenue (RM'000)



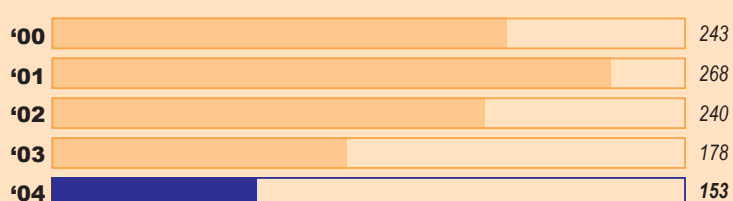
Profit/(Loss) before Taxation (RM'000)



Shareholders' Funds (RM'000)



Net Tangible Assets Per Share (Sen)



Directors' Particulars



RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD

SPMP, DPMP

A Malaysian, aged 59, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26 February 2004 and subsequently assumed the Chairman of Audit Committee on 8 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 (a company listed on the Main Board of Bursa Malaysia) and sits on the board of Affin-ACF Finance Berhad and Affin Merchant Bank Berhad.

During the financial year ended 31 December 2004, he attended 5 out of 6 Board meetings held.

FAMILY RELATIONSHIP

Except for Dato' 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 94 to 95 (note 41) 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.



DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

DPMT, PPN, PJK

A Malaysian, aged 56, 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 founder member of AZSB. Dato' Haji Wan Zaki began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd, a Pahang state-owned company. In 1973, he joined Perkayuan Pahang Sdn Bhd as a Financial Assistant and Marketing Officer and subsequently rose to the position of Marketing Manager. He left Perkayuan Pahang Sdn Bhd in 1977 to join Pesaka Terengganu Bhd as its Operation Manager where he served until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to start AZSB.

Dato' 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 2004, he attended 6 out of 6 Board meetings held.



DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

DSSA

A Malaysian, aged 45, was appointed an Executive Director of AZRB on 24 March 1999 and subsequently assumed the 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 2004, he attended 6 out of 6 Board meetings held.



DATO' HAJI MUSTAFFA BIN MOHAMAD

DPMT, PJK

A Malaysian, aged 54, 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 Lincoln's 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 board of directors of several private limited companies.

During the financial year ended 31 December 2004, he attended 6 out of 6 Board meetings held.



DATO' W ZULKIFLI BIN HAJI W MUDA

DIMP

A Malaysian, aged 43, 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 board of directors of several private limited companies.

During the financial year ended 31 December 2004, he attended 6 out of 6 Board meetings held.



DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH

PJN, DPMT, JSM, SMT, AMN

A Malaysian, aged 59, 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 Heriot-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 Malaysia.

Datuk A Rahman is currently the Chairman of the Construction Industry Development Board, prior to which he was the Deputy Director General II of the Public Works Department. 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 and sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2004, he attended 6 out of 6 Board meetings held.



DATO' ISMAIL @ MANSOR BIN SAID

DPMT, AMN

A Malaysian, aged 56, 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 2004, he attended 6 out of 6 Board meetings held.

Board of Directors acknowledges its responsibility for maintaining a sound system of internal control in order to protect shareholder's investment and Group's assets. As such, the Group's system of internal control is designed to ensure effective and efficient operations, sound internal control, timely and reliable financial reporting and compliance with laws and regulations. In establishing and reviewing the system of internal control, the Directors have confirmed the materiality of relevant risks, the likelihood of a risk to incur and the loss associated with the risk and the adequacy and costs of control. Therefore, it follows that the system of internal control can only provide reasonable but not absolute insurance against the risk of material loss and fraudulent activities.

Statement On Internal Control

RISK MANAGEMENT

In view of the Group's effort to become more accountable, transparent and responsive to stakeholder's interests, the Board has decided to do away from the traditional risk management approach to a more systematic and advance risk management system. In July 2004, the Board had appointed an external consultant to do a Enterprise Risk Management (ERM) for the Group. 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. The ERM was completed in approximately one month and the result was tabled to the Board.

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 (RMC Board) was 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 Management Committee on an aggregated view of principal risks inherent in all operating units and companies with 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

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 and 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 2005 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. 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 and contract management.

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 2004 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 on Internal Control is made in accordance with the resolution of the Board of Directors dated 22 April 2005.

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.

Statement On 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 10 to 13 of the Annual Report.

The presence of three (3) Independent Directors shall provide unbiased and independent views and judgement in the decision making process at the Board level and ensure that no significant decisions and policies are made by any individual and 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 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 other 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 Bursa Malaysia or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

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

The additional committees set up are Nomination Committee, Remuneration Committee, Establishment Committee and 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 regards 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 Bursa Malaysia.

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

Member

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

- (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)

The Company Secretary is the secretary of the Nomination Committee.

REMUNERATION COMMITTEE

Primary function

The Remuneration Committee was established on 20 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' 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.

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 Employees' 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 four meetings during the financial year ended 31 December 2004.

RISK MANAGEMENT COMMITTEE

Primary Function

The Risk Management Committee (RMC) was established on 18 August 2004 with the primary responsibility of ensuring an effective functioning of the integrated risk management function within the organization. The RMC oversees and monitors 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 RMC that reviews and approves risk management policies and risk tolerance limits.

The RMC specifically is to define, sponsor and support all risk management activities within AZRB Group inclusive of its associated companies and significant joint ventures where management responsibilities are vested to AZRB. Apart from setting and approving the Group's Risk Management Strategy, Policy and Guidelines, the RMC also receives and reviews 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 @ Mansor bin Said (Independent Non-Executive Director, Member)
- (iii) Dato' Haji Wan Zaki bin Haji Wan Muda (Executive Vice Chairman, Member)

(c) Board Meetings

During the financial year ended 31 December 2004, six (6) 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
26 February 2004	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	6	2 (100%)	4 (100%)
29 April 2004	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
18 May 2004	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
18 August 2004	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
1 November 2004	Boardroom, Level 3 Sheraton Imperial Kuala Lumpur Jalan Sultan Ismail 50250 Kuala Lumpur	7	3 (100%)	4 (100%)
6 December 2004	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 2004 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 are performed by the Board. In compliance with the best practices recommended by the Code, these functions have been delegated to Nomination Committee with effect from 16 January 2002.

(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.

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

	Salaries* RM	Allowances RM	Fees RM	Bonuses RM	Benefits- in-kind RM	Total RM
Executive Directors	1,384,735	31,900	282,000	156,990	577,970	2,433,595
Non-Executive Directors	–	16,500	383,000	–	17,167	416,667

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

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

RANGE OF REMUNERATION	Executive Directors	Non-Executive Directors
Below RM50,000	–	1
RM50,001 - RM150,000	–	–
RM150,001 - RM200,000	–	2
RM200,001 - RM450,000	–	–
RM450,001 - RM500,000	2	–
RM500,001 - RM550,000	1	–
RM550,001 - RM750,000	–	–
RM750,001 - RM800,000	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 Bursa Malaysia 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 Bursa Malaysia and have been attaining CEP prescribed by the Bursa Malaysia from time to time.

(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 @ Mansor bin Said with effect from 26 February 2004.

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 Bursa Malaysia, 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 23 of this Annual Report.

(b) Internal Control and Risk Management

The Statement of Internal Control is set out on pages 14 to 16 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 on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 22 April 2005.

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 22 April 2005.

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' Haji Wan Zaki bin Haji Wan Muda (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 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 26 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 auditor, 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 auditor before the audit commences, the nature and scope of the audit;
- (iii) To discuss with the external auditor on the evaluation 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 auditor 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.
- (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.

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2004 are as follows:-

Date of meeting	Total committee members	Attendance by committee members (Percentage attendance)	
		Independent	Non-Independent
29 April 2004	3	2 (100%)	1 (100%)
18 May 2004	3	2 (100%)	1 (100%)
21 June 2004	3	2 (100%)	1 (100%)
18 August 2004	3	2 (100%)	1 (100%)
26 November 2004	3	2 (100%)	1 (100%)
15 December 2004	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 2004 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' Ismail @ Mansor bin Said	6/6	100%
Dato' Haji Wan Zaki bin Haji Wan Muda	6/6	100%

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2004 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.

OPTION, 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 40 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2004.

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 on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

PROFIT GUARANTEE

The Company did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2004.

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2004.

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties held for long term investment purpose will be appraised at least once in every five years.

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 2004.

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 2004.

MATERIAL CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed as recurrent related parties transactions of a revenue in nature in page 29 of the Annual Report, 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 2004 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 shareholders' mandate in the previous AGM are quantified as follows :

Nature of the transactions with related party	Entered by	Period covered from 1st January to 30th June of Year 2004 RM'000	Period covered from 1st July to 31st December of Year 2004 RM'000
a) Purchases of building materials from following subsidiaries of CHRB			
(i) Chuan Huat Industrial Marketing Sdn. Bhd.	AZSB	6,037	7,109
(ii) Chuan Huat Hardware Sdn. Bhd.	AZSB	97	75
b) Insurance premium paid/payable to ZHSB	AZSB, ICSB and AZRB	178	68
c) Administrative charges paid/payable to ZHSB	AZSB and ICSB	61	61
d) Rental of premises paid to Dato' Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
e) Rental of premises paid to ZHSB	AZSB and AZRB	210	210
f) Accommodation charges paid/payable to RIM	AZSB	–	2
g) 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' 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 Policy

We in AZRB believe in protection of human health, natural environment, prosperous economy and spiritual harmony. We recognize our business activities may have great impact on the local, national and global environment. Our policy is to comply with all applicable legislative requirements and the Environmental Quality Act, we seek to prevent pollution in all our business activities and be continuously improving our environmental management system by keeping abreast of any new technologies that will minimize environmental damage.

OBJECTIVES

In line with our policy, we set out to achieve the following objectives:

- Integrate environmental considerations into decision making of any procurements or implementation of any business processes.
- Control noise and any waste/construction debris emitted from project site.
- Recycle any waste material etc as far as we can.
- Require Sub Contractors and Suppliers to abide with our environmental programmes and performance.
- Ensure all employees understand and are able to fulfill their environment responsibilities through training and awareness programmes.
- Minimize energy, water and material wastage in our daily operation process.

ENVIRONMENTAL MANAGEMENT PLAN (EMP)

It is our practice that prior to any execution of works, a detailed study will be carried out to determine the impact of our works to the site and surrounding. The issues may vary depending on the nature of works and the area concerned. During this study, the elements which are critical will be noted and the impact will be monitored throughout the duration of the project.

The basic elements that generally affect the environment can be classified into the following:

- (i) **Air Quality Monitoring:** In this system, total suspended particulate samples are collected using a high volume sampler for a period of twenty four (24) hours continuously at a selected location. The results are analysed using the ASTM D 4096, 1993.
- (ii) **Noise Level Measurements:** Noise levels are measured for a period of 24 hours on a selected day using "A" weighting network and "fast" time weighting response. Laeq, LA5 and LA95 measurements are recorded using a pre-calibrated precision integrating noise meter with an in built statistical analysis function at selected measurement points, in compliance with BS 5228 Code of Practice for Noise on Construction And Demolition Sites.
- (iii) **Water Quality Monitoring:** Water samples are collected by grab sampling technique. Site measurement for temperature, pH value and dissolved oxygen are taken using pre calibrated meters. The samples are then preserved and analysed for chemical parameters using ASTM D 5358, 1993.
- (iv) The other physical elements that influences the impact on the environment are sedimentation, disposal of wastes, house keeping, pest control, erosion and general sanitation works.

Environmental audit is usually carried out from time to time to ensure that the proposed pollution control measures described in the EMP is implemented and functioned effectively in controlling the significant environmental impacts. Any environmental non compliance issues will be identified by our site personnel during the quarterly site audit and client audit. All the non compliances issues will be discussed with site management team for immediate remedial actions to rectify the issue noted during such audit.

ENVIRONMENTAL MANAGEMENT ACTIVITIES AT PROJECT SITE

Environment management activities during the year is well demonstrated during the implementation of our project site at the city which is the upgrading of Jalan Duta, Jalan Kuching and connecting roads.

The site is located within the vicinity of Kuala Lumpur where the land has been transformed into an urbanized area. Since the project traversed along highly urbanized area, the sensitive environmental receptors can be divided into three categories i.e human settlement, water body, flora and fauna. There is only one water intake station at the down stream of Sungai Keroh for Kepong Water Supply Scheme. An ambient water quality monitoring was conducted and the result indicates that it falls within Class III of the Interim National Water Quality Standard. In terms of flora and fauna, the project does not encroach largely into the green lung area except for the area opposite of the Indian High Commission. It is anticipated that no endangered species of flora and fauna will be affected by the works.

The basic items that were monitored in the project were as follows:

- a) **Silt Traps Discharge Monitoring:** Due to constraint of space, there was no actual silt trap design. We have however taken the initiative to construct a series of gabion structures to prevent muddy water from flowing into Sungai Keroh.
- b) **Water Quality Monitoring:** The most important indicator during the land clearing and earthworks stages is the total suspended solid. Monthly monitoring was done during the construction stage to show the rate of change compared to the ambient values.
- c) **Air Quality Monitoring:** The ambient air monitoring was carried out to determine the air characteristics at a sensitive environmental receptor namely Jalan Duta Sports Complex during earthwork activities. Constant monitoring is done to ensure that the total suspended particulates concentration is below the recommended value.
- d) **Noise Quality Monitoring:** Noise level readings were taken using a pre-calibrated precision integrating noise meter where the equipment was set up at an open space within the Jalan Duta Sports Complex car park.

The basic complaints at site are usually in relation to the following items as listed below. However, we always conduct remedial measures so as to minimize or eradicate the issue.

- a) **Erosion and Sedimentation Control:** Sand bags and concrete blocks are constantly used to filter the surface runoff and also to act as a barrier towards landslides. Temporary turfing is also done to minimize the said problem.
- b) **Solid Wastes:** Waste bins are provided at designated locations and all the wastes should be disposed at an approved dump site.
- c) **Temporary Toilets:** For toilets with septic tanks, desludging is regularly done. Portable toilets are also provided on site so as to facilitate clean sanitary condition.
- d) **Disposal of Waste Oil:** Sealed off drums with proper labeling (as per EQA, 1974) are provided and disposed by a licensed contractor.

CONCLUSION

We in AZRB believe that for the successful implementation of an effective environment programme, a sense of responsibility is to be embraced by all personnel. As of this, we are constantly raising the level of our knowledge and commitment so as to ensure an environmentally safe working condition for ourselves and the public.

Quality, Safety And Health Policy

QUALITY

We believe quality enhances value and reputation towards our continued growth. We strive to provide quality and valued added services to our customers' satisfaction.

The achievement of ISO 9000 certification since year 2000 for its construction arm Ahmad Zaki Sdn Bhd, testify the Group commitment towards its mission of being a trusted leader in delivering commitment with excellence and value. The successful of upgrading the ISO certification from ISO 9002: 1994 to ISO 9001:2000 shows commitment and sensitivity towards latest requirements and willingness to change for continuous improvement to pursue quality excellence.

Customer Satisfaction Survey are conducted annually, to measure the level of our customer satisfaction towards our work, is analysed and as a tool to improve the quality of our services to enhance customer satisfaction.

The system is a self access system where all approvals such as shop drawings, method statements and materials are vetted through by the QAQC prior to submission to the Consultant or Client for approval. Staff will inspect and satisfy themselves with the work prior calling Consultant or Client for inspection is our culture for doing things right, the first time and every time.

The quality system, programmes, trainings and promotions cultivate a quality aware culture not only within our staff, but extended to whoever works with the Group.


Internal Quality Audit is being carried out twice a year on all projects and departments to ensure effective implementation and compliance of the system. Performance of the system is being measured and monitored and improvements are made through corrective and preventive actions.

We are aiming for excellent deliveries in every undertaking and not just meeting client's requirement.

SAFETY AND HEALTH

Being a responsible corporation, the Group is committed to ensure all employees work in a safe and healthy environment, therefore safety and health considerations will not be compromised in all company activities.

The Group treated the human resource as an asset, thus the development of their safety and health aspect and awareness are the top priority. Staffs are continuously sent for trainings and awareness programmes in safety and health including inductions, occupational safety and health practices, fire fighting, first aid and emergency response training and drills. These are in line with the Group's goal to achieve accident free environment.



Periodically audits are being carried out to ensure the compliance of the system as well as the safety and health of those involved.

With tireless positively performance towards safety and health in compliance with the legislative requirements, the Group's construction arm Ahmad Zaki Sdn Bhd was certified as an OHSAS 18001 company in September 2004.

Being OHSAS 18001 certified, the commitment from the top management, dedicated safety officers and launching of safety awareness campaign programs in March 2004 to all our project sites and headquarter are the testimonies of the Group concerted efforts towards the safety and health of its employees.

Achieving 2 million hours without lost time injury for Ampang Hospital Project and achieving the Excellence Achievement in Complying Occupational Safety and Health awarded by the Perak Department of Safety and Health for 3B1, University Teknologi Petronas Project shows the Group's commitment towards safety and health.

Chairman's Statement

We have come through an extraordinary twelve months of 2004 on which it now behoves me to comment. In my previous year's message, the theme was "Focus" alerting us to the prospect of change being more rapid and profound than ever before, to a degree of uncertainty and to a future it had become hard to predict. Nothing, however, could have prepared us for the devastating effects of the "Tsunami" on Boxing Day. There was simply no precedent we could follow as a whole new dimension of political and economic risks confront us. It was a test of our stamina and our resilience in difficult and challenging times.

I am happy to report that your Company had emerged relatively unscathed but remained steadfast in its resolve to continue to create shareholder value at every opportunity. We are now more ready to redefine our focus, review our positioning and rethink our strategy.

Penyata Pengerusi

Kita telah melalui tempoh 12 bulan yang luarbiasa dalam tahun 2004 yang saya ingin ulas. Dalam mesej saya pada tahun yang lepas, tema adalah 'Fokus' yang mengingatkan kita kepada prospek perubahan yang lebih cepat dan mendalam yang tidak seperti sebelumnya, sehingga tahap ketidakpastian dan masa depan yang sukar untuk diramal. Kesan dashyat malapetaka "Tsunami" yang melanda dengan tiba-tiba pada 26 Disember 2004 juga tidak dapat diduga dan di luar segala perancangan. Tiada iktibar yang boleh dijadikan sandaran apabila kita berdepan dengan risiko dimensi politik dan ekonomi yang baru. Ianya merupakan ujian stamina dan ketahanan kita dalam masa-masa yang sukar dan mencabar.

Saya dengan sukacitanya melaporkan bahawa Syarikat anda telah berjaya mengharungi tahun 2004 yang begitu mencabar. Syarikat telah kekal teguh dalam usahanya untuk terus menghasilkan nilai pelaburan yang terbaik bagi setiap pemegang saham. Kita sekarang lebih bersedia untuk mentakrif semula fokus kita, mengkaji kedudukan kita dan memikirkan semula strategi kita.



Pada keseluruhannya, 2004 adalah suatu tahun yang munasabah, tetapi tidak begitu konsisten dari segi keuntungan. Bagi tahun kewangan berakhir 31 Disember 2004, Kumpulan mencatat perolehan dan kerugian sebelum cukai masing-masing sebanyak RM258 juta dan RM4.1 juta. Perolehan yang dicapai mewakili penurunan sebanyak 15.7% berbanding 2003 terutamanya disebabkan oleh penyusutan perolehan daripada bahagian pembinaan dengan kurangnya nilai kerja yang disiapkan. Namun demikian, keuntungan tahun kewangan semasa daripada operasi meningkat daripada RM23.9 juta kepada RM24.6 juta sebelum mengambilkira keputusan bahagian usahasama dan syarikat-syarikat bersekutu. Bahagian

Above all, 2004 was for us a fair, but somewhat inconsistent year, in terms of profitability. For the financial year ended 31st December 2004, the Group recorded revenue and loss before tax of RM258 million and RM4.1 million respectively. The revenue achieved represents a decline of 15.7% over that of 2003 mainly due to a significant contraction of revenue from its construction division with lower volume of work done. Nevertheless, the current financial year's profit from operations increases from RM23.9 million to M24.6 million prior to the share of results from joint-venture and associated companies. The share of loss in joint-ventures increases significantly from RM3.1 million in previous financial year to RM27.5 million for the year under review as a result of allowance for foreseeable losses provided for by a Malaysia-China Hydro joint venture (MCHJV) for the Bakun Hydroelectric project in which the Company has fairly small interest of 7.7%. The results after tax of the Group was negative for the first time since its incorporation in Yr 1998. Your Board is closely monitoring the situation faced by the MCHJV and is hopeful that such loss can be mitigated further by the series of action plans already in place.

CORPORATE DEVELOPMENT

A major corporate development for the Group was the acquisition of PT Ichtar Gusti Pudi, a company incorporated in Indonesia which paved the way for the Group to venture into Oil Palm plantation. Our foray into the oil palm sector is to create new earnings for the Group while strengthening the Group's focus in diversification. In the longer term, this strategy will reduce our over-dependence on the performance of our construction sector. It is a new challenge that AZRB need to face in the coming years where more financial and manpower resources are



Asy'Syakirin Mosque, KLCC, Kuala Lumpur

University Technology Petronas, Tronoh



kerugian daripada usahasama-usahasama meningkat dengan ketara daripada RM3.1 juta dalam tahun sebelumnya kepada RM27.5 juta dalam tahun kajian disebabkan oleh peruntukan jangkaan kerugian yang dibuat oleh usahasama Malaysia-China Hidro (MCHJV) untuk projek Hidroelektrik Bakun dimana syarikat mempunyai kepentingan kecil sebanyak 7.7%. Keputusan kewangan Kumpulan selepas cukai adalah negatif bagi kali pertama sejak penubuhannya dalam tahun 1998. Lembaga anda sedang memantau secara teliti situasi yang dihadapi oleh MCHJV dan berharap kerugian tersebut boleh dikurangkan selanjutnya dengan rancangan-rancangan yang telah dan bakal disediakan.

PEMBANGUNAN KORPORAT

Pembangunan korporat yang utama bagi Kumpulan adalah pengambilalihan PT Ichtar Gusti Pudi, sebuah syarikat di Indonesia yang membuka laluan untuk Kumpulan menceburi bidang perladangan kelapa sawit. Penglibatan kita dalam sektor perladangan kelapa sawit adalah bagi menghasilkan punca pendapatan yang baru kepada Kumpulan. Dengan usaha kepelbagaian ini, ianya akan mengurangkan pergantungan kepada prestasi sektor pembinaan untuk jangka masa panjang. Ianya adalah suatu cabaran baru yang perlu dihadapi oleh AZRB dalam tahun yang mendatang dimana lebih banyak sumber kewangan dan tenaga kerja diperlukan dalam sektor ini sebelum sebarang pulangan dapat dinikmati daripada pelaburan ini.

MEMBINA ASAS YANG KUKUH – MENGGUNAKAN SEPENUHNYA POTENSI MANUSIA

Peranan kepimpinan kita adalah sesuatu yang kita hargai dan usaha-usaha berterusan untuk mengekalkan dan meningkatkannya telah dijalankan. Dalam pengurusan sumber manusia, wujud penekanan proaktif baru kepada

expected to be deployed into this sector before any fruitful results can be derived from this investment.

BUILDING SOLID FOUNDATION – UNLOCKING THE HUMAN POTENTIAL

Our leadership role is one we value and further efforts were made to sustain and enhance it. In human resource development, there is a new proactive emphasis on leadership specifically to empower our top management for the more strategic challenges ahead. While training will still focus on technical skills, we continue our commitment to



University Technology Petronas, Tronoh

education. At AZRB, our people are equipped with the necessary skills to compete in this ever dynamic and challenging business environment.

While striving to add value for every stakeholder of AZRB, we never forget our social responsibility. The Group continues to respond to appeals made by charitable organisations in the country through various forms of contributions including the recent "Tsunami Aid", where AZRB is proud to do it's small bit to help.

OUTLOOK AND PROSPECT

The message is one of confidence. Backed by a wealth of experience and new and upgraded technology, the Group is always ready to deliver solutions for Malaysia's construction needs and beyond. Our foray into the global construction market, in India and the Middle East is beginning to take shape via participating in some sizeable tenders. AZRB is aiming to secure some sizable jobs from these countries in the near future and further enhance the Group's reputation at the international level. Despite the negative growth in the construction industry, the Group has

kepimpinan khususnya untuk memberi kuasa kepada pihak pengurusan atasan untuk menghadapi cabaran-cabaran strategik pada masa depan. Walaupun latihan masih ditumpukan kepada kemahiran-kemahiran teknikal, komitmen kita terhadap pendidikan akan berterusan. Di AZRB, kakitangan-kakitangan kita dilengkapi dengan kemahiran-kemahiran yang diperlukan untuk bersaing dalam dunia perniagaan yang dinamik dan mencabar.

Selain daripada berusaha untuk mempertingkatkan nilai setiap pihak berkepentingan dalam AZRB, kita tidak pernah melupakan tanggungjawab sosial. Kumpulan akan terus memberi respons terhadap organisasi-organisasi kebajikan di negara ini dalam pelbagai bentuk bantuan termasuk 'bantuan Tsunami', di mana AZRB berbesar hati untuk menghulurkan sumbangannya.

TINJAUAN DAN PROSPEK

Mesej kami adalah keyakinan. Dengan berbekalkan pengalaman yang luas dan teknologi baru dan terkini, Kumpulan sentiasa bersedia melaksanakan kerja-kerja di dalam dan luar negara. Kemasukan kita ke dalam pasaran pembinaan global terutamanya di India dan Timur Tengah mula membuah hasil melalui penyertaan dalam tender-tender yang bersaiz besar. AZRB berusaha untuk



Construction work-in-progress at Jalan Duta

mendapatkan projek-projek bersaiz besar daripada negara-negara ini dalam jangkamasa terdekat dan seterusnya meningkatkan reputasi Kumpulan di peringkat antarabangsa. Walaupun industri pembinaan mengalami pertumbuhan negatif, Kumpulan mempunyai projek-projek sedia ada yang mencukupi untuk menghasilkan prestasi positif bagi tahun 2005 dengan sokongan padu daripada aktiviti-aktiviti 'bunkering' yang menunjukkan unjuran yang meningkat.

PEMBAYARAN DIVIDEN

Dengan mengambilkira prestasi tahun semasa yang kebanyakannya dipengaruhi oleh kerugian luarbisa

sufficient jobs in hand to justify a positive performance in respect of Yr 2005 assisted strongly by its bunkering activities which sees an increasing trend.

DIVIDEND PAYOUT

In light of the current year's performance which is much affected by the unusual loss from joint-venture, the Board recommended a first and final dividend of 7% gross per ordinary share for the financial year ended 31 December 2004.

ACKNOWLEDGEMENTS

I wish to acknowledge that the AZRB Group could not have come this far without the unwavering support and dedication of its management and employees. Even as AZRB continues to invest in its human resources, the investment has been richly repaid by the hard work, professionalism and commitment of every member of the staff to lead AZRB to where it deserves today. On behalf of the Board, I extend my gratitude to all employees of AZRB.

I would also like to express my gratitude and appreciation to the 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 guidance and support and the shareholders for your continued support and confidence in us.

Raja Dato' Seri Aman Bin Raja Haji Ahmad

Chairman



Interior of Kompleks Auditorium, Precinct 3, Putrajaya

Construction work-in-progress at Jalan Subang



daripada usahasama, Lembaga mencadangkan pembayaran dividen akhir kasar sebanyak 7% sesaham biasa bagi tahun kewangan berakhir 31 Disember 2004.

PENGHARGAAN

Saya ingin menegaskan di sini bahawa Kumpulan AZRB tidak mungkin dapat sampai sejauh ini tanpa sokongan yang tidak berbelah bagi dan dedikasi pengurusan dan kakitangannya. Walaupun AZRB terus melabur dalam sumber manusia, pelaburan tersebut mendapat pulangan baik melalui usaha gigih, profesionalisma dan komitmen setiap kakitangan untuk menerajui AZRB ke tahap yang dicapai ketika ini. Bagi pihak Lembaga, saya ingin

merakamkan jutaan terimakasih kepada semua kakitangan-kakitangan AZRB.

Saya juga ingin melahirkan penghargaan kepada pelbagai agensi-agensi kerajaan, pelanggan-pelanggan, kontraktor-kontraktor, pembekal-pembekal dan rakan-rakan niaga yang turut menyumbang kepada kejayaan kita.

Akhir sekali, saya ingin merakamkan penghargaan saya kepada ahli-ahli Lembaga di atas bimbingan dan sokongan mereka dan juga kepada para pemegang saham melalui sokongan dan keyakinan mereka terhadap kita.

Raja Dato' Seri Aman Bin Raja Haji Ahmad

Pengerusi



“ As one of the major players in our country’s construction industry, our construction division has gained years of experience in constructing various types of structures ranging from fine architectural buildings to bridges. ”

Operational Review - Construction Division

In line with the general slowdown in the construction industry during the year under review, our construction division experienced a similar slowdown in terms of work done due to prolongation policy on several major jobs undertaken by us. The division registered much lower revenue than preceding year with improved margin by reporting a revenue of RM223.3 million (Yr 2003: 277.4 million) with operating profit before financing income, charges and taxation of RM13.2 million (Yr 2003:14.2 million). Three projects were completed during the year as scheduled and these comprise the following:

- the Malaysia Design Technology Design Centre at Cyberjaya Flagship Zone
- the Oditorium at Presint 3, Putrajaya
- the Kepong II Water Treatment Plant at Terengganu

With the completion of the above projects, our construction division is left with approximately RM642 million order book value which comprises the following projects:

- the design and build and upgrading of Jalan Duta and other connecting roads
- the design and build and construction of the new Subang-Kelana link in Petaling Jaya
- the improvement and maintenance work for IT corridor in Chennai, Tamil Nadu, India
- the design and build of 562 beds Ampang Hospital
- Kiblat Walk Mosque at Presint 3 Putrajaya
- Terminal “Park & Ride” (Phase 1 - package A) at Presint 7, Putrajaya

As one of the major players in our country’s construction industry, our construction division has gained years of experience in constructing various types of structures ranging from fine architectural buildings to bridges. Todate, we manage to focus on cost competitiveness and innovativeness in design and undertake value engineering on every job for our client. To stay ahead in the industry, we will no longer be just a constructor but orient ourselve toward providing one stop solutions concept for potential clients ie. design, construct, finance, operate or maintenance, eventually to create recurring revenue for the Group, is the emerging trend that our construction division wish to challenge.

We also reckoned that with the sluggish outlook in the construction industry and limited job opportunities domestically, there is a need to look for business opportunities in countries like India and the Middle East. We are proud that the Group has pre-qualified for several sizeable projects in these countries and are able to prove our competitiveness in a foreign country, recently by winning the contract for the improvement and maintenance work at IT corridor in Chennai, India, a tender which was submitted during Yr 2004.

Over the years, we have developed expertise in design & build solutions as evidenced by following projects.

a) The 562-bed Ampang Hospital

The Ampang Hospital which is a turnkey project at 10 acre land at Taman Pandan Mewah, Ampang, Selangor is currently at the stage of testing, commissioning and operating all systems and medical equipment and is targeted to be handed over by end July 2005. The hospital is reputed to be the most modern public government hospital in the country, complete with a block of 8-storey main hospital block, a 4-storey nurses hostel and 5-storey car park facilities with a visitor’s hall.



KLIA Mosque, Sepang



Ampang Hospital, Kuala Lumpur

The hospital has been planned and designed and equipped with full fledged and the latest medical facilities that include the integrated Total Hospital Information System (THIS) while providing secondary and tertiary level care. Complementing architectural design with functionality, the hospital will fulfil the need for an efficient health care support for residents in and around Klang Valley.

b) The Malaysian Design Technology Centre in Cyberjaya (MDTC)

MDTC was completed and handed over to client on 10 February 2004. Main challenge of this project is ensuring delivery on time to meet the 2004 student intake which was met by the implementation of our value engineering exercise, on design and build approach for Pre-cast Hollow-core slab and major reinforced concrete components and Super-Roof Canopy at Design Centre.

This revolutionary approach of value engineering for the pre-cast system in place of conventional reinforced concrete structure and “design and build” super roof canopy has benefitted the project by expediting technical and construction processes thus reducing construction period significantly without compromising the project’s objective and requirements.

MDTC is touted as the new design hub of Malaysia that encompasses 100,000 sqm floor area catering to 8,000 students population which include:

- 4-storey Design Centre which comprises the International Design Museum, exhibition spaces, professionally designed office suites and commercial complex
- 4 blocks of 4-storey academic campus for Limkokwing Institute of Creative Technology (Training Centre)
- 4-storey accommodation block for students

The main design feature of the MTDC is its huge “umbrella” shaped, multi-layered canopy roof that extends from the Design Centre and elevated over a centrally located plaza providing a canopy cover for large organised events and activities.

c) Auditorium Building – Putrajaya

The project started in 15 April 2002 and is targeted to be completed and handed in end May 2005 over to client. The design concept of the auditorium is based on a concept of creating a main public events area within Putrajaya, housing specialized facilities integrating with all other developments within the Perbadanan Putrajaya Complex.

The overall building construction is reminiscent of a floating pebble housed within a box frame that creates the air of transparency and free flow of pedestrian movement. The building basically consists of the auditorium and annex blocks which are integrated by a link bridge. The general feeling of environmental ambience is created by the combination of aluminium framed glazed curtain wall and the screen wall which encompasses the facade.

The highlight of the building is the main auditorium hall which comprises 650 carpeted seatings throughout with a deep blue colour that complements the “Galaxy” concept of the ceiling. The perimeter walls depicts the traditional “Anyaman” design which is a combination of semangkuk timber enhanced by the shade of gold when is is exclusively lighted up.

On the whole, it has been built to accommodate various performances such as theatre, musicals, orchestras, operas and is deemed required plus beneficial for the future of Putrajaya.







Interior of Kompleks Auditorium, Precinct 3, Putrajaya



Waterfront Promenade, Precinct 2, Putrajaya

d) Water Treatment Plant, Kepong, Kuala Terengganu

The construction, completion, testing and commissioning of Kepong II Water Treatment Plant at Kuala Terengganu as one of the projects under the Water Supply Implementation Scheme Stage III for Kuala Terengganu.

This project was the continuation of the abandoned project left over since June 2002 and comprises of the followings components:-

- The intake plant where raw water will be pumped from Sungai Terengganu at Kg. Serada located 4km from the treatment PLANT.
- The 150MLD treatment plant of which 45.5MLD will be provided under this package.
- The water treatment facilities.
- SCADA/Telemetry System for the operational of treatment plants and other related reservoirs.

The project was a fast track contract and has been handed over for full operational to client on 6 July 2004. Our previous experience from the Water Treatment Plant in Besut, has contributed to timely completion of this project.

e) Our Experience in the Construction of Urban Highways

In undertaking the two existing on going infrastructure projects i.e Upgrading of Jalan Duta and Subang Kelana Link which are known for heavy traffic flow area, one of the main challenging task is to deal with heavily trafficked road by having 24 hours traffic monitoring system implemented to ensure no major unwarranted traffic disruption in particular during the peak hours. We are happy to note that there have been no major public complaints on these stretches of roads till today. Besides traffic management, relocation of existing underground utilities and lands acquisition are also parts of the many challenges that requires well planning and coordination with local authorities to avoid interruption on telecommunication, power or water supply to the neighbourhood.

OIL AND GAS DIVISION

Our Oil and Gas division, performed reasonably well in year 2004 with an operating profit before finance income, cost and tax of RM10.9 million (Yr 2003: RM9.3 million) or 49% (Yr 2003: 43%) of the Group's operating profit before finance income, cost and tax. The anticipated volume of throughput sales of diesel is likely to be an increasing trend in tandem with more offshore exploration and production activities due to current hike in crude oil prices. It is therefore an important revenue contributing division for the overall Group performance in Yr 2005 and many years to come.

PROPERTY DEVELOPMENT DIVISION

The property development arm, Kemanan Technology and Industrial Park Sdn Bhd ("KTIP") has successfully completed its Phase I development comprising 22 units of industrial lots and 16 units of double storey shop. As anticipated, the division registered only a small contribution to the Group's results as no significant sales were recorded. The market remains soft due to lack of new investment opportunities. In light of the uncertain market conditions, the division is concentrating on clearing its completed stock before launching any new phases in the future.

QUARRY OPERATIONS DIVISION

The division is yet to commence significant activities except for a series of extraction of granite block for the purpose of producing sample of slabs for marketing or specification purposes.

Calendar Of Events



10-13 FEBRUARY, 2004

AZRB participated in the Career & Industrial Relation Expo (CaiREX 2004) at Dewan Sri Budiman & Annex, UITM Shah Alam Selangor to establish good rapport with the students of local higher educational institution.



21 FEBRUARY, 2004

AZRB Bowling Tournament Year 2004, held at Ampang Superbowl Centre organised by AZRB Sports and Recreational Club.



13 MARCH, 2004

AZSB Safety Awareness Campaign 2004 held at Ampang Hospital Site Project in conjunction with the achievement of 2,000,000 manhours without lost time of injury for Ampang Hospital Project.



8 MAY, 2004

Once again, AZRB sent a strong team of 100 staff member to participate in the National Labour Day gathering at Stadium Putra Bukit Jalil to show our support to the national event organised by the Ministry of Human Resource.



23 JUNE, 2004

AZRB held its Seventh Annual General Meeting at East VIP Lounge of Kuala Lumpur Golf & Country Club.



7 AUGUST, 2004

Football Tournament for AZRB staff at Sekolah Menengah Jalan Cochrane. One of outdoor sport events organised by AZRB Sports and Recreational Club.



13 AUGUST, 2004

Enterprise Risk Management Awareness Session Organised by KPMG for AZRB staff, held at Grand Seasons Hotel, Kuala Lumpur.



14 AUGUST, 2004

Demonstration by Bomba Officer to the AZRB staff during a Fire Prevention and Safety Awareness talk organised to promote staff awareness on fire prevention and safety at workplace.



24-26 AUGUST, 2004

24 managerial staff enthusiastically embarked to the Outward Bound School Lumut, Perak for three days team building programme aims at fostering spirit of team work, understanding and cooperation among members of participants.



24 SEPTEMBER, 2004

AZRB received the Major Project Award - Building Category in the Malaysia Construction Industry Excellence Award 2004 (MCIEA) from YB Dato' Seri S Samy Vellu, Minister of Works Malaysia.



The winning project team from UTP project displaying the Award received during MCIEA 2004 Award Night.



22 OCTOBER, 2004

AZRB organised Berbuka Puasa gathering for the staff at Istana Hotel, Kuala Lumpur.



24 NOVEMBER, 2004

Site visit to Pontianak and meet the people session by members of AZRB's Board.



13 DECEMBER, 2004

Signing Ceremony for the acquisition of P.T ICHTIAR GUSTI PUDI at Jakarta Hilton International.

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 31st December, 2004.

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 5 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Net (loss)/profit for the year	(11,747,506)	7,004,982

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final dividend of 12% less tax at 28% amounting to RM5,763,692/- in respect of the financial year ended 31st December, 2003.

The Directors recommend a first and final dividend of 7% less tax at 28% amounting to RM3,362,204/- in respect of the financial year ended 31st December, 2004.

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 and the notes thereto.

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 there were no known bad debts 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 the writing off of bad debts or a provision for doubtful debts in the financial statements of the Group and of the Company.

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.

Directors' Report (Cont'd)

CURRENT ASSETS (Cont'd)

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 except for share of a joint venture's allowance for foreseeable losses as mentioned in note 7(ii) to the financial statements.
- (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, the following issues of shares were made by the Company:-

Class	Number	Terms of Issue	Purpose of Issue
Ordinary RM1/-	404,200	Cash	Exercise of options under Employees' Share Option Scheme

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 20th June, 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26th July, 2002 and expiring on 25th 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 (formerly known as Kuala Lumpur Stock Exchange) 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 that may be declared by the Company in respect of financial year ended 31st December, 2002 and any other 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 adjusted, exercised and lapsed are as follows:-

	Number of Share Options	
	2004	2003
At 1st January	3,224,600	3,654,000
Adjusted	–	1,157,200
Exercised	(404,200)	(1,292,800)
Lapsed	(21,600)	(293,800)
At 31st December	2,798,800	3,224,600

Directors' Report (Cont'd)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

In previous year, share options' were adjusted due to bonus issue on 2nd September, 2003 which resulted in the exercise price to reduce from RM2.88 to RM2.05.

Exercise Period	Exercise Price RM	Number of Share Options 2003
2.9.2003 - 25.7.2012	2.05	1,157,200

Details of share options exercised during the financial year:-

Exercise Period	Exercise Price RM	Number of Share Options		Consideration Received	
		2004	2003	2004 RM	2003 RM
1.1.2003 - 2.9.2003	2.88	-	480,000	-	1,382,400
3.9.2003 - 31.12.2003	2.05	-	812,800	-	1,666,240
1.1.2004 - 31.12.2004	2.05	404,200	-	828,610	-
		404,200	1,292,800	828,610	3,048,640

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	
		2004	2003
25.7.2012	2.05	2,798,800	3,224,600

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' 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' Ismail @ Mansor bin Said and Dato' W Zulkifli bin Haji W Muda retire, and being eligible offer themselves for re-election.

Directors' Report (Cont'd)

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 31.12.04
	At 1.1.04	Bought	Sold	
The Company				
Direct Interest				
Dato' Haji Wan Zaki bin Haji Wan Muda	598,690	–	(100,000)	498,690
Dato' Wan Zakariah bin Haji Wan Muda	149,674	–	–	149,674
Dato' Haji Mustaffa bin Mohamad	1,226,912	124,000	–	1,350,912
Dato' W Zulkifli bin Haji W Muda	95,874	17,000	–	112,874
Dato' (Prof.) A Rahman @ Omar bin Abdullah	140,000	100,000	–	240,000
Dato' Ismail @ Mansor bin Said	1	–	–	1
Indirect Interest				
Being shares held through Zaki Holdings (M) Sdn. Bhd.				
Dato' Haji Wan Zaki bin Haji Wan Muda	39,012,410	200,000	–	39,212,410
Ultimate Holding Company				
- Zaki Holdings (M) Sdn. Bhd.				
Direct Interest				
Dato' 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

(b) Share Options Pursuant to ESOS

	Number of Options over Ordinary Shares of RM1/- Each			At 31.12.04
	At 1.1.04	Exercised	Lapsed	
Dato' 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	448,000	(124,000)	–	324,000
Dato' W Zulkifli bin Haji W Muda	406,000	–	–	406,000

By virtue of Dato' 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 subsidiaries 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' Report (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year no director 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 32(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 note 41(a) and 41(c) 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

- (i) On 6th January, 2004, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for Subang-Kelana Link project in Kuala Lumpur, Malaysia for RM182,347,000/-.
- (ii) On 19th January, 2004, a wholly owned subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB"), acquired the entire share capital of Hidro Fokus Sdn. Bhd. ("HFSB") with a paid-up share capital of RM2/-. The Company has yet to commence operations.
- (iii) On 16th March, 2004, AZSB received a Letter of Award from Perbadanan Putrajaya for Mosque, Kiblat Walk project in Kuala Lumpur, Malaysia for RM208,843,691/-.
- (iv) On 30th June, 2004, AZSB entered into shareholders' agreement with Sime Engineering Sdn. Bhd. and Edward & Sons (EM) Sdn. Bhd. pertaining to the shareholding in HFSB, resulting in a dilution in the shareholdings in HFSB from 100% to 40%.
- (v) On 18th June, 2004, a wholly owned subsidiary company, AZRB International Ventures Sdn. Bhd., incorporated AZRB Construction (India) Pvt. Ltd. to undertake business ventures in India.
- (vi) On 19th July, 2004, the Company acquired the entire issued share capital of Technipolitan Sdn. Bhd. and Trend Vista Development Sdn. Bhd., for a purchase consideration of RM2/- each. Both companies have yet to commence operations.
- (vii) On 13th December, 2004, the Company entered into an agreement with the shareholders of P.T Ichtiar Gusti Pudi ("IGP") to purchase 95% of the equity holding in IGP for a cash consideration of Rp17,000,000,000/-.

SUBSEQUENT EVENT

On 14th April, 2005, the Company signed the Contract Agreement with IT Expressway Ltd. for the improvement and maintenance of IT Corridor in Chennai, India for Rs1,238,200,436/-.

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
22nd April, 2005

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 55 to 104, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards 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 31st December, 2004 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
22nd April, 2005

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 55 to 104 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
this 22nd day of April, 2005

GAN MENG YONG

Before me

HARON HASHIM
W 128
Commission of Oaths

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 55 to 104.

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 approved accounting standards in Malaysia 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 31st December, 2004 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 5 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)

CHONG KWONG CHIN
707/04/06 (J/PH)
Partner

KUALA LUMPUR
22nd April, 2005

Balance Sheets

As at 31st December, 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	25,180,169	21,699,390	1,000,328	683,907
Investment properties	4	24,200,000	24,200,000	–	–
Investments in subsidiary companies	5	–	–	24,177,840	24,177,836
Interest in associated companies	6	71,048	88,370	–	–
Interest in joint ventures	7	–	185,868	–	–
Other investments	8	115,500	115,500	68,000	68,000
Deferred tax assets	9	4,608	159,613	–	–
Goodwill on consolidation	10	3,629,847	4,103,211	–	–
		53,201,172	50,551,952	25,246,168	24,929,743
CURRENT ASSETS					
Inventories	11	9,134,765	6,813,599	–	–
Amount due from customers for contract work	12	63,774,258	57,091,060	250,492	106,848
Development properties	13	2,722,381	2,726,697	–	–
Trade receivables	14	49,434,006	54,300,368	–	–
Other receivables, deposits and prepayments	15	2,218,790	2,235,478	175,944	107,201
Tax assets	16	3,156,724	3,123,537	427,344	–
Amount owing by related companies	17	116,435	81,882	52,633,745	42,334,236
Amount owing by associated companies	18	29,300	823,775	7,002	–
Amount owing by joint ventures	19	1,706,459	1,932,169	–	–
Cash and cash deposits	20	109,493,602	100,682,134	20,339,112	21,573,610
		241,786,720	229,810,699	73,833,639	64,121,895
CURRENT LIABILITIES					
Amount due to customers for contract work	12	20,235,138	33,576,365	–	–
Trade payables	21	95,163,464	94,225,800	–	–
Other payables and accruals		1,879,571	2,839,116	43,876	195,977
Amount owing to a related company	22	201,118	34,999	–	–
Amount owing to an associated company	23	53,089	–	–	–
Advance payments received	24	23,481,975	14,755,229	18,091,284	10,000,000
Amount owing to a director	25	–	1,600	–	–
Borrowings - secured	26	3,739,154	2,178,263	195,572	97,315
Bank overdrafts - secured	27	7,643,209	1,701,056	–	–
Tax liabilities		339,293	364,129	–	362,348
		152,736,011	149,676,557	18,330,732	10,655,640
NET CURRENT ASSETS		89,050,709	80,134,142	55,502,907	53,466,255
		142,251,881	130,686,094	80,749,075	78,395,998

Balance Sheets (Cont'd)

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
CAPITAL AND RESERVES					
Share capital	28	66,710,400	66,306,200	66,710,400	66,306,200
Reserves	29	38,723,557	55,810,466	13,493,582	11,827,882
SHAREHOLDERS' EQUITY		105,433,957	122,116,666	80,203,982	78,134,082
MINORITY INTEREST		1,585,330	1,504,393	–	–
NON-CURRENT LIABILITIES					
Interest in joint ventures	7	27,830,772	–	–	–
Borrowings - secured	26	6,760,082	6,460,395	527,093	258,416
Deferred tax liabilities	9	641,740	604,640	18,000	3,500
		35,232,594	7,065,035	545,093	261,916
		142,251,881	130,686,094	80,749,075	78,395,998

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

Income Statements

For the Year Ended 31st December, 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Operating revenue	30	257,915,020	306,014,048	50,224,321	32,526,901
Direct operating costs	31	(218,012,892)	(268,906,385)	(38,452,252)	(18,617,361)
Gross profit		39,902,128	37,107,663	11,772,069	13,909,540
Other operating revenue		3,948,801	3,616,030	538,799	501,923
Administrative costs		(17,444,270)	(15,847,028)	(3,119,224)	(3,111,708)
Other operating costs		(1,735,991)	(940,964)	(52,971)	(23,737)
		(19,180,261)	(16,787,992)	(3,172,195)	(3,135,445)
Profit from operations		24,670,668	23,935,701	9,138,673	11,276,018
Finance costs		(1,258,365)	(1,832,676)	(36,729)	(71,705)
Share of results in joint ventures		(27,511,301)	(3,106,735)	–	–
Share of results of associated companies	7	(17,722)	(21,408)	–	–
(Loss)/Profit before taxation	32	(4,116,720)	18,974,882	9,101,944	11,204,313
Taxation	33	(7,549,849)	(6,042,858)	(2,096,962)	(3,738,199)
(Loss)/Profit after taxation		(11,666,569)	12,932,024	7,004,982	7,466,114
Minority interest		(80,937)	(24,700)	–	–
(Loss)/Profit attributable to shareholders		(11,747,506)	12,907,324	7,004,982	7,466,114
Basic (loss)/earnings per ordinary share (sen)	34	(17.64)	19.75		
Fully diluted earnings per ordinary share (sen)	34	–	19.55		
Proposed net dividend per ordinary share (sen)		5.04	8.64		

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

Statements Of Changes In Equity

For the Year Ended 31st December, 2004

	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM	Total Shareholders' Equity RM
GROUP						
At 1.1.03	46,301,000	8,688,317	–	7,002,890	49,182,611	111,174,818
Issuance of share capital pursuant to:-						
Bonus issue	18,712,400	(8,688,317)	–	–	(10,024,083)	–
Employees' share option scheme	1,292,800	1,755,840	–	–	–	3,048,640
	20,005,200	(6,932,477)	–	–	(10,024,083)	3,048,640
Net profit for the year	–	–	–	–	12,907,324	12,907,324
First and final dividend paid for year 2002 (15% per share less 28% income tax)	–	–	–	–	(5,014,116)	(5,014,116)
At 31.12.03	66,306,200	1,755,840	–	7,002,890	47,051,736	122,116,666
Issuance of share capital pursuant to:-						
Employees' share option scheme	404,200	424,410	–	–	–	828,610
Net loss for the year	–	–	–	–	(11,747,506)	(11,747,506)
Foreign translation* difference from foreign subsidiary company	–	–	(121)	–	–	(121)
First and final dividend paid for year 2003 (12% per share less 28% income tax)	–	–	–	–	(5,763,692)	(5,763,692)
At 31.12.04	66,710,400	2,180,250	(121)	7,002,890	29,540,538	105,433,957

Statement Of Changes In Equity (Cont'd)

	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM	Total Shareholders' Equity RM
COMPANY						
At 1.1.03	46,301,000	8,688,317	–	–	17,644,127	72,633,444
Issuance of share capital pursuant to:-						
Bonus issue	18,712,400	(8,688,317)	–	–	(10,024,083)	–
Employees' share option scheme	1,292,800	1,755,840	–	–	–	3,048,640
	20,005,200	(6,932,477)	–	–	(10,024,083)	3,048,640
Net profit for the year	–	–	–	–	7,466,114	7,466,114
First and final dividend paid for year 2002 (15% per share less 28% income tax)	–	–	–	–	(5,014,116)	(5,014,116)
At 31.12.03	66,306,200	1,755,840	–	–	10,072,042	78,134,082
Issuance of share capital pursuant to:-						
Employees' share option scheme	404,200	424,410	–	–	–	828,610
Net profit for the year	–	–	–	–	7,004,982	7,004,982
First and final dividend paid for year 2003 (12% per share less 28% income tax)	–	–	–	–	(5,763,692)	(5,763,692)
At 31.12.04	66,710,400	2,180,250	–	–	11,313,332	80,203,982

* Expenses not recognised in income statements.

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

Cash Flow Statements

For the Year Ended 31st December, 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(4,116,720)	18,974,882	9,101,944	11,204,313
Adjustments for:-				
Allowance for foreseeable losses for contract	431,754	–	–	–
Amortisation of leasehold land	22,376	18,905	–	–
Amortisation of goodwill on consolidation	477,393	284,461	–	–
Depreciation of property, plant and equipment	3,316,008	2,859,117	255,587	188,938
Dividend revenue	(543)	–	(8,000,032)	(11,500,053)
Gain on disposal of property, plant and equipment	(765,841)	(815,982)	–	–
Interest expenses	988,797	1,477,779	35,773	70,779
Interest revenue	(2,297,631)	(1,970,971)	(538,799)	(501,923)
Preliminary expenses written off	6,995	–	–	–
Property, plant and equipment written off	2,033	115,010	–	–
Share of loss of associated companies	13,693	17,379	–	–
Share of loss of joint ventures	27,511,301	3,106,735	–	–
Operating profit/(loss) before working capital changes	25,589,615	24,067,315	854,473	(537,946)
(Increase)/Decrease in inventories	(2,321,166)	166,072	–	–
(Increase)/Decrease in amount due from customers for contract work	(7,114,952)	14,477,687	(143,644)	(106,848)
Decrease in property development expenditure	4,316	122,057	–	–
(Decrease)/Increase in amount due to customers for contract work	(13,341,227)	31,378,908	–	–
Decrease/(Increase) in trade and other receivables	4,910,879	2,891,810	(70,945)	(3,409)
Increase/(Decrease) in trade and other payables	8,703,265	(19,210,801)	7,939,183	10,017,694
Decrease in amount owing by joint ventures	225,710	561,425	–	–
Cash generated from operations	16,656,440	54,454,473	8,579,067	9,369,491
Interest paid	(988,797)	(1,477,779)	(35,773)	(70,779)
Tax paid	(7,415,614)	(8,031,706)	(632,144)	(215)
Net cash generated from operating activities carried down	8,252,029	44,944,988	7,911,150	9,298,497

Cash Flow Statements (Cont'd)

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Net cash generated from operating activities brought down		8,252,029	44,944,988	7,911,150	9,298,497
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investment in subsidiary companies		-	-	(4)	(4,000,002)
Acquisition of investment in associated companies		(400)	-	-	-
Advances to related companies		(34,553)	-	(12,819,525)	(17,080,061)
Advances to associated company		-	-	(7,002)	-
Distribution received from joint ventures		505,339	250,000	-	-
Dividend received		390	-	8,280,038	18,000,076
Effect of acquisition of subsidiary companies, net of cash acquired	35	-	(3,999,921)	-	-
Interest received		2,269,802	2,028,874	541,001	498,526
Preliminary expenses incurred		(6,995)	-	-	-
Proceeds from disposal of other investment		-	1,000,000	-	1,000,000
Proceeds from disposal of property, plant and equipment		887,883	896,862	-	-
Purchase of property, plant and equipment	36	(3,636,938)	(7,734,170)	(72,008)	(200,000)
Repayments from related companies		-	267,912	-	1,445,003
Repayments from associated companies		794,475	250,000	-	-
Net cash generated from/(used in) investing activities		779,003	(7,040,443)	(4,077,500)	(336,458)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from related companies		166,119	34,999	-	-
Advances from associated companies		53,089	-	-	-
Dividend paid		(5,763,692)	(5,014,116)	(5,763,692)	(5,014,116)
Expenses incurred for private placement of shares		-	-	-	-
Payments to hire purchase payables		(1,791,183)	(1,565,429)	(133,066)	(89,250)
Proceeds from issuance of shares		828,610	3,048,640	828,610	3,048,640
Proceeds from trust receipts		6,622,716	9,669,517	-	-
Repayments of term loans		(738,652)	(592,053)	-	-
Repayments of trust receipts		(5,538,603)	(11,294,995)	-	-
Term loan received		-	3,300,000	-	-
Net cash used in financing activities		(6,161,596)	(2,413,437)	(5,068,148)	(2,054,726)
		2,869,436	35,491,108	(1,234,498)	6,907,313
Exchange differences		(121)	-	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,869,315	35,491,108	(1,234,498)	6,907,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		98,981,078	63,489,970	21,573,610	14,666,297
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37	101,850,393	98,981,078	20,339,112	21,573,610

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

Notes To The Financial Statements

31st December, 2004

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1. GENERAL INFORMATION

(a) 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 5 to the financial statements. There have been no significant changes in the nature of these activities during the year.

(b) Registered Office

The Company is a public limited liability company, incorporated and domiciled in Malaysia, with its share listed on the Main Board of the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange). The registered office of the Company is at Mezzanine Floor, 8A, Jalan Sri Semantan Satu, Damansara Heights, 50490 Kuala Lumpur.

(c) Principal Place of Business

No. 88, Jalan Gombak, Setapak, 53000 Kuala Lumpur.

(d) Holding Company

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

(e) Date of Authorisation for Issue

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 22nd April, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial years.

(a) Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the respective accounting policies as set out below.

(b) Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, which are listed in note 5 to the financial statements, made up to 31st December, 2004. All significant intragroup balances, transactions and resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions only.

The financial statements of the subsidiaries acquired or disposed of during the year are included in consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill or reserve on consolidation.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill or Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the consideration paid for shares in subsidiaries or associated companies and the fair values attributable to the Group's share of net assets acquired.

Goodwill on consolidation is amortised over a period of ten years or the expected useful life, whichever is shorter, commencing in the year of acquisition of subsidiary or associated company. Reserve on consolidation is 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 or associated company. Goodwill on consolidation is written down when there is an impairment in their carrying value.

(d) 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 subsidiaries, 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.

(e) Associated Company

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term equity interest and has significant influence over its financial and operating policies.

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

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on audited financial statements of the associated companies. The Group's share of post-acquisition results of associated companies is included in the consolidated income statement. The Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition changes in the net assets of the associated companies.

(f) 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. 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.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is not amortised.

Depreciation of property, plant and equipment is calculated to write off their costs on a straight line basis 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%
Office equipment	10% - 20%
Furniture and fittings	10% - 20%
Plant and machinery	10% - 20%
Motor vehicles	20%
Renovation	20%

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.

Gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment and is recognised in the income statement.

(h) Impairment of Assets

The carrying amounts of assets other than inventories, assets arising from construction contracts, 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 exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Reversal of impairment loss 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. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Investment Properties

Investment properties comprise land, buildings and expenditure incurred for development of properties which are held for investment potential. In the subsidiary's financial statements, these investment properties are stated at valuation less accumulated impairment losses, if any, and additions subsequent to the date of last valuation are stated at cost less accumulated impairment losses, if any. In the consolidated financial statements, these properties are initially stated at the Group's cost and would be revalued subsequently in accordance with the Group's revaluation policy. It is the Group's policy to maintain the buildings in a high standard and condition. As such, these properties maintain their residual value of not less than their respective book value such that depreciation would be negligible. In view of this, no depreciation is provided for these properties. The related maintenance expenditure is dealt with in the income statement.

The open market value of these properties will be appraised at least once in every five (5) years by independent professional valuers. A surplus arising therefrom is credited to revaluation reserve. However, a surplus will be recognised as revenue to the extent that it reverses a revaluation deficit of the same property previously recognised as an expenses. A deficit arising therefrom is recognised as an expense. However, a deficit will be set-off against any related revaluation surplus to the extent that the deficit does not exceed the amount held in revaluation reserve in respect of the same property.

On disposal of these properties, any surplus in revaluation reserve relating to these properties will be transferred to retained profits.

(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.

In arriving at the net realisable value, due allowance would be made for obsolete and slow moving items.

(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) Development Properties

Development properties comprise property development cost that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the costs of land under development, construction costs and other related development costs common to the whole project including borrowing costs.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Development Properties (Cont'd)

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the income statement by reference to the stage of completion of development activity at the balance sheet date.

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

Any expected loss on a development activity is recognised as an expense immediately.

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

When revenue recognised in the income statement exceeds progress billings to purchasers, the balance is shown as accrued billings under current assets. When progress billings exceeds revenue recognised in the income statement, the balance is shown as progress billings under current liabilities.

(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.

(n) Hire Purchase

Hire purchase instalment plans are agreements whereby the lender conveys to the hirer, in return for a series of instalment payments, the rights to use the assets involved with an option for hirer to purchase the assets upon full settlement of the instalment payments.

Cost of property, plant and equipment acquired under the hire purchase instalment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of the instalment plans based on the sum-of-digit method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding instalment payments after deducting the future finance charges, representing the present value of hire purchase liabilities, are included in liabilities.

(o) Lease

Lease is an agreement whereby the lessor conveys to the lessee, in return for a series of minimum lease payments, the rights to use an asset for an agreed lease term.

Property, plant and equipment on leases that transfer substantially all risks and rewards incident to ownership are accounted for under finance lease method in which the fair market value of the leased property, plant and equipment or, if lower at the present value of the minimum lease payments, are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The present value of the minimum lease payments is calculated based on discount factor equivalent to the interest rate implicit in the lease. The related finance charges are allocated to the income statement based on the sum-of-digit method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding minimum lease payments after deducting the future finance charges representing the present value of minimum lease payments, are included in liabilities.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Lease (Cont'd)

All other leases are accounted for under the operating lease method in which the minimum lease payments are recognised as expenses in the income statement as and when they are incurred.

(p) 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.

The exchange rate (denominated in units of Ringgit Malaysia per foreign currency) used in translation at the financial year end are as follows:-

	2004	2003
	RM	RM
Indian Rupee	0.0878	–
Indonesian Rupiah	0.0004	–

(q) 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 arises 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)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Revenue Recognition

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

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.

Sales of goods are recognised when goods are delivered.

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.

(s) 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.

(t) 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 Employees' Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity Compensation Benefits

The Employees' Share Option Scheme ("ESOS") allows the Group's employees to acquire shares in the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

Notes To The Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) 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 an associated company and 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) 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.

(ii) Payables

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

(iii) 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.

(iv) Interest Bearing Bank Borrowings

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

(v) 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)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold Land RM	Freehold Land RM	Buildings & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Office Equipment RM	Total RM
COST							
At 1.1.04	1,347,925	5,369,840	7,030,699	10,714,486	13,487,609	2,468,619	40,419,178
Additions	–	–	441,016	4,107,119	2,232,744	162,359	6,943,238
Disposals	–	–	–	(1,169,250)	(1,366,925)	(17,740)	(2,553,915)
Written off	–	–	–	–	(4,518)	–	(4,518)
At 31.12.04	1,347,925	5,369,840	7,471,715	13,652,355	14,348,910	2,613,238	44,803,983
ACCUMULATED DEPRECIATION							
At 1.1.04	60,183	–	570,777	9,075,677	7,402,593	1,610,558	18,719,788
Charge for the year	22,376	–	147,813	794,276	2,086,161	287,758	3,338,384
Disposals	–	–	–	(1,124,386)	(1,293,768)	(13,719)	(2,431,873)
Written off	–	–	–	–	(2,485)	–	(2,485)
At 31.12.04	82,559	–	718,590	8,745,567	8,192,501	1,884,597	19,623,814
NET BOOK VALUE							
At 31.12.04	1,265,366	5,369,840	6,753,125	4,906,788	6,156,409	728,641	25,180,169
At 31.12.03	1,287,742	5,369,840	6,459,922	1,638,809	6,085,016	858,061	21,699,390
Depreciation charge for the year ended 31.12.03	18,905	–	130,063	616,411	1,801,459	311,184	2,878,022

Notes To The Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	Motor Vehicles RM	Furniture, Fittings & Office Equipment RM	Total RM
COST			
At 1.1.04	990,000	4,728	994,728
Additions	572,008	-	572,008
At 31.12.04	1,562,008	4,728	1,566,736
ACCUMULATED DEPRECIATION			
At 1.1.04	306,486	4,335	310,821
Charge for the year	255,194	393	255,587
At 31.12.04	561,680	4,728	566,408
NET BOOK VALUE			
At 31.12.04	1,000,328	-	1,000,328
At 31.12.03	683,514	393	683,907
Depreciation charge for the year ended 31.12.03	187,992	946	188,938

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
2004			
Cost	1,188,180	159,745	1,347,925
Net book value	1,126,457	138,909	1,265,366
2003			
Cost	1,188,180	159,745	1,347,925
Net book value	1,141,888	145,854	1,287,742

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

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

Notes To The Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

GROUP	Motor Vehicles RM	Plant & Machinery RM	Total RM
2004			
Cost	10,294,911	1,604,937	11,899,848
Net book value	5,942,985	1,414,948	7,357,933
2003			
Cost	9,474,164	–	9,474,164
Net book value	5,817,520	–	5,817,520
COMPANY			
2004			
Cost	1,362,008	–	1,362,008
Net book value	870,329	–	870,329
2003			
Cost	790,000	–	790,000
Net book value	513,513	–	513,513

(iii) freehold and leasehold land and buildings with a total net book value of RM11,940,840/- (2003 : RM11,625,412/-) charged to financial institutions as security for banking facilities of a subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB") as disclosed in notes 27 and 39 to the financial statements.

4. INVESTMENT PROPERTIES

	GROUP	
	2004 RM	2003 RM
At valuation		
Freehold land	4,950,000	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
	24,200,000	24,200,000

Notes To The Financial Statements (Cont'd)

4. 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 27 to the financial statements.

The properties were revalued in 2002 by the Directors of AZSB based on independent professional valuers on the open market value basis.

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM	2003 RM
Unquoted shares, at cost		
At beginning of the year	24,177,836	20,177,834
Additions	4	4,000,002
At end of the year	24,177,840	24,177,836

The subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2004	2003	
Held by the Company				
# Ahmad Zaki Sdn. Bhd.	Malaysia	100%	100%	Contractors of civil and structural contract works
# Inter-Century Sdn. Bhd.	Malaysia	100%	100%	Dealer of marine fuels and lubricants
# Tadok Granite Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Dormant
# AZRB International Ventures Sdn. Bhd.	Malaysia	100%	100%	Dormant
# Technipolitan Sdn. Bhd.	Malaysia	100%	–	Dormant
# Trend Vista Development Sdn. Bhd.	Malaysia	100%	–	Dormant
Held through Ahmad Zaki Sdn. Bhd.				
* Kemaman Technology & Industrial Park Sdn. Bhd. ("KTIP")	Malaysia	60%	60%	Property development
Held through Inter-Century Sdn. Bhd.				
# Astral Far East Sdn. Bhd.	Malaysia	100%	100%	Dealer of lubricants and petroleum-based products
Held through AZRB International Ventures Sdn. Bhd.				
* AZRB Construction (India) Pvt. Ltd.	India	100%	–	Dormant

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

* Audited by another professional firm of chartered accountants.

Notes To The Financial Statements (Cont'd)

6. INTEREST IN ASSOCIATED COMPANIES

	GROUP	
	2004 RM	2003 RM
Unquoted shares, at cost		
At beginning of the year	110,000	110,000
Additions	400	–
At end of the year	110,400	110,000
Share of losses of associated companies	(39,352)	(21,630)
	71,048	88,370
Represented by:-		
Group's share of net tangible assets	58,963	72,256
Goodwill on consolidation	40,288	40,288
Less: Accumulated amortisation	(28,203)	(24,174)
	12,085	16,114
	71,048	88,370
Post acquisition losses of an associated company not recognised in the financial statements are as follows:-		
Loss for the year	3,373	–

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

Name of Company	Effective Equity Interest		Principal Activities
	2004	2003	
Held through Ahmad Zaki Sdn. Bhd.			
# Fasatimur Sdn. Bhd.	50%	50%	Project management
# Maxi Heritage Sdn. Bhd.	20%	20%	General contractor
# Hidro Fokus Sdn. Bhd.	40%	–	Dormant
# Audited by another professional firm of chartered accountants.			

Notes To The Financial Statements (Cont'd)

7. INTEREST IN JOINT VENTURES

	GROUP	
	2004 RM	2003 RM
Shares of post acquisition results in joint ventures		
At beginning of the year	185,868	3,542,603
Add: Share of results for the year	(27,511,301)	(3,106,735)
Less: Distribution from joint ventures	(505,339)	(250,000)
At end of the year	(27,830,772)	185,868

The Group has a 50% interest in the jointly controlled entities as mentioned in (i) and (ii) and 7.70% as mentioned in (iii) below.

- (i) BumiHiway-Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor.
 - (ii) Johawaki-Ahmad Zaki Joint Venture which undertakes the contract to design, construct and complete the Masjid Wilayah Persekutuan, Jalan Duta, Kuala Lumpur, and for renewal of junction and increasing the quality of road at Kompleks Matrade, Kuala Lumpur.
 - (iii) 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	
	2004 RM	2003 RM
Property, plant and equipment	377	–
CURRENT ASSETS		
Trade receivables	3,915,737	–
Other receivables, deposits and prepayments	144,194	333,575
Cash and cash deposits	2,545,971	1,961,689
	6,605,902	2,295,264
LESS: CURRENT LIABILITIES		
Amount due to customers for contract work	11,253,053	–
Trade payables	16,493,953	1,754,842
Other payables and accruals	6,690,045	117,541
Amount owing to associated company	–	237,013
	(34,437,051)	(2,109,396)
Share of net tangible assets of the joint ventures	(27,830,772)	185,868

Notes To The Financial Statements (Cont'd)

7. 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	
	2004 RM	2003 RM
Attributable contract revenue	24,462,170	(16,433)
Attributable contract costs	(52,468,647)	(3,088,387)
Gross loss	(28,006,477)	(3,104,820)
Other operating revenue	497,420	4,841
	(27,509,057)	(3,099,979)
Administrative costs	(2,228)	(6,729)
Finance costs	(16)	(27)
	(2,244)	(6,756)
Share of loss for the year	(27,511,301)	(3,106,735)

Included in the attributable contract costs is an allowance for foreseeable loss on the Malaysia-China Hydro Joint Venture totalling RM19,891,113/- (2003 : Nil).

8. OTHER INVESTMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost:				
Unquoted shares in Malaysia				
At beginning of the year	47,500	1,047,500	-	1,000,000
Disposal	-	(1,000,000)	-	(1,000,000)
At end of the year	47,500	47,500	-	-
Club membership	68,000	68,000	68,000	68,000
	115,500	115,500	68,000	68,000

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

Notes To The Financial Statements (Cont'd)

9. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At beginning of the year	(445,027)	(768,970)	(3,500)	(3,700)
Transfer (to)/from income statements (Note 33)	(192,105)	323,943	(14,500)	200
At end of the year	(637,132)	(445,027)	(18,000)	(3,500)
Presented after appropriate offsetting as follows:-				
Deferred tax assets	4,608	159,613	-	-
Deferred tax liabilities	(641,740)	(604,640)	(18,000)	(3,500)
	(637,132)	(445,027)	(18,000)	(3,500)

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

Deferred tax assets

	GROUP	
	2004 RM	2003 RM
Differences between the carrying amount of property, plant and equipment and its tax base	4,608	159,613

Deferred tax liabilities

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Differences between the carrying amount of property, plant and equipment and its tax base	(112,600)	(75,500)	(18,000)	(3,500)
Surplus arising from revaluation of investment property	(529,140)	(529,140)	-	-
At end of the year	(641,740)	(604,640)	(18,000)	(3,500)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

Notes To The Financial Statements (Cont'd)

9. DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

The estimated deferred tax asset arising from temporary differences not provided in the financial statements is as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Revenue from a joint venture recognised in the accounting revenue later than they are included in the chargeable revenue	-	262,094	-	262,094
Temporary differences between accounting and tax	7,011,000	-	-	-
	7,011,000	262,094	-	262,094

Included in the temporary differences between accounting and tax is the amount of RM5,570,000/- in respect of tax effect on timing differences for share of a joint venture's allowance for foreseeable losses as mentioned in note 7(ii) to the financial statements.

10. GOODWILL ON CONSOLIDATION

	GROUP	
	2004 RM	2003 RM
At cost:		
At beginning of the year	4,733,643	875,000
In respect of subsidiary company acquired (note 35)	-	3,858,643
	4,733,643	4,733,643
Less: Accumulated amortisation	(1,103,796)	(630,432)
At end of the year	3,629,847	4,103,211

11. INVENTORIES

	GROUP	
	2004 RM	2003 RM
At cost:		
Completed development properties	1,743,354	1,868,641
Marine fuels and lubricants	7,314,672	4,944,958
Granite blocks and slabs	76,739	-
	9,134,765	6,813,599

There were no inventories carried at net realisable value.

Notes To The Financial Statements (Cont'd)

12. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Aggregate costs incurred to date	965,450,684	955,348,584	57,069,613	18,617,361
Attributable profits	86,533,900	68,085,282	3,111,525	909,487
Allowance for foreseeable losses	(431,754)	–	–	–
	1,051,552,830	1,023,433,866	60,181,138	19,526,848
Progress billings	(1,008,013,710)	(999,919,171)	(59,930,646)	(19,420,000)
	43,539,120	23,514,695	250,492	106,848
Represented By:-				
Amount due from customers for contract work	63,774,258	57,091,060	250,492	106,848
Amount due to customers for contract work	(20,235,138)	(33,576,365)	–	–

Included in the above progress billings of the Group are retention sums totalling RM18,304,044/- (2003 : RM34,119,629/-).

13. DEVELOPMENT PROPERTIES

	GROUP	
	2004 RM	2003 RM
Development properties:		
At beginning of the year	2,726,697	5,142,445
Costs incurred during the year	31,223	302,275
	2,757,920	5,444,720
Reversal of completed projects	–	(849,382)
At end of the year	2,757,920	4,595,338
Costs recognised in income statement:		
At beginning of the year	–	(517,505)
Recognised during the year	(35,539)	(331,877)
Reversal of completed projects	–	849,382
At end of the year	(35,539)	–
Transfers:		
To inventory	–	(1,868,641)
Development properties at the end of the year	2,722,381	2,726,697

Notes To The Financial Statements (Cont'd)

14. TRADE RECEIVABLES

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

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	1,211,403	1,145,989	133,094	88,351
Sundry deposits	933,612	1,013,269	42,850	18,850
Prepayments	73,775	76,220	–	–
	2,218,790	2,235,478	175,944	107,201

16. TAX ASSETS

This is in respect of tax paid in advance to the Inland Revenue Board.

17. AMOUNT OWING BY RELATED COMPANIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Holding Company				
- Zaki Holdings (M) Sdn. Bhd.	–	–	78,843	78,455
Subsidiary Companies				
- Ahmad Zaki Sdn. Bhd.	–	–	48,829,989	39,131,803
- Inter-Century Sdn. Bhd.	–	–	3,404,344	3,103,055
- Tadok Granite Manufacturing Sdn. Bhd.	–	–	264,093	10,500
- AZRB International Ventures Sdn. Bhd.	–	–	31,734	10,334
- Kemaman Technology & Industrial Park Sdn. Bhd.	–	–	1,146	89
- Technipolitan Sdn. Bhd.	–	–	11,798	–
- Trend Vista Development Sdn. Bhd.	–	–	11,798	–
Related Company				
- Residence Inn & Motels Sdn. Bhd.	116,435	81,882	–	–
	116,435	81,882	52,633,745	42,334,236

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

Notes To The Financial Statements (Cont'd)

18. AMOUNT OWING BY ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Amount owing by:-				
Fasatimur Sdn. Bhd.	–	803,775	–	–
Maxi Heritage Sdn. Bhd.	20,000	20,000	–	–
Hidro Fokus Sdn. Bhd.	9,300	–	7,002	–
	29,300	823,775	7,002	–

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

19. AMOUNT OWING BY JOINT VENTURES

	GROUP	
	2004 RM	2003 RM
Trade		
Bumi Hiway - Ahmad Zaki Joint Venture	1,656,041	1,656,041
Johawaki - Ahmad Zaki Joint Venture	(180,743)	(180,743)
Non-Trade		
Bumi Hiway - Ahmad Zaki Joint Venture	46,917	46,917
Johawaki - Ahmad Zaki Joint Venture	184,244	409,954
	1,706,459	1,932,169

These amounts are unsecured, interest free and have no fixed term of repayment.

20. CASH AND CASH DEPOSITS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash and bank balances	22,560,492	29,024,465	195,736	1,943,867
Cash deposits with licensed banks	86,933,110	71,657,669	20,143,376	19,629,743
	109,493,602	100,682,134	20,339,112	21,573,610

Included in cash deposits with licensed banks of the Group are deposits totalling RM52,429,916/- (2003 : RM34,941,574/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group.

Notes To The Financial Statements (Cont'd)

20. CASH AND CASH DEPOSITS (Cont'd)

Included in cash deposits with licensed banks of the Company are deposits totalling RM2,289,947/- (2003 : RM2,224,201/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary company, AZSB.

The maturity profile and effective interest rates for cash deposits with licensed banks are disclosed in note 47 to the financial statements.

21. TRADE PAYABLES

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

	GROUP	
	2004	2003
	RM	RM
Chuan Huat Industrial Marketing Sdn. Bhd., a subsidiary company of Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	80,012	147,264
QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	4,865	1,317

These amounts are unsecured, interest free and repayable under commercial terms mutually agreed upon between the parties involved.

The normal trade credit term granted to the Group ranges from 60 to 90 days.

22. AMOUNT OWING TO RELATED COMPANIES

	GROUP	
	2004	2003
	RM	RM
Amount owing to holding company		
- Zaki Holdings (M) Sdn. Bhd.	201,118	34,999

This amount is non-trade in nature, unsecured, interest free and has no fixed term repayment.

23. AMOUNT OWING TO AN ASSOCIATED COMPANY

	GROUP	
	2004	2003
	RM	RM
Amount owing to:-		
- Fasadimur Sdn. Bhd.	53,089	-

This amount is non-trade in nature, unsecured, interest free and has no fixed term repayment.

Notes To The Financial Statements (Cont'd)

24. 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.

25. AMOUNT OWING TO A DIRECTOR

	GROUP	
	2004 RM	2003 RM
Dato' Haji Mustaffa bin Mohamad	–	1,600

This amount is in respect of accrued director's emoluments and is unsecured, interest free and has no fixed term of repayment.

26. BORROWINGS - SECURED

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Short Term Borrowings				
Hire purchase payables (Note 38)	1,872,552	1,470,338	195,572	97,315
Trust receipts	1,084,113	–	–	–
Term loans (Note 39)	782,489	707,925	–	–
	3,739,154	2,178,263	195,572	97,315
Long Term Borrowings				
Hire purchase payables (Note 38)	4,464,239	3,351,336	527,093	258,416
Term loans (Note 39)	2,295,843	3,109,059	–	–
	6,760,082	6,460,395	527,093	258,416
Total Borrowings				
Hire purchase payables (Note 38)	6,336,791	4,821,674	722,665	355,731
Trust receipts	1,084,113	–	–	–
Term loans (Note 39)	3,078,332	3,816,984	–	–
	10,499,236	8,638,658	722,665	355,731

The trust receipt facilities are payable on demand and bear interest at a rate of 7.00% (2003 : 7.25% to 7.65%) 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 maturity profile and effective interest rates are disclosed in note 47 to the financial statements.

Notes To The Financial Statements (Cont'd)

27. BANK OVERDRAFTS - SECURED

The bank overdrafts facilities are payable on demand and bear interest at rates ranging from 7.00% to 7.50% (2003 : 7.00% to 8.15%) per annum. These facilities are secured and supported by:-

- (i) cash deposits and freehold land and buildings of a subsidiary company, AZSB, as disclosed in notes 3 and 4 to the financial statements;
- (ii) cash deposits of the Company; and
- (iii) corporate guarantee from the Company.

The maturity profile and effective interest rates are disclosed in note 47 to the financial statements.

28. SHARE CAPITAL

	GROUP/COMPANY	
	2004 RM	2003 RM
Ordinary shares of RM1/- each		
Authorised:		
100,000,000 ordinary shares	100,000,000	100,000,000
Issued and fully paid:		
At beginning of the year	66,306,200	46,301,000
Issued pursuant to:-		
- Bonus issue	-	18,712,400
- Employees' share options scheme	404,200	1,292,800
At end of the year	66,710,400	66,306,200

29. RESERVES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
NON-DISTRIBUTABLE				
Share premium	2,180,250	1,755,840	2,180,250	1,755,840
Revaluation reserve	7,002,890	7,002,890	-	-
Foreign exchange translation reserve	(121)	-	-	-
	9,183,019	8,758,730	2,180,250	1,755,840
DISTRIBUTABLE				
Retained profits	29,540,538	47,051,736	11,313,332	10,072,042
	38,723,557	55,810,466	13,493,582	11,827,882

Notes To The Financial Statements (Cont'd)

29. RESERVES (Cont'd)

Revaluation reserve is in respect of the excess of market value of freehold land and hotel buildings classified under investment properties over their carrying value. The revaluation was made in 2002 in accordance with the Group's policy for investment properties.

The Directors proposed a first and final dividend of 7% (2003 : 12%) per ordinary share in respect of the current financial year. The retained profits appropriated for this proposed dividend less tax at 28% amounted to RM3,362,204/- (2003 : RM5,763,692/-).

30. OPERATING REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Management fees	–	–	1,570,000	1,500,000
Dividend revenue	–	–	8,000,032	11,500,053
Sales of goods	33,945,362	28,057,378	–	–
Attributable contract revenue	223,306,003	277,407,026	40,654,289	19,526,848
Attributable development revenue	663,655	549,644	–	–
	257,915,020	306,014,048	50,224,321	32,526,901

31. DIRECT OPERATING COSTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Costs of goods sold	19,444,098	16,654,748	–	–
Attributable contract costs	198,315,884	251,919,760	38,452,252	18,617,361
Attributable development costs	252,910	331,877	–	–
	218,012,892	268,906,385	38,452,252	18,617,361

32. (LOSS)/PROFIT BEFORE TAXATION

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Allowance for foreseeable losses for contract	431,754	–	–	–
Amortisation of goodwill on consolidation	477,393	284,461	–	–
Amortisation of leasehold land	22,376	18,905	–	–
Auditors' remuneration				
- statutory audit	45,123	42,700	8,000	8,000
- under provision in prior year	–	8,000	–	5,000

Notes To The Financial Statements (Cont'd)

32. (LOSS)/PROFIT BEFORE TAXATION (Cont'd)

(a) (Loss)/Profit before taxation is arrived at after charging/(crediting):- (Cont'd)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Depreciation of property, plant and equipment	3,316,008	2,859,117	255,587	188,938
Directors' remuneration				
- fees	665,000	337,000	365,000	192,000
- other emoluments	1,590,125	1,603,303	828,600	871,240
Interest expense				
- bank overdrafts	225,106	769,248	-	-
- term loans	212,639	138,661	-	-
- others	551,052	569,870	35,773	70,779
Preliminary expenses written off	6,995	-	-	-
Property, plant and equipment written off	2,033	115,010	-	-
Rental of machinery	2,203,403	4,458,500	-	-
Rental of motor vehicles	7,135	26,154	2,764	-
Rental of premises	1,889,876	1,894,447	180,000	182,000
Dividend revenue - unquoted shares	(543)	-	-	-
Gain on disposal of property, plant and equipment	(765,841)	(815,982)	-	-
Interest revenue	(2,297,631)	(1,970,971)	(538,799)	(501,923)
Rental revenue				
- premises	(173,350)	(109,200)	-	-

(b) Employees Information

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs	15,360,089	15,485,195	1,646,430	1,644,535

The number of employees including full-time directors of the Group and of the Company as at the financial year end were 309 (2003 : 293) and 12 (2003 : 10) respectively.

The staff costs of the Group and of the Company consist of aggregate remuneration of salaries 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)

32. (LOSS)/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 the Company are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Executive Directors				
Fees	282,000	127,000	-	-
Other emoluments	1,573,625	1,597,503	814,500	865,440
Benefits-in-kind	577,970	493,600	249,830	203,700
	2,433,595	2,218,103	1,064,330	1,069,140
Non-Executive Directors				
Fees	383,000	210,000	365,000	192,000
Other emoluments	16,500	5,800	14,100	5,800
Benefits-in-kind	17,167	15,967	1,200	-
	416,667	231,767	380,300	197,800

The Executive Directors are as follows:-

2004

Dato' 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

2003

Dato' 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

The Non-Executive Directors are as follows:-

2004

Raja Dato' Seri Aman bin Raja Haji Ahmad (Appointed on 26.2.04)
 Datuk (Prof.) A Rahman @ Omar bin Abdullah
 Dato' Ismail @ Mansor bin Said

2003

Datuk (Prof.) A Rahman @ Omar bin Abdullah
 Dato' Ismail @ Mansor bin Said
 Dato' Hamzah bin Hasan (Resigned on 1.3.03)
 Dato' Mohamed bin Awang (Resigned on 31.12.03)

Notes To The Financial Statements (Cont'd)

33. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Malaysian income tax				
- based on results for the year	7,326,197	6,248,507	2,042,665	3,622,647
Deferred tax relating to the origination and reversal of temporary differences (Note 9)	192,105	(323,943)	14,500	(200)
Share of taxation of associated companies	-	3,413	-	-
	7,518,302	5,927,977	2,057,165	3,622,447
Under provision in prior years	31,547	114,881	39,797	115,752
Tax expense	7,549,849	6,042,858	2,096,962	3,738,199

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Accounting (loss)/profit before taxation	(4,116,720)	18,974,882	9,101,944	11,204,313
Tax at the statutory income tax rate of 28%	(1,152,682)	5,312,967	2,548,544	3,137,208
Tax effects arising from:-				
Effect of lower tax rate for Malaysian subsidiary companies with issued and paid-up share capital of RM2.5 million and below	(1,164)	(26,683)	-	-
Non-deductible expenses	1,661,148	417,404	177,636	223,145
Joint venture loss	-	-	(669,015)	-
Deferred tax assets not recognised in the financial statements	7,011,000	262,094	-	262,094
Under provision of taxation in prior years	31,547	114,881	39,797	115,752
Effect of changes in deferred tax rate	-	(37,805)	-	-
Tax expense	7,549,849	6,042,858	2,096,962	3,738,199

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 31st December, 2004, 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/- (2003: RM297,002/-). This is in respect of chargeable income of which the income tax has been waived.

Notes To The Financial Statements (Cont'd)

34. BASIC (LOSS)/EARNINGS PER ORDINARY SHARE

The basic loss per ordinary share of the Group is calculated based on the loss after taxation and minority interest of RM11,747,506/- divided by the weighted average number of ordinary shares of RM1/- each in issue of 66,606,233.

The fully diluted loss 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.

35. INCORPORATION / ACQUISITION OF SUBSIDIARY COMPANIES

During the financial year, the Company incorporate 2 subsidiaries namely Trend Vista Development Sdn. Bhd. and Technipolitan Sdn. Bhd. for paid up capital of RM2/- each and a sub-subsidiary, AZRB Construction (India) Pvt. Ltd. with paid up capital of RM8,430/-.

On 15th July, 2003, the Company acquired the entire equity interest in Tadok Granite Manufacturing Sdn. Bhd., for a cash consideration of RM4,000,000/-.

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

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

	GROUP	
	2004 RM	2003 RM
Property, plant and equipment	–	149,328
Cash at bank	8,434	79
Goodwill on consolidation	–	3,858,643
Other payables	–	(8,050)
Total purchase consideration	8,434	4,000,000
Cash at bank	(8,434)	(79)
Effect of acquisition of subsidiary companies, net of cash acquired	–	3,999,921

- (ii) Effect of Consolidated Income Statement

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

	GROUP	
	2004 RM	2003 RM
Operating revenue	–	–
Direct operating costs	–	–
Gross profit	–	–
Other operating revenue	36	–
Administrative costs	(31,621)	(16,751)
Other operating costs	(6,995)	(500)
	(38,616)	(17,251)
Finance costs	(17)	(27)
Net loss for the year	(38,597)	(17,278)

Notes To The Financial Statements (Cont'd)

35. INCORPORATION / 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:-

	GROUP	
	2004 RM	2003 RM
Property, plant and equipment	–	145,854
Cash at bank	7,836	52
Other receivables	527	–
Other payables	(15,051)	(11,175)
Amount owing to related companies	–	(10,652)
	(6,688)	124,079

36. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM6,943,238/- (2003 : RM10,915,190/-) of which RM3,306,300/- (2003 : RM3,181,020/-) was financed by means of hire purchase. Cash payments of RM3,636,938/- (2003 : RM7,734,170/-) were made to purchase property, plant and equipment.

During the financial year, the Company acquired property, plant and equipment with aggregate cost of RM572,008/- (2003 : RM200,000/-) of which RM500,000/- (2003 : Nil) was financed by means of hire purchase. Cash payments of RM72,008/- (2003 : RM200,000/-) were made to purchase property, plant and equipment.

37. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash and bank balances	22,560,492	29,024,465	195,736	1,943,867
Cash deposits with licensed banks	86,933,110	71,657,669	20,143,376	19,629,743
Bank overdrafts	(7,643,209)	(1,701,056)	–	–
	101,850,393	98,981,078	20,339,112	21,573,610

Included in cash deposits with licensed banks of the Group are deposits totalling RM52,429,916/- (2003 : RM34,941,574/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of a subsidiary company, AZSB 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 totalling RM2,289,947/- (2003 : RM2,224,201/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of a subsidiary company, AZSB, and are only available to be utilised for repayment of the said facilities.

Notes To The Financial Statements (Cont'd)

38. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Total instalment payments	7,183,751	5,466,939	811,676	401,660
Less: Future finance charges	(846,960)	(645,265)	(89,011)	(45,929)
Present value of hire purchase payables	6,336,791	4,821,674	722,665	355,731
Payable within one year				
Total instalment payments	2,268,107	1,782,107	236,256	120,504
Less: Future finance charges	(395,555)	(311,769)	(40,684)	(23,189)
Present value of hire purchase payables (Note 26)	1,872,552	1,470,338	195,572	97,315
Payable after one year but not later than five years				
Total instalment payments	4,915,644	3,684,832	575,420	281,156
Less: Future finance charges	(451,405)	(333,496)	(48,327)	(22,740)
Present value of hire purchase payables (Note 26)	4,464,239	3,351,336	527,093	258,416
	6,336,791	4,821,674	722,665	355,731

The maturity profile and effective interest rates are disclosed in note 47 to the financial statements.

39. TERM LOANS - SECURED

	GROUP	
	2004 RM	2003 RM
Current Liabilities		
Repayable within one year (Note 26)	782,489	707,925
Non-Current Liabilities		
Repayable after one year but not later than five years	2,125,660	2,075,981
Repayable after five years but not later than ten years	170,183	1,033,078
Long term borrowings (Note 26)	2,295,843	3,109,059
	3,078,332	3,816,984

Notes To The Financial Statements (Cont'd)

39. TERM LOANS - SECURED (Cont'd)

Term Loan I which bears interest at a rate of 8.00% (2003 : 8.00% to 8.40%) per annum is repayable in equal monthly instalments over 10 years commencing in April, 2001. This term loan is secured and supported as follows:-

- (i) first legal charge over leasehold land and building of a subsidiary company, AZSB, as disclosed in note 3 to the financial statements; and
- (ii) a corporate guarantee from the Company.

Term Loan II which bears interest at a rate of 2.25% for the first year and subsequently at a rate of BLR + 0.6% per annum is repayable in equal monthly instalments over 5 years commencing in April, 2003. This term loan is secured by a first legal charge over freehold land and building of a subsidiary company, AZSB, as disclosed in note 3 to the financial statements.

40. EQUITY COMPENSATION BENEFITS

- (i) The Group's ESOS was approved by shareholders of the Company at the Annual General Meeting held on 20th June, 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26th July, 2002 and expiring on 25th 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 (formerly known as Kuala Lumpur Stock Exchange) for the five (5) Market Days immediately preceeding 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 that may be declared by the Company in respect of financial year ended 31st December, 2002 and any other dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

Notes To The Financial Statements (Cont'd)

40. EQUITY COMPENSATION BENEFITS (Cont'd)

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

	Number of Share Options	
	2004	2003
At 1st January	3,224,600	3,654,000
Adjusted	–	1,157,200
Exercised	(404,200)	(1,292,800)
Lapsed	(21,600)	(293,800)
At 31st December	2,798,800	3,224,600

In previous year, share options' were adjusted due to bonus issue on 2nd September, 2003 which resulted in the exercise price to reduce from RM2.88 to RM2.05.

Exercise Period	Exercise Price RM	Number of Share Options
		2003
2.9.2003 - 25.7.2012	2.05	1,157,200

Details of share options exercised during the financial year:-

Exercise Period	Exercise Price RM	Number of Share Options		Consideration Received	
		2004	2003	2004 RM	2003 RM
1.1.2003 - 2.9.2003	2.88	–	480,000	–	1,382,400
3.9.2003 - 31.12.2003	2.05	–	812,800	–	1,666,240
1.1.2004 - 31.12.2004	2.05	404,200	–	828,610	–
		404,200	1,292,800	828,610	3,048,640

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	
		2004	2003
25.7.2012	2.05	2,798,800	3,224,600

Notes To The Financial Statements (Cont'd)

40. EQUITY COMPENSATION BENEFITS (Cont'd)

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

	Number of Options Over Ordinary Shares of RM1/- Each			At 31.12.04
	At 1.1.04	Exercised	Lapsed	
Dato' 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	448,000	(124,000)	-	324,000
Dato' W Zulkifli bin Haji W Muda	406,000	-	-	406,000

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-Trade				
Accommodation charged by:-				
- Residence Inn & Motels Sdn. Bhd.	1,664	-	-	-
Management fees charged to:-				
- Ahmad Zaki Sdn. Bhd.	-	-	(1,200,000)	(1,200,000)
- Inter-Century Sdn. Bhd.	-	-	(300,000)	(300,000)
- Tadok Granite Manufacturing Sdn. Bhd.	-	-	(50,000)	-
- AZRB International Ventures Sdn. Bhd.	-	-	(10,000)	-
- Trend Vista Development Sdn. Bhd.	-	-	(5,000)	-
- Technipolitan Sdn. Bhd.	-	-	(5,000)	-
Dividend revenue from:-				
- Ahmad Zaki Sdn. Bhd.	-	-	(4,000,024)	(7,500,045)
- Inter-Century Sdn. Bhd.	-	-	(4,000,008)	(4,000,008)
Rental received and receivable from:-				
- Residence Inn & Motels Sdn. Bhd.	(36,000)	-	-	-
Administrative service charged by:-				
- Zaki Holdings (M) Sdn. Bhd.	122,400	122,400	-	-
Rental paid and payable to:-				
- Zaki Holdings (M) Sdn. Bhd.	420,000	420,000	180,000	180,000
Insurance premium paid and payable to:-				
- Zaki Holdings (M) Sdn. Bhd.	246,372	294,288	-	-

Notes To The Financial Statements (Cont'd)

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(b) The significant transactions with joint ventures are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade				
Contract revenue received and receivable from:-				
- Bumi Hiway - Ahmad Zaki Joint Venture	-	(6,610,917)	-	-

(c) 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	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade				
Purchases from subsidiary companies of Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:-				
- Chuan Huat Industrial Marketing Sdn. Bhd.	13,146,603	4,002,775	-	-
- Chuan Huat Hardware Sdn. Bhd.	171,567	626,793	-	-
Purchases from QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director				
	-	25,341	-	-
Non-Trade				
Rental of premises paid to Dato' Haji Wan Zaki bin Haji Wan Muda				
	36,000	36,000	-	-
Purchases of share from Dato' Abdul Rahman bin Nasir, a director of Tadok Granite Manufacturing Sdn. Bhd.				
	-	2,000,000	-	2,000,000

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)

42. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unsecured				
(a) Corporate guarantees given to financial institutions in respect of credit facilities granted to an associated company, Fasatimur Sdn. Bhd.	–	20,000,000	–	–
(b) Legal claims by suppliers of joint ventures of AZSB	3,677,234	3,677,234	–	–
(c) Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to AZSB	–	–	74,104,089	54,709,859
Partially Secured				
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,000,000/- to a financial institutions in respect of credit facilities granted to AZSB	–	–	12,524,839	1,708,724
	3,677,234	23,677,234	86,628,928	56,418,583

No provision has been made for the contingent liabilities mentioned in (b) 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.

43. CAPITAL COMMITMENT

	COMPANY	
	2004 RM	2003 RM
Approved and contracted for	*6,919,007	–

* Equivalent to Rp17,000,000,000/-.

Capital commitment in current year is in respect of acquisition of a foreign corporation.

44. SEGMENTAL ANALYSIS - BY ACTIVITY

The primary segment reporting format is presented in respect of the Group's business activities. No secondary reporting format is presented as the Group operates principally within the same geographical region.

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 tax assets and tax liabilities respectively.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one accounting period.

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) Other operations | - | property development, investment holding, provision of management services and dormant companies. |

Notes To The Financial Statements (Cont'd)

44. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

Major Segment By Activity

2004	Construction RM	Trading In Oil & Gas & Other Related Services RM	Other Operations RM	Eliminations RM	Consolidated RM
REVENUE					
External revenue	223,306,003	33,945,362	663,655	–	257,915,020
Inter-segment revenue	–	956,517	1,570,000	(2,526,517)	–
Total revenue	223,306,003	34,901,879	2,233,655	(2,526,517)	257,915,020
RESULT					
Segment result	13,159,390	10,938,537	(1,994,458)		22,103,469
Interest revenue					2,297,631
Interest expenses					(988,797)
Share of results in joint ventures	(27,511,301)				(27,511,301)
Share of results in associated companies	(17,722)				(17,722)
Income taxes					(7,549,849)
Loss after taxation but before minority interest					(11,666,569)
Minority interest					(80,937)
Net loss for the year					(11,747,506)
OTHER INFORMATION					
Segment assets	150,659,375	19,490,820	10,356,707		180,506,902
Investments properties					24,200,000
Tax assets					3,156,724
Deferred tax assets					4,608
Cash deposits with licensed banks					86,933,110
Other investments					115,500
Interest in associated companies	71,048				71,048
Consolidated total assets					294,987,892
Segment liabilities	120,096,675	2,108,162	18,809,518		141,014,355
Interest in joint ventures	27,830,772				27,830,772
Interest bearing borrowings					18,142,445
Tax liabilities					339,293
Deferred tax liabilities					641,740
Consolidated total liabilities					187,968,605
Capital expenditure	6,071,514	293,868	577,856	–	6,943,238
Depreciation	2,464,045	614,802	299,537	(40,000)	3,338,384

Notes To The Financial Statements (Cont'd)

44. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

Major Segment By Activity (Cont'd)

2003	Construction RM	Trading In Oil & Gas & Other Related Services RM	Other Operations RM	Eliminations RM	Consolidated RM
REVENUE					
External revenue	277,407,026	28,057,378	549,644	–	306,014,048
Inter-segment revenue	–	1,198,149	1,500,000	(2,698,149)	–
Total revenue	277,407,026	29,255,527	2,049,644	(2,698,149)	306,014,048
RESULT					
Segment result	14,181,510	9,304,578	(1,876,255)		21,609,833
Interest revenue					1,970,971
Interest expenses					(1,477,779)
Share of results in joint ventures	(3,106,735)				(3,106,735)
Share of results in associated companies	(21,408)				(21,408)
Income taxes					(6,042,858)
Profit after taxation but before minority interest					12,932,024
Minority interest					(24,700)
Net profit for the year					12,907,324
OTHER INFORMATION					
Segment assets	154,381,191	14,589,474	11,861,429		180,832,094
Investments properties					24,200,000
Tax assets					3,123,537
Deferred tax assets					159,613
Cash deposits with licensed banks					71,657,669
Other investments					115,500
Interest in joint ventures	185,868				185,868
Interest in associated companies	88,370				88,370
Consolidated total assets					280,362,651
Segment liabilities	132,344,100	2,310,147	10,778,862		145,433,109
Interest bearing borrowings					10,339,714
Tax liabilities					364,129
Deferred tax liabilities					604,640
Consolidated total liabilities					156,741,592
Capital expenditure	8,680,370	2,215,247	219,573	(200,000)	10,915,190
Depreciation	2,285,250	394,469	228,303	(30,000)	2,878,022

Notes To The Financial Statements (Cont'd)

44. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

- (a) There is no significant non-cash expenses other than depreciation.
- (b) Inter-segment revenue of other operations mainly comprises management fees revenue. All other inter-segment revenue comprises inter-segment sales which were priced based on cost plus method.

45. SIGNIFICANT EVENTS

- (i) On 6th January, 2004, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for Subang-Kelana Link project in Kuala Lumpur, Malaysia for RM182,347,000/-.
- (ii) On 19th January, 2004, a wholly owned subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB"), acquired the entire share capital of Hidro Fokus Sdn. Bhd. ("HFSB") with a paid-up share capital of RM2/- . The Company has yet to commence operations.
- (iii) On 16th March, 2004, AZSB received a Letter of Award from Perbadanan Putrajaya for Mosque, Kiblat Walk project in Kuala Lumpur, Malaysia for RM208,843,691/-.
- (iv) On 30th June, 2004, AZSB entered into shareholders' agreement with Sime Engineering Sdn. Bhd. and Edward & Sons (EM) Sdn. Bhd. pertaining to the shareholding in HFSB, resulting in a dilution in the shareholdings in HFSB from 100% to 40%.
- (v) On 18th June, 2004, a wholly owned subsidiary company, AZRB International Ventures Sdn. Bhd., incorporated AZRB Construction (India) Pvt. Ltd. to undertake business ventures in India.
- (vi) On 19th July, 2004, the Company acquired the entire issued share capital of Technipolitan Sdn. Bhd. and Trend Vista Development Sdn. Bhd., for a purchase consideration of RM2/- each. Both companies have yet to commence operations.
- (vii) On 13th December, 2004, the Company entered into an agreement with the shareholders of P.T Ichtar Gusti Pudi ("IGP") to purchase 95% of the equity holding in IGP for a cash consideration of Rp17,000,000,000/-.

46. SUBSEQUENT EVENT

On 14th April, 2005, the Company signed the Contract Agreement with IT Expressway Ltd. for the improvement and maintenance of IT Corridor in Chennai, India for Rs1,238,200,436/-.

47. 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)

47. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

i) Foreign Exchange Risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group for the financial year ended that are not denominated in their functional currencies are as follows:-

	Represents foreign currencies translated into RM Indian Rupee RM
Functional currency of Group	
Other Receivables	
Ringgit Malaysia	527
Cash and Bank Balances	
Ringgit Malaysia	7,836
Other Payables	
Ringgit Malaysia	14,001

(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.

Notes To The Financial Statements (Cont'd)

47. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The effective interest rates and the periods in which they reprice or mature, whichever is earlier, are as follows:-

GROUP	Effective Interest Rate %	Total RM	← Maturities →		
			Within 1 Year RM	More Than 1 Year But Less Than 5 Years RM	After 5 Years RM
2004					
Financial Assets					
Cash deposits	2.50 - 4.00	86,933,110	86,933,110	–	–
Financial Liabilities					
Bank overdraft	7.00 - 7.50	7,643,209	7,643,209	–	–
Term loans	6.60 - 8.00	3,078,332	782,489	2,125,660	170,183
Hire purchase payables	5.57 - 14.93	6,336,791	1,872,552	4,464,239	–
2003					
Financial Assets					
Cash deposits	2.60 - 4.00	71,657,669	71,657,669	–	–
Financial Liabilities					
Bank overdraft	7.00 - 8.15	1,701,056	1,701,056	–	–
Term loans	2.25 - 8.40	3,816,984	707,925	2,075,981	1,033,078
Hire purchase payables	6.36 - 15.80	4,821,674	1,470,338	3,351,336	–
COMPANY					
2004					
Financial Assets					
Cash deposits	2.50 - 3.85	20,143,376	20,143,376	–	–
Financial Liability					
Hire purchase payables	5.91 - 7.60	722,665	195,572	527,093	–
2003					
Financial Assets					
Cash deposits	2.70 - 4.00	19,629,743	19,629,743	–	–
Financial Liability					
Hire purchase payables	7.60	355,731	97,315	258,416	–

Notes To The Financial Statements (Cont'd)

47. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

(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) 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 approximate their fair values.

The fair values of hire purchase payables is estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

Notes To The Financial Statements (Cont'd)

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Fair Values (Cont'd)

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

2004	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Unquoted investments	8	115,500	*-	68,000	*-
Financial Liabilities					
Hire purchase payables	38	6,336,791	6,295,599	722,665	706,026
2003					
Financial Assets					
Unquoted investments	8	115,500	*-	68,000	*-
Financial Liabilities					
Hire purchase payables	38	4,821,674	4,791,308	355,731	354,896

* 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.

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:-

2004	Note	GROUP		COMPANY	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
Contingent liabilities in respect of:-					
Legal claims by suppliers of joint ventures of AZSB	42(b)	3,677,234	*-	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB	42(c)	-	-	74,104,089	74,110,270
Corporate guarantees given to a financial institution of AZSB	42 (partially secured)	-	-	12,524,839	12,524,839
		3,677,234	-	86,628,928	86,635,109

Notes To The Financial Statements (Cont'd)

47. 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:- (Cont'd)

2003	Note	GROUP		COMPANY	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
Contingent liabilities in respect of:-					
Corporate guarantees given to financial institutions of Fasatimur Sdn. Bhd.	42(a)	20,000,000	20,000,000	–	–
Legal claims by suppliers of joint ventures of AZSB	42(b)	3,677,234	*–	–	–
Corporate guarantees given to financial institutions and suppliers of AZSB	42(c)	–	–	54,709,859	54,632,087
Corporate guarantees given to a financial institution of AZSB	42 (partially secured)	–	–	1,708,724	1,708,724
		23,677,234	20,000,000	56,418,583	56,340,811

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

Analysis Of Shareholdings

As at 30 April, 2005

Authorised Share Capital	:	RM100,000,000
Class of Shares	:	Ordinary Share of RM1.00 each
Issued and Fully Paid-up Share Capital	:	RM66,710,400
Voting Rights	:	One vote per RM1.00 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Dato' Seri Aman Bin Raja Haji Ahmad	–	–	–	–
Dato' Haji Wan Zaki Bin Haji Wan Muda	498,690	0.75	40,262,410	60.35*
Dato' Wan Zakariah Bin Haji Wan Muda	149,674	0.22	–	–
Dato' Haji Mustaffa Bin Mohamad	1,350,912	2.03	–	–
Dato' W Zulkifli Bin Haji W Muda	165,874	0.25	–	–
Datuk (Prof.) A Rahman Bin Abdullah	300,000	0.45	–	–
Dato' Ismail @ Mansor Bin Said	1	–	–	–
Ultimate Holding Company				
Zaki Holdings (M) Sdn. Bhd.				
Dato' 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' 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, 2005.

DISTRIBUTION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Shareholding	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	67	0	3,365	0	0.01	0.00
100 to 1,000	427	4	354,320	3,300	0.53	0.00
1,001 to 10,000	1,558	19	5,513,880	81,380	8.27	0.12
10,001 to 100,000	230	6	6,304,648	131,660	9.45	0.20
100,001 to less than 5% of Issued Shares	28	0	14,055,437	0	21.07	0.00
5% and above of Issued Shares	1	0	40,262,410	0	60.35	0.00
Total	2,311	29	66,494,060	216,340	99.68	0.32

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE EXCLUDING BARE TRUSTEES)

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
1 Zaki Holdings (M) Sdn. Bhd.	40,262,410	60.35	–	–
2 Dato' Haji Wan Zaki Bin Haji Wan Muda	498,690	0.75	40,262,410	60.35*

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

Analysis Of Shareholdings (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	Shares Held	%
1	Zaki Holdings (M) Sdn. Bhd.	40,262,410	60.35
2	Employees Provident Fund Board	1,979,740	2.97
3	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,340,700	2.01
4	OSK Nominees (Tempatan) Sdn. Bhd. - Idris Bin Mohammad	1,279,445	1.92
5	Nik Mahani Binti Nik Mohd Rashid	814,127	1.22
6	Al Wakalah Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Dato' Haji Mustaffa Bin Mohamad (CKT)	784,000	1.18
7	Qutronics Sdn. Bhd.	783,500	1.17
8	Betanaz Corporation Sdn. Bhd.	734,000	1.10
9	BHLB Trustee Berhad - TA Small Cap Fund	727,200	1.09
10	Dato' Haji Mustaffa Bin Mohamad	566,912	0.85
11	M & A Securities Sdn. Bhd. - IVT (B)	499,800	0.75
12	Dato' Haji Wan Zaki Bin Haji Wan Muda	498,690	0.75
13	BHLB Trustee Berhad - Prusmall - Cap Fund	474,100	0.71
14	OSK Nominees (Tempatan) Sdn. Bhd. - Nordin Bin Abu Bakar	423,429	0.63
15	Mohd Najib Bin Mashhor	400,000	0.60
16	Geosakti Sdn. Bhd.	328,400	0.49
17	Rosmini Azah Binti Abdul Rahman	312,800	0.47
18	Datuk (Prof) A Rahman @ Omar Bin Abdullah	300,000	0.45
19	Dato' Hamzah Bin Hasan	267,200	0.40
20	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for AmDividend Income (4983-401)	235,500	0.35
21	Mayban Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Lee Keng Hong	216,860	0.33
22	Ruziah Azdi Binti Abdul Rahman	192,000	0.29
23	Tengku Ab Malek Bin Tengku Mohamed	178,360	0.27
24	Dato' W Zulkifli Bin Haji W Muda	165,874	0.25
25	Eng Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Lew Mee Choon	160,000	0.24
26	Dato' Wan Zakariah Bin Haji Wan Muda	149,674	0.22
27	Razana Azian Binti Abdul Rahman	132,400	0.20
28	Raiha Azni Binti Abd Rahman	117,000	0.18
29	Goonchen Investment Trust Sdn. Bhd.	109,600	0.16
30	Nor Insan Bin Yahya	106,000	0.16
Total		54,539,721	81.76

List Of Properties

As at 31 December, 2004

Title & location of property	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")	Vacant land	Freehold	54,967 sq. ft.	4,950
EMR 873, Lot 826 Mukim Sungai Karang, Kuantan Pahang ("Lot 826")	Land and 1-storey and 3-storey buildings held for rental	Freehold/ (11 years)	202,815/ (64,670) sq. ft.	19,250
HS (M) 1038, Lot PT 4782 and HS (M) 1039, Lot PT 4783 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 4782 and Lot PT 4783")	Adjoining 4-storey buildings for own use	Freehold (9 years)	3,498/ (20,728) sq. ft.	4,128
HS (M) 994, Lot PT 16360 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16360")	4-storey building for own use	Freehold (19 years)	1,581/ (8,000) sq. ft.	1,345
HS (D) 15563, Lot 4910 PT 1921 Mukim Hulu Klang District Gombak Negeri Selangor ("Lot PT 4970")	Double storey bungalow for rental	Leasehold expired 17.06.2078/ (20 years)	10,332/ (2,457) sq. ft.	1,605
GM 1821, Lot No 5413 Mukim Kuala Lumpur District of Negeri Wilayah Persekutuan ("Lot PT 5419")	Double storey bungalow for own use	Freehold (27 years)	42,738/ (9,640) sq. ft.	6,183
Lot PT 2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu ("Lot PT 2100")	Vacant Land	Leasehold expired 18.10.2025	20 hectares	139

Proxy Form

Number of Shares Held:

*I/We, _____

of _____

being a *member/members of **AHMAD ZAKI RESOURCES BERHAD** _____

hereby appoint _____

of _____

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of the Company, to be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 23 June 2005 at 10.00 a.m. and, at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:
 (The next paragraph should be completed only when two proxies are appointed)

* First Proxy (1) % * Second Proxy (2) %

* My/our proxy is to vote as indicated below:-

No.	RESOLUTIONS	FOR	AGAINST		No.	RESOLUTIONS	FOR	AGAINST
1.	Resolution 1				6.	Resolution 6		
2.	Resolution 2				7.	Resolution 7		
3.	Resolution 3				8.	Resolution 8		
4.	Resolution 4				9.	Resolution 9		
5.	Resolution 5							

(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 2005.

 Signature of member(s)/seal

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 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 11-2, 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

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.
8. The proposed ordinary resolutions No. 8 & 9, if passed, will allow the AZRB Group to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandates").

 The Proposed Shareholders' Mandates would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the AZRB Group.

 Further information on the Proposed Shareholders' Mandates is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2004.