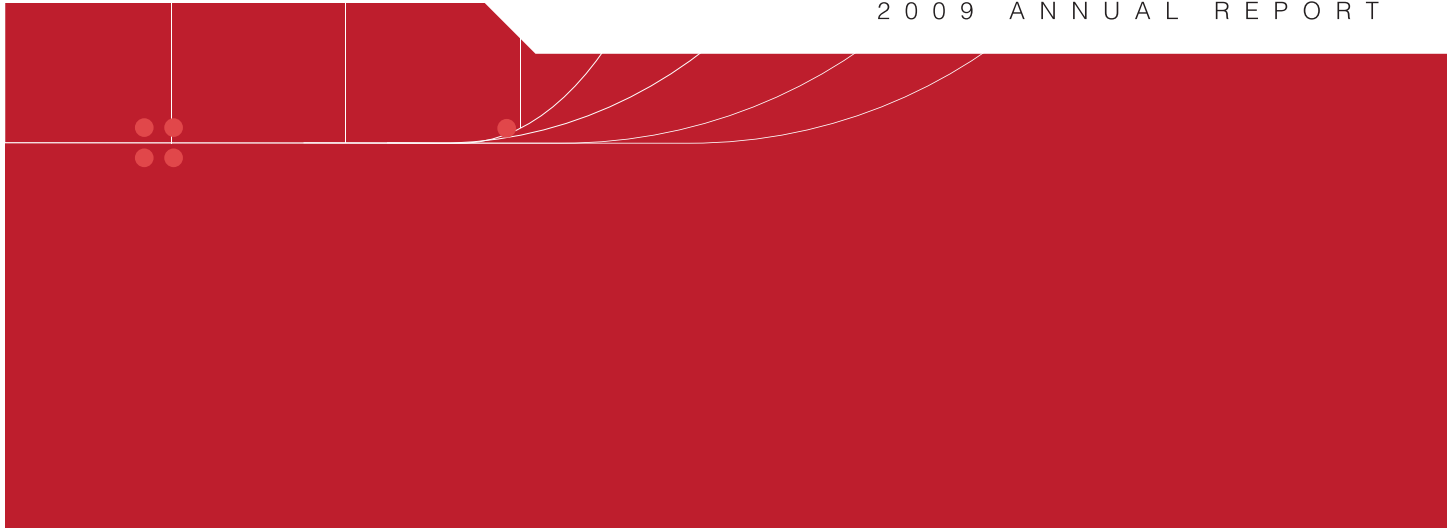




**AZRB**  
AHMAD ZAKI RESOURCES BERHAD  
(432768-X)

Building the **Future**

2009 ANNUAL REPORT

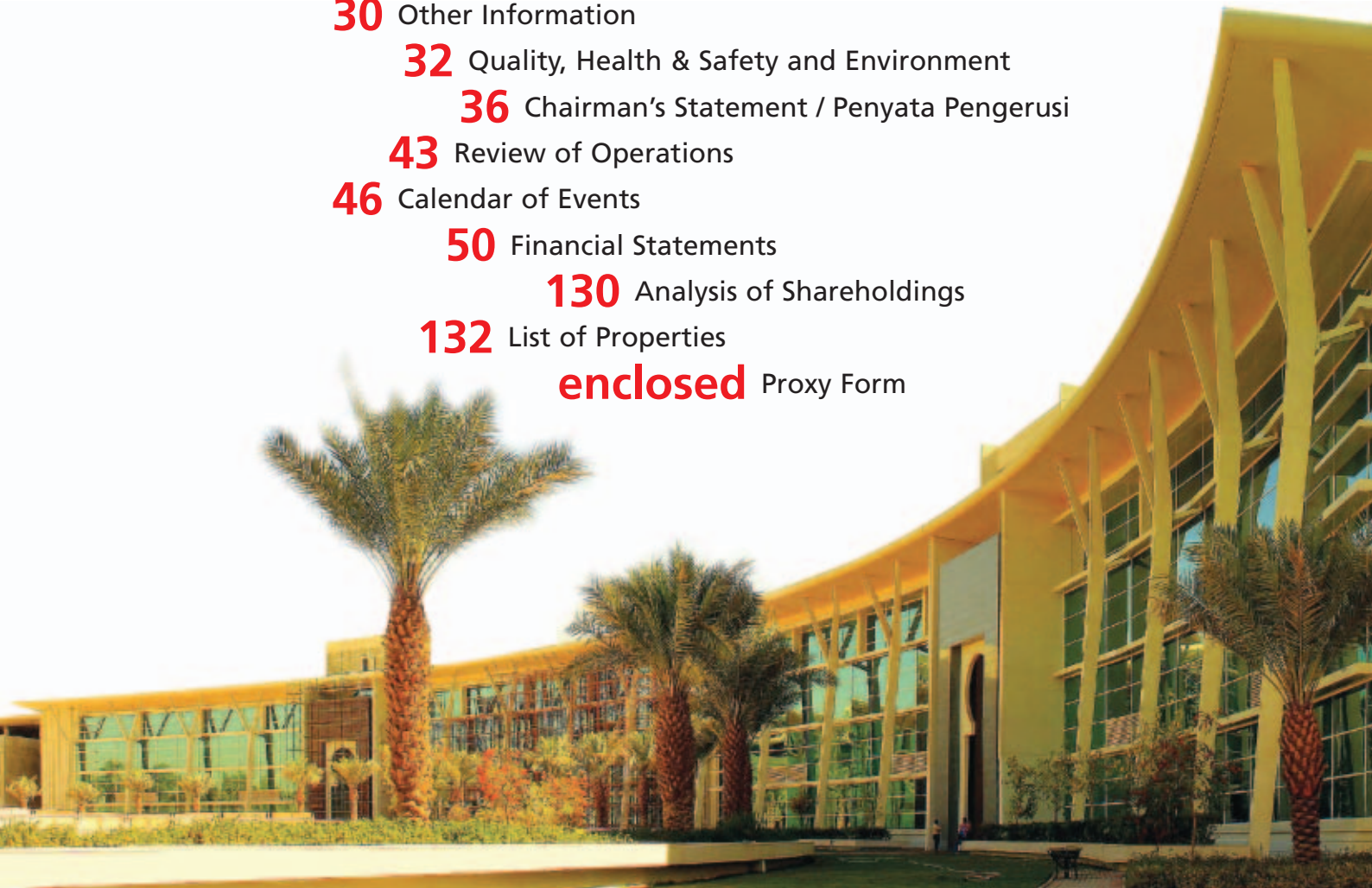




The cover design depicts AZRB as a dynamic and responsible organisation embarking on a path of entrepreneurial ingenuity that transcends boundaries, raising aspirations and expectations for our people.

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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 June 2010 at 10:00 am for the following purposes:-

## AGENDA

### As Ordinary Business:

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. | <a href="#">Please refer to Note A</a> |
| 2. To approve the payment of a first and final dividend of 3.5 sen gross per share less 25% tax for the year ended 31 December 2009.                               | <a href="#">Resolution 1</a>           |
| 3. To approve the payment of Directors' fees for the year ended 31 December 2009.  | <a href="#">Resolution 2</a>           |
| 4. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-   |  |
| (i) Dato' Sri Haji Wan Zaki bin Haji Wan Muda  | <a href="#">Resolution 3</a>           |
| (ii) Dato' Wan Zakariah bin Haji Wan Muda  | <a href="#">Resolution 4</a>           |
| 5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to fix their remuneration.                                     | <a href="#">Resolution 5</a>           |

### As Special Business:

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

- |   |                              |
|---|------------------------------|
| 6. <b>ORDINARY RESOLUTION - AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES</b>  | <a href="#">Resolution 6</a> |
| <p>"THAT subject to the provisions of Section 132D of the Companies Act, 1965 and approvals from the 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 on 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."</p> |                              |

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 7. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE

Resolution 7

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 26 May 2010 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms.

**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 14th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 14th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest,

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

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 8. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

### Resolution 8

**"THAT**, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by laws, to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities on such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the total retained profits and share premium account of RM91,234,721 and RM6,260 respectively based on the last audited accounts of the company as at 31 December 2009 be allocated by the company for the Proposed renewal of the Share Buy-Back; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

**AND THAT** the authority conferred by this resolution will commence immediately and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company or any person before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities;

**AND THAT** authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts, and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any parts of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities."

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN** that the first and final dividend of 3.5 sen gross per share less 25% tax for the financial year ended 31 December 2009, if approved, will be paid on 20 July 2010 to depositors registered in the Record of Depositors at the close of business on 9 July 2010.

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 9 July 2010 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

**HAJI BAHARI BIN JOHARI** (LS 0008773)  
**WONG MAW CHUAN** (MIA 7413)  
**SEUHAILEY BINTI SHAMSUDIN** (MAICSA 7046575)  
 SECRETARIES

Kuala Lumpur  
 27 May 2010

#### NOTES:

- A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the Shareholders and hence, is not put forward for voting.
1. A member of the Company 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 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

#### EXPLANATORY NOTES ON SPECIAL BUSINESS

7. **Resolution 6**  
 The proposed ordinary resolution No. 6, 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. **Resolution 7**  
 Please refer to the Circular to Shareholder dated 26 May 2010 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2009.
9. **Resolution 8**  
 Please refer to the Circular to Shareholders dated 26 May 2010 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2009.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## 1. Board Meetings held in the financial year ended 31 December 2009

There were seven (7) Board Meetings held during the financial year ended 31 December 2009. Details of the attendance of the Directors are as follows:-

<b>Executive Directors</b>	<b>Total Meeting Attended</b>	<b>% of Attendance</b>
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	6/7	86%
Dato' Wan Zakariah bin Haji Wan Muda	7/7	100%
Dato' Haji Mustaffa bin Mohamad	6/7	86%
Dato' W Zulkifli bin Haji W Muda	6/7	86%
<b>Non-Executive Directors</b>		
Raja Dato' Seri Aman bin Raja Haji Ahmad	6/7	86%
Datuk (Prof.) A Rahman @ Omar bin Abdullah	5/7	71%
Dato' Ismail @ Mansor bin Said	7/7	100%

## 2. Place, Date and Time of Meeting

The 13th Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 June 2010 at 10.00 am.

## 3. Directors who are seeking for re-election or re-appointments of the 13th Annual General Meeting of the Company

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

- (i) Dato' Sri Haji Wan Zaki bin Haji Wan Muda
- (ii) Dato' Wan Zakariah bin Haji Wan Muda

Details of Directors are set out on pages 12 to 15 of this Annual Report and their securities holdings in the Company are set out in the Analysis of shareholdings on page 130 to 131.





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

1. Raja Dato' Seri Aman Bin Raja Haji Ahmad
2. Dato' Sri Haji Wan Zaki Bin Haji Wan Muda
3. Dato' Wan Zakariah Bin Haji Wan Muda
4. Dato' Haji Mustaffa Bin Mohamad
5. Dato' W Zulkifli Bin Haji W Muda
6. Datuk (Prof.) A Rahman @ Omar Bin Abdullah
7. Dato' Haji Ismail @ Mansor Bin Said

*(Independent, Non-Executive Chairman)*  
*(Executive Vice Chairman)*  
*(Managing Director)*  
*(Executive Director)*  
*(Executive Director)*  
*(Independent, Non-Executive Director)*  
*(Independent, Non-Executive Director)*

## AUDIT COMMITTEE

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

*(Chairman, Independent, Non-Executive Chairman)*  
*(Member, Independent, Non-Executive Director)*  
*(Member, Independent, Non-Executive Director)*

## COMPANY SECRETARIES

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

## REGISTERED OFFICE

No. 6, Jalan Bangsar Utama 9,  
 Bangsar Utama, 59000 Kuala Lumpur  
 Tel: 03-2287 6833 Fax: 03-2287 1032

## REGISTRAR

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

## PRINCIPAL BANKERS

AmBank Berhad  
 CIMB Bank Berhad  
 AmInvestment Bank Berhad  
 Alliance Bank Berhad

## AUDITORS

Moore Stephens AC  
 Chartered Accountants  
 A-37-1, Level 37, Menara UOA  
 Bangsar, No. 5, Jalan Bangsar Utama 1  
 59000 Kuala Lumpur

## STOCK EXCHANGE

Main Market of Bursa Malaysia

# CORPORATE STRUCTURE



## CONSTRUCTION & PROPERTIES

- |   |             |   |             |
|---|-------------|---|-------------|
| 1. AHMAD ZAKI SDN BHD                           | <b>100%</b> | 6. AZSB MACHINERIES SDN BHD             | <b>100%</b> |
| 2. KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD | <b>60%</b>  | 7. AZRB PROPERTIES SDN BHD              | <b>100%</b> |
| 3. FASA TIMUR SDN BHD                           | <b>50%</b>  | 8. EKVE SDN BHD                         | <b>100%</b> |
| 4. MAXI HERITAGE SDN BHD                        | <b>20%</b>  | 9. UNGGUL ENERGY & CONSTRUCTION SDN BHD | <b>100%</b> |
| 5. TREND VISTA DEVELOPMENT SDN BHD              | <b>100%</b> |   |             |



## OVERSEAS INVESTMENT

- |  |             |
|--|-------------|
| 1. AZRB CONSTRUCTION (INDIA) PVT LTD   | <b>100%</b> |
| 2. AZRB INTERNATIONAL VENTURES SDN BHD | <b>100%</b> |
| 3. AHMAD ZAKI SAUDI ARABIA CO LTD      | <b>100%</b> |

## PLANTATION

- |                          |            |
|--------------------------|------------|
| 1. PT ICTHIAR GUSTI PUDI | <b>95%</b> |
|--------------------------|------------|

## QUARRY OPERATION

- |  |             |
|--|-------------|
| 1. TADOK GRANITE MANUFACTURING SDN BHD | <b>100%</b> |
|--|-------------|

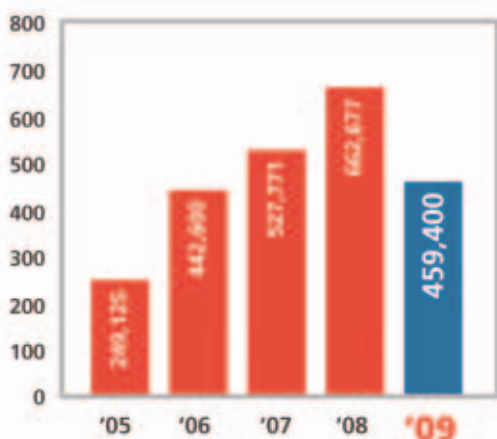
## OIL & GAS

- |  |             |
|--|-------------|
| 1. INTER-CENTURY SDN BHD                         | <b>100%</b> |
| 2. ASTRAL FAR EAST SDN BHD                       | <b>100%</b> |
| 3. EASTERN PACIFIC INDUSTRIAL CORPORATION BERHAD | <b>21%</b>  |

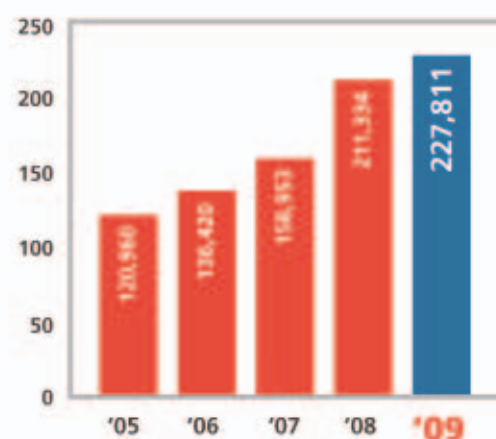


# FINANCIAL HIGHLIGHTS

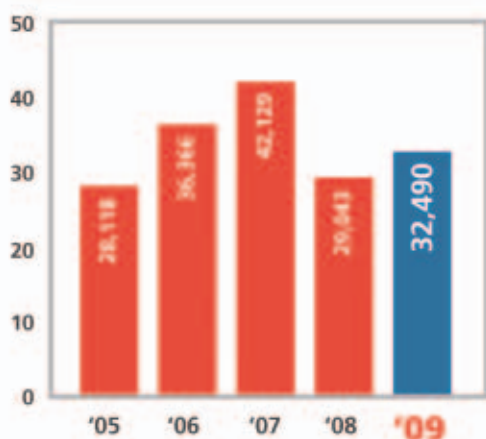
Revenue RM'000



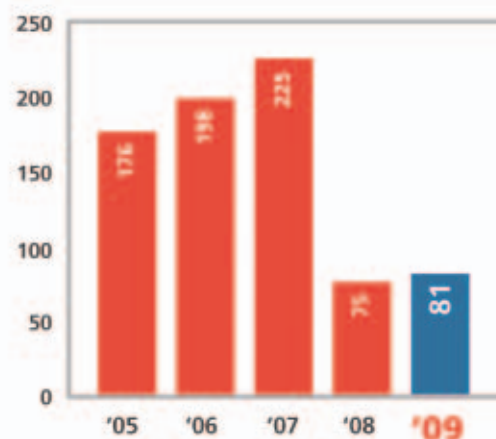
Shareholders' Funds RM'000



Profit/(Loss) before Taxation RM'000



Net Tangible Assets per Share Sen



Group Five Year Summary	Year Ended 31 December				
	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	249,125	442,600	525,771	662,677	459,400
Profit/Loss before taxation	28,118	36,366	42,129	29,043	32,490
Profit/Loss after taxation & minority interest	18,899	24,154	26,295	15,728	20,948
Paid up Capital	66,710	66,710	69,133	138,266	138,318
Shareholders' funds	120,960	136,420	158,953	211,334	227,811
Net tangible assets per share (sen)	176	198	225	75	81



# DIRECTORS' PROFILE



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



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



**DATO' WAN ZAKARIAH BIN  
HAJI WAN MUDA**  
*DSAP, DSSA*

## DIRECTORS' PROFILE (cont'd)

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

*SPMP, DPMP, PJK, AMN*

A Malaysian, aged 64, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26th February 2004 and subsequently assumed the Chairman of Audit Committee on 8th April 2004. He is also the Chairman of Risk Management Committee and sits on the Remuneration and Nomination Committee as an ordinary member.

He is a Certified Public Accountant (CPA), a member of Malaysian Institute of Accountants (MIA) and a Fellow of the Institute of Chartered Accountant of England and Wales (ICAEW). He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad in 1985 as Executive Director. He left Affin Bank in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer. He was appointed as Chief Executive Officer of Affin Bank Berhad in 1995 and retired in 2003.

Raja Dato' Seri Aman is also a Director of Affin Holdings Berhad, Tomei Consolidated Berhad and Affin Investment Bank Berhad. He sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2009, he attended six out of seven Board meetings held.

### **DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA**

*SSAP, SIMP, DPMT, PPN, PJK*

A Malaysian, aged 61, 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 Risk Management Committee.

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

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

During the financial year ended 31 December 2009, he attended six out of seven Board meetings held.

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

*DSAP, DSSA*

A Malaysian, aged 50, joined the board of AZRB as an Executive Director on 24 March 1999 and was subsequently appointed to the post of Managing Director on 1 January 2003. He is presently the Chairman of the Establishment Committee and sits as a member of the Remuneration Committee.

Dato' Wan Zakariah is also a Non-Executive and Non-Independent Director of Eastern Pacific Industrial Corporation Berhad. He also sits on the boards of directors of several private limited companies.

He obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom in 1986. He started his career as a Quantity Surveyor with the construction subsidiary AZSB and in 1996 was promoted to the post of Managing Director of AZSB until 2003. He is also currently the vice president of the Master Building Association Malaysia (MBAM) for the session 2008 until 2010.

During the financial year ended 31 December 2009, he attended seven out of seven Board meetings held.

## DIRECTORS' PROFILE (cont'd)



**DATO' HAJI  
MUSTAFA  
BIN MOHAMAD**  
*DPMT, PJK*

**DATO' W ZULKIFLI  
BIN HAJI W MUDA**  
*DIMP*

**DATO' HAJI MUSTAFFA BIN MOHAMAD**  
*DPMT, PJK*

A Malaysian, aged 59, was appointed an Executive Director of AZRB on 24 March 1999 and is an ordinary member of the Establishment Committee.

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

On 20 November 2007, Dato' Haji Mustafa was appointed as a Non-Independent Non-Executive Director of Eastern Pacific Industrial Corporation Berhad. He also sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2009, he attended six out of seven Board meetings held.

**DATO' W ZULKIFLI BIN HAJI W MUDA**  
*DIMP*

A Malaysian, aged 48, 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 Engineer in 1985. He was promoted to the position of Project Manager and later Executive Director (Operations) of AZSB in 1996 and subsequently became the Managing Director of AZSB effective from 7 February 2003.

Dato' W Zulkifli was appointed as the Alternate Director of Eastern Pacific Industrial Corporation Berhad to Dato' Wan Zakariah bin Haji Wan Muda on 17 May 2009.

Dato' W Zulkifli 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 2009, he attended six out of seven Board meetings held.



## DIRECTORS' PROFILE (cont'd)

### DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH

*PJN, DPMT, JSM, SMT, AMN*

A Malaysian, aged 65, was appointed an Independent Non-Executive Director on 1 January 2003. Effective from 29 November 2007, he was appointed as an ordinary member of the Audit Committee. He also sits on the Remuneration and Nomination Committee as an ordinary member.

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

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

Datuk (Prof.) A Rahman was appointed as the alternate Director of Eastern Pacific Industrial Corporation Berhad to Dato' Haji Mustaffa Mohammad on 17 May 2009.

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 2009, he attended five out of seven Board meetings held.

#### Notes:

#### Family Relationship

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

#### Conflict of Interest

Save as disclosed in the related party transactions on pages 118 to 119 (note 34) 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 ISMAIL @ MANSOR BIN SAID

*DPMT, AMN*

A Malaysian, aged 61, 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' Haji Ismail is also a director of Lion Diversified Holdings Berhad and sits on the board of directors of two private limited companies.

During the financial year ended 31 December 2009, he attended seven out of seven Board meetings held.



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

**DATO' HAJI ISMAIL @ MANSOR BIN SAID**  
*DPMT, AMN*

# STATEMENT OF INTERNAL CONTROL

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

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

## RISK MANAGEMENT

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

The following are the key principles of the ERM framework:

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

The Board acknowledges that considerable effort and commitment is required to implement the risk management framework within the Group. To ensure an ongoing implementation of risks management and updates of risks register, the Board will engage an external party to reassess the Group's current risks profile. This assessment however, is targeted to be carried out in year 2010.

## CONTROL ACTIVITIES AND PROCEDURES

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

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

## STATEMENT OF INTERNAL CONTROL (cont'd)

### CONTROL ACTIVITIES AND PROCEDURES (cont'd)

In line with the adopted risk based internal auditing, the Audit Committee had approved Group's audit plan for the year 2009. The audit plan was derived by the Group's Internal Auditors 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 was directed to focus in areas of significant risks to the Group. The plan was 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 the given fact of the objectives, the industry and the organization itself that are continuously evolving.

### INFORMATION AND COMMUNICATION

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

### MONITORING

The Board places importance on maintaining a sound system of internal control and is responsible for reviewing the effectiveness of the system. The need for proper risk assessment which is a critical component of a sound internal control system is essential. This is achieved through the reports by the Audit Committee at periodic Board meetings. The Audit Committee which is chaired by an independent non-executive director reviews the internal control system findings of the internal auditors and external auditors and accordingly endorses appropriate remedial action. Besides the Group's Internal Auditors, the Audit Committee has also engaged an external party on a co-sourcing basis with the in-house internal auditors to perform the internal audit function based on the approved co-sourcing audit plan. The co-sourcing activities had been executed and made appropriate recommendations to the Audit Committee in areas like procurement, tendering, project management, contract management and project finance.

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 Auditors 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 2009 which require disclosure in the Group's financial statement.

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

This statement of internal control is made in accordance with the resolution of the Board of Directors dated 28 April 2010.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ahmad Zaki Resources Berhad is committed towards the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance throughout the Group. It is recognized that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders' value. The Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year unless otherwise noted.

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

## SECTION 1: DIRECTORS

### (a) Composition of the Board

The Board is currently led by an Independent Non Executive Chairman and has seven (7) members comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board comprises a balance of members with experience in business and finance required for an effective and independent decision making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 12 to 15 of the Annual Report.

The presence of three (3) Independent Directors shall provide unbiased and independent views and judgment in the decision making process at the Board level and ensure that no significant decisions and policies are made by any individual and that the interest of minority shareholders are safeguarded.

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

All the Directors have given their undertaking to comply with the Bursa Malaysia Exchange Berhad ("BMEB") Listing Requirements and the Independent Directors have confirmed their independence in writing.

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

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

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

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

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### (b) Board Responsibilities and Supply of Information (cont'd)

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

All Directors have access to the advice and services of the Company Secretary who ensures compliance with statutory obligations, Listing Rules of the BMEB or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

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

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

#### NOMINATION COMMITTEE

##### Primary function

The Nomination Committee was established on 16 January 2002. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendation to the Board for any new candidate as Board member or Board committee member. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regard to the overall operations and corporate objectives of the Group and continues to ensure that the Board members undergo the necessary Mandatory Accreditation Programme ("MAP") & Continuous Education Programme ("CEP") prescribed by the BMEB.

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

##### Member

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

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

The Company Secretary is the secretary of the Nomination Committee.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### (b) Board Responsibilities and Supply of Information (cont'd)

#### REMUNERATION COMMITTEE

##### Primary function

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

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

##### Member

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

- i. Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Chairman)
- ii. Raja Dato Seri Aman bin Raja Haji Ahmad (Member)
- iii. Dato' Wan Zakariah bin Haji Wan Muda (Member)
- iv. Datuk (Prof.) A Rahman @ Omar bin Abdullah (Member)
- v. Dato' Haji Ismail @ Mansor bin Said (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 Employee Share Option Scheme ("ESOS") under the direction of the Board, in accordance with the rules and regulations determined by the authorities.

##### Member

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

- i. Dato' Wan Zakariah bin Haji Wan Muda (Chairman)
- ii. Dato' Haji Mustaffa bin Mohamad (Member)
- iii. Dato' W Zulkifli bin Haji W Muda (Member)
- iv. En Mohd Zaki bin Hamdan (Member)

The Senior Manager, Human Resource is the secretary of the Establishment Committee. The Establishment Committee hold ten (10) meetings during the financial year ended 31 December 2009.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### (b) Board Responsibilities and Supply of Information (cont'd)

#### RISK MANAGEMENT COMMITTEE (BOARD)

##### Primary Function

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

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

The members of the Committee are as follows:

- i. Raja Dato' Seri Aman bin Raja Haji Ahmad (Chairman)
- ii. Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Member)
- iii. Dato' Haji Ismail @ Mansor bin Said (Member)

### (c) Board Meetings

During the financial year ended 31 December 2009, seven (7) meetings were held. The date and details of attendance of each Board meeting held are as follows:-

Date of Meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non Independent
25 February 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	3 (75%)
28 April 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	3 (75%)
28 May 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)

## CORPORATE GOVERNANCE STATEMENT (cont'd)

## (c) Board Meetings (cont'd)

Date of Meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non Independent
11 August 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (67%)	4 (100%)
26 August 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (67%)	4 (100%)
24 November 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
30 December 2009	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (67%)	3 (75%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2009 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.



## CORPORATE GOVERNANCE STATEMENT (cont'd)

**(e) Directors' Remuneration (cont'd)**

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	2,245,727	74,500	336,400	121,092	545,600	3,323,319
Non-Executive Directors	–	44,400	424,000	–	36,600	505,000

\* 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	–	1
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	1
RM300,001 – RM650,000	–	–
RM650,001 – RM700,000	2	–
RM700,001 – RM750,000	–	–
RM750,001 – RM800,000	1	–
RM800,001 – RM1,200,000	–	–
RM1,200,001 – RM1,250,000	1	–

**(f) Directors' Training**

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

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

**(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.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

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

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

The AGM serves as an important means for shareholders communication. Notice of the AGM and Annual Reports are sent to shareholders twenty one (21) days prior to the meeting. At each AGM, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The Chairman and the Board will respond to the questions raised by the shareholders during the AGM.

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

### SECTION 3: ACCOUNTABILITY AND AUDIT

#### (a) Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 26 of this Annual Report.

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

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

#### (c) Relationship with the External Auditors

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

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors dated 28 April 2010.



## 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 28 April 2010.

# 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 (Chairman)
- ii. Dato' Haji Ismail @ Mansor bin Said (Member)
- iii. Datuk (Prof.) A. Rahman @ Omar bin Abdullah (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 all members of the committee must be non-executive directors of whom majority are Independent Directors.
- ii. The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- iii. In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three months.
- iv. The Board of Directors shall review the term of office and the performance of the Committee and each of its members at least once in every three years.
- v. No alternate Director shall be appointed as a member of the Committee.

### Meetings and Quorum of the Audit Committee

- i. The Committee shall meet at least 4 times a year and the quorum shall be at least two persons with majority being Independent Directors. The details of the attendance of the meetings are disclosed under the heading Attendance of Audit Committee Meetings' on page 29 of this Annual Report.
- ii. The Company Secretary shall act as secretary of the Committee.
- iii. The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors.
- iv. The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

## REPORT OF THE AUDIT COMMITTEE (cont'd)

### Functions of the Audit Committee

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

- i. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit;
- iii. To discuss with the external auditors on the evolution of the system of internal controls and the assistance given by the employees to the external auditors;
- iv. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
- v. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
  - Any changes in the accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption; and
  - Compliance with accounting standards and other legal requirements.
- 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.

## REPORT OF THE AUDIT COMMITTEE (cont'd)

### Procedures of Audit Committee

The Audit Committee regulates its own procedures:-

- i. the notice to be given of such meetings;
- ii. the voting and proceedings of such meetings;
- iii. the keeping of minutes; and
- iv. 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

During the financial year ended 31 December 2009, eight (8) meetings were held. The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2009 are as follows:-

Date of meeting	Total committee members	Attendance by committee member (Percentage attendance)
25 February 2009	3	3 (100%)
18 March 2009	3	3 (100%)
28 April 2009	3	3 (100%)
28 May 2009	3	3 (100%)
26 August 2009	3	2 (67%)
4 November 2009	3	3 (100%)
24 November 2009	3	3 (100%)
30 December 2009	3	2 (67%)

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2009 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	7/8	87%
Dato' Haji Ismail @ Mansor bin Said	8/8	100%
Datuk (Prof.) A. Rahman @ Omar bin Abdullah	7/8	87%

### Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2009 include the following:-

- i. review the Group's year end audited financial statements presented by the management with the presence of 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

## SHARE BUY BACK

During the financial year, there was no share buy-back transacted, resale or cancellation of treasury shares. As at 31 December 2009, the treasury shares stood at 1,451,100. The purchased shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

## OPTION, WARRANTS OR CONVENTIONAL SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 33 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2009.

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

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

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

## SANCTIONS AND/PENALTIES

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

## PROFIT GUARANTEE

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2009.

## STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties held for long term investment purpose.

## NON AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2009.

## 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 2009.



## OTHER INFORMATION (cont'd)

## MATERIALS CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2009 or entered into since the end of previous financial year.

## RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of the transactions with related party	Entered by	Period covered from 1 January to 30 June of Year 2009 RM'000	Period covered from 1 July to 31 December of Year 2009 RM'000
a) Purchase of building materials from following			
i. Chuan Huat Industrial Marketing Sdn Bhd	AZSB	2,809	5,688
ii. Chuan Huat Hardware Sdn Bhd	AZSB	-	-
iii. QMC Sdn Bhd	AZSB	105	358
iv. Kemaman Quarry Sdn Bhd	AZSB	338	200
b) Reimbursement of expenses to ZHSB	AZSB, ICSB and AFE	206	227
c) Administrative charges paid/payable to ZHSB	AZSB and ICSB	61	62
d) Rental of premises paid/payable to			
i. Dato Sri Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
ii. ZHSB	AZSB	210	210
e) Accommodation charges paid/payable to RIM	AZSB	15	14

Relationship of the related parties:

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

# QUALITY, HEALTH & SAFETY AND ENVIRONMENT

Quality, Health & Safety and Environment has constantly stands in the forefront of the Company success factors. These systems have been the backbone in steering the Company's inspiring growth and stability. In ensuring that these contributions continue, constant enhancement and continuous improvement of the process and systems are required. Thus, in 2009, all the three systems were integrated to a single management system, i.e. an Integrated Management System, as an endorsement of the Company's commitment.

## ENVIRONMENT

In moving forward to become an industrialized country, people realize that environment and development are on the opposite sides. Construction industry is one of the major player and catalyst for the nation development. However, environment degradation resulting from construction activities, are widely reported by media. Natural resources are fast becoming depleted and the eco system and natural habitat are impaired. Aware of the criticality of the issue, AZRB, as a public listed Company, has adopted the Environmental Management System, complying with ISO 14001: 2004 requirements. Certified since August 2008, we have successfully implemented the Environment Management System throughout all project sites by complying with the system, standards, legal and other requirements.

Environmental Management is planned since the pre-construction phase, i.e. on logistics layout for location of site office, utilities and amenities, wash through, silt traps, material storage area, skid tank and bunding, domestic and schedule waste management, sampling and monitoring points, etc. The highlights of the activities implemented in complying with the standards and legal requirements are:

- Awareness programs such as inductions, tool box, promotions, meetings, trainings, etc.
- Environmental aspect and impact analysis resulted from its activities, and its mitigation measures was pre-determined as a preventive plan.
- Sensitivity and immediate response to public complaints
- Installing silt fence to areas that are potentially prone to polluting the waterways
- Slope protection
- Silt trap at strategic location to protect from water pollution
- Dust control
- Proper workshops for machinery repair with grease traps
- Waste management
- Regular machinery maintenance to avoid oil leakage and black smoke
- Noise control, etc.

In ensuring satisfactory compliance to Environment requirements, an environment monitoring programme was initiated to monitor the key environmental changes/disturbances due to the activities at project sites. This would also assist to ascertain the level of effectiveness of the control measures at project sites to reduce the adverse effects of its activities to the environment. Thus, the following activities have been carried out:-

- Monthly monitoring of water and air quality and submission to local authority.
- Quarterly audit by registered Environment Consultant
- Monthly assessment on the environment management



## QUALITY, HEALTH & SAFETY AND ENVIRONMENT (cont'd)

- Internal Audit twice yearly
- Recording, analyzing and corrective action on complaints

Certification to ISO 14001 itself, is evidence of the Company's commitment and responsibility to the society. Compliance to the ISO 14001 is the thrust in meeting all requirements as required by the Environment legislation.

With our continuous effort in delivering values, we hope we can create a greener world, shaping communities that sustain the environment, generating wealth in the long term and enhance the quality of life without the expense of the future generations.

### QUALITY

Quality is a journey, not a destination.

In 2009, we marked our 10th year in ISO 9000 certification. In that year we handed over two prestigious projects namely the Subang-Kelana Link in Subang and Mosque Complex – Kiblat Walk, Precint 1, Putrajaya (Sultan Al Mizan Mosque). These are just some of the examples of our leadership in the Nation's construction industry. Today, we have a strong presence in the construction industry including building and infrastructure construction locally and internationally.

This presence is the result of our ability to respond to the emerging needs of society and country's developments. Being one of the main players in the construction industry, we have constantly invested in staff and technology enhancement that looks ahead to the next generation. Thus, we have constantly created a construction and engineering team that are able to develop with the changing times. For example, we were first in Malaysia to construct an elevated structure by combining three methods, i.e. the precast segment by using gantry system, balance cantilever box girder by using traveler form, and the normal cast in situ methods in urban area.

Following the 10th anniversary of our certification, and our commitment to quality, health and safety and environment, we are enhancing and integrating all the three systems (Quality, Health & Safety and Environment) into one. We have also upgraded our system which complies with ISO 9001: 2008.

Today, we must not only respond to customer's needs for shorter construction periods and lower prices. We must also respond to social needs such as ensuring a sustainable society by making our workplace safe and reducing environmental burden. Recent integration of the system that we have developed is our commitment in meeting these needs.

In moving forward, we will reinforce and enhance our staff quality and in turn will enhance our project quality that meet the evolving needs of the society.



## QUALITY, HEALTH & SAFETY AND ENVIRONMENT (cont'd)



### HEALTH & SAFETY

Managing corporate risk is a key issue to AZRB and one key risk area is the health and safety of our employees, contractors and members of the public, who may be affected by our activities. We value our employees and are committed to protect their health, safety and well being. We therefore continue to develop and improve our arrangements for managing health and safety issues.

The Organisation is also aware that the way in which it implements its policies and procedures can affect not just the organisational health and safety aspects of the company, but the health, safety and well being of the people adjacent and surrounding its work place.

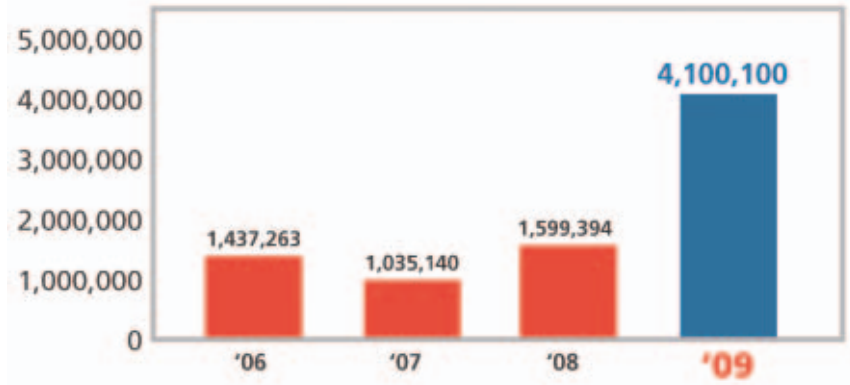
We believe, the effective management of health and safety risks will ensure:

- maximising the well being and productivity of all our employees;
- preventing people from getting injured, ill or killed at work;
- uphold company's health and safety commitment to stakeholders;
- improved turnover and sustainance;
- building better relationships with our contractors, and more effective contracting activities;
- consistence compliance with regulatory needs

The Gold Award (2007) and Silver Award (2008) for the National Occupational Safety and Health Excellence Award by the Ministry of Human Resource, Malaysia in the construction sector category is a recognition for our tireless effort in keeping our work place safe. In 2009, we completed three (3) projects, had seven (7) on-going projects and commenced of five (5) new projects without any occupational incident or accident. For the fiscal year of 2009, we achieved 4.1 million man hours without loss time incident, and achieved our objectives for "Zero Occupational Injury and Illness".

## QUALITY, HEALTH & SAFETY AND ENVIRONMENT (cont'd)

Year	Group man hours worked without lost time injury
2006	1,437,263
2007	1,035,140
2008	1,599,394
2009	4,100,100



We have also upgraded our system and compliance with OHSAS 18001: 2007 in 2009.

We are not resting on our laurels with all the awards we have received, but is constantly improving on systems and processes as preventive measures to occupational hazards. Other health and safety control and monitoring measures are either planned or in hand for 2010, together with the restructuring of the QHSE (Quality, Health & Safety and Environment) Department. In addition there will be an increasing focus on health & safety promotions and employee well being through policy review and implementation in adapting to changed working conditions and preventing hazards.

We endeavour and committed in making our projects a healthy and safe work place.



# CHAIRMAN'S STATEMENT

## *PENYATA PENGERUSI*



### DEAR SHAREHOLDERS,

Although the year 2009 under review had experienced technical recession in the 1Q to 3Q, all is not despair to Ahmad Zaki Resources Berhad (AZRB). Cognisance to the fact that we are still smarting from the impact of the global financial meltdown, uncertainties and competitive environment in year 2008, AZRB had persistently and diligently pursued new opportunities while profitably managing the ongoing works without compromising its prudent management and concerted approach for long term growth and profitability. We wish to announce that the year 2009 has been fruitful to AZRB. We were able to maintain profitability for the fifth consecutive years since year 2005, with 31% year-on-year growth in profit after tax from RM16.4 million in 2008 to RM21.6 million in 2009.

I am pleased to have been given the privilege, on behalf of the Board of Directors to present this Annual Report and Audited Financial Statements of AZRB and the Group for the year ended 31st December 2009.

### PEMEGANG-PEMEGANG SAHAM YANG DIHORMATI,

Kemelesetan teknikal yang dialami Ahmad Zaki Resources Berhad (AZRB) dari 1Q ke 3Q pada tahun kewangan 2009, tidak menggugat prestasi syarikat. Menyedari bahawa AZRB tidak dapat lari daripada impak krisis kewangan dunia, situasi tidak menentu dan kompetitif tahun 2008, AZRB tetap meneroka peluang-peluang baharu dengan penuh waspada serta menguruskan kerja-kerja yang sedang dijalankan dengan perbelanjaan terkawal dan mengamalkan kaedah kerjasama ke arah perkembangan dan keuntungan jangka panjang. Kami ingin mengumumkan bahawa tahun 2009 merupakan tahun yang menguntungkan buat AZRB. Kami berjaya mengekalkan keuntungan untuk lima tahun berturut-turut sejak 2005, dengan kenaikan tahunan 31% keuntungan selepas cukai daripada RM16.4 juta pada tahun 2008 kepada RM21.6 juta pada tahun 2009.

Dengan mandat yang telah diamanahkan kepada saya, bagi pihak Ahli Lembaga Pengarah, saya dengan bangganya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit AZRB dan Kumpulan untuk tahun kewangan berakhir 21 Disember 2009.



## CHAIRMAN'S STATEMENT (cont'd)

### PENYATA PENGERUSI (samb)



#### PRODUCTIVE CHALLENGES IN 2009

Admittedly, the year 2009 could have been a catastrophic year for the construction industry if it was not for the drastic measures taken to improve the conditions. As reported by Ministry of Finance, a total of RM13.9 billion was spent by the Malaysian government in development expenditures for projects allocated and approved under the two stimulus packages. With these pump-priming measures initiated by the Malaysian government in the 1Q and 2Q of 2009, the country survived the recession. These government's fiscal injections had provided the construction industry with the much needed booster in the year under review and thus, proved to be a very hectic and productive year for AZRB.

Our resilient and ability to hold head above water had landed AZRB with new contracts. These new contracts valued at approximately RM934 million were secured amidst challenging economic backgrounds. The awarding of these new contracts to AZRB is an attribution to our excellent track record in delivering a high quality performance.

This year the Group recorded an increase in the profit after tax against the RM204 million decreased in revenue. The reduction of 31% of revenue is partly due to completion and handing over of two projects, which are Kiblat Walk, Putrajaya Mosque (PJM) and Subang Kelana Link (SKL) and contribution from the newly secured projects in terms of revenue will only commence in year 2010.

For the Oil and Gas segment, there is a significant 4% improvement in profit margin from the recorded profit margin of 23% in 2009 in comparison to the 19% profit margin reported in year 2008. The improvement in profit margin is recorded against lower revenue of RM56 million in 2009 as compared to RM74 million in 2008.

#### CABARAN-CABARAN PRODUKTIF 2009

2009 mungkin merupakan tahun yang paling boleh menggugat industri binaan sekiranya langkah-langkah drastik tidak dilaksanakan untuk memperbaiki keadaan. Sepertimana yang dilaporkan oleh Kementerian Kewangan, sebanyak RM13.9 bilion telah dibelanjakan oleh kerajaan Malaysia untuk perbelanjaan pembangunan projek yang telah diperuntukkan dan diluluskan di bawah dua pakej stimulus. Dengan suntikan dana yang dilaksanakan oleh Kerajaan Malaysia pada 1Q dan 2Q tahun 2009, negara berjaya mengatasi kemelesetan. Suntikan fiskal kerajaan telah menaikkan industri binaan pada tahun tersebut, sekaligus menjadikan tahun yang sibuk dan produktif untuk AZRB.



Daya tahan serta keupayaan kami dalam mengharungi pelbagai cabaran membolehkan AZRB dianugerahkan dengan pelbagai kontrak baharu. Kontrak baharu dianggarkan bernilai RM934 juta berjaya diperolehi walaupun latarbelakang ekonomi agak goyah. Kontrak-kontrak baharu yang dianugerahkan kepada AZRB membuktikan kecemerlangan kami dalam setiap pelaksanaan projek dengan prestasi berkualiti tinggi.

Pada tahun ini, Kumpulan merekodkan peningkatan untung selepas cukai walaupun perolehan merosot kepada RM204 juta. Sebahagian daripada punca penurunan perolehan sebanyak 31% adalah pelaksanaan dan penyerahan dua projek, iaitu Kiblat Walk, Masjid Putrajaya (PJM) dan Subang Kelana Link (SKL) serta projek-projek baharu yang diperolehi di mana perolehan hanya akan dimiliki pada tahun kewangan 2010.



## CHAIRMAN'S STATEMENT (cont'd) PENYATA PENGERUSI (samb)

Untuk segmen Minyak dan Gas pula, margin untung meningkat sebanyak 4%; margin untung tahun 2009 direkodkan pada 23% berbanding 19% pada tahun kewangan 2008. Peningkatan margin untung direkodkan walaupun perolehan lebih rendah direkodkan pada tahun kewangan 2009 iaitu RM56juta berbanding RM74juta pada tahun kewangan 2008.



### SUCCESS HIGHLIGHTS

We take pride in the completion and delivery of two architectural landscapes in 2009, which were Subang Kelana Link highway and the unique Putrajaya Mosque. The Putrajaya Mosque is the only one of its kind in the region, whereby the external building components consist of architectural wire mesh made of stainless steel which allows natural lighting and fresh air circulating to the interior parts of the mosque.

In April 2009, AZRB once again in the corporate limelight in recognition to our excellence performance within the construction industry. AZRB's initiatives to spearhead the introduction of alternative competitive strategies and execution of innovative competing strategies within the existing competitive landscape which would yield significant gains for the company and industry had won us the recognition from Frost & Sullivan. The award, Malaysia Emerging Company of the Year in the Construction Industry for Excellence in Competitive Strategy category is a lasting illustration and testimony of our pivotal role as a prime mover in the construction industry.

### SELEMBAR KEJAYAAN

Kami amat menitikberatkan pelaksanaan dan penyerahan dua lanskap senibina 2009, iaitu lebuh raya Hubungan Subang Kelana dan Masjid Putrajaya yang tersergam indah. Masjid Putrajaya mempunyai rekabentuk tersendiri, dengan komponen bangunan luar terdiri daripada rangkaian kerangka senibina daripada besi tahan karat, membolehkan udara dan cahaya semulajadi masuk ke bahagian dalam masjid.

Pada April 2009, sekali lagi AZRB mencuri tumpuan korporat apabila prestasi kecemerlangan kami diperakui di dalam industri binaan. Inisiatif AZRB dalam memperkenalkan strategi kompetitif alternatif serta pelaksanaan strategi persaingan inovatif dalam lingkungan lanskap kompetitif sedia ada yang menguntungkan syarikat serta industri telah mendapat pengiktirafan daripada Frost & Sullivan. Anugerah Malaysia Emerging Company of the Year dalam Industri Binaan untuk Kecemerlangan dalam kategori Strategi Kompetitif memberi gambaran serta perakuan mengenai peranan penting AZRB sebagai penggerak utama industri binaan.

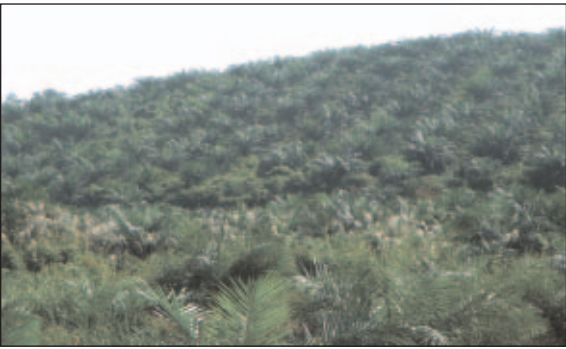
### MOVING FORWARD

The recent announcement made by the Malaysian government in February 2010 that the economy is on its recovery path and should be in a steady upwards growth in 2010 is a sweet serenade to the construction industry. This is a good indication that all initiatives to stimulate the economic growth have yielded the desired results and thus all players in



## CHAIRMAN'S STATEMENT (cont'd)

### PENYATA PENGERUSI (samb)



the construction industry are eagerly awaiting for the second stimulus package of RM60 billion announced in March 2009 to subdivide into new businesses. From the second stimulus package, RM13.9 billion has already been spent on construction industry with remaining balance of RM3.1 billion to be allocated to construction and construction related industries.

On the new exciting front in the construction industry, it was reported by the Ministry of Finance that RM7 billion is expected to be spent on Private Finance Initiative projects. These mega projects will be backed by RM25 billion guarantee funds that the government will undertake to help the construction industry raise funding for infrastructure projects. AZRB is confident that with its strong track record of excellence and achievements, AZRB will be in a good running to bid and undertake the

projects initiated under these stimulus packages and this includes the implementation of infrastructure projects outlined in the Eastern Corridor Economic Region (ECER) and 10MP.

AZRB is optimistic that investment in oil palm plantation in Pontianak, West Kalimantan, Indonesia will contribute positive revenue streams in the near future. Based on published reports, we estimated that the palm oil prices may stabilize between RM2,373 and RM2,542 a tonne in 2010. This is due to the market anticipation of high demand for Crude Palm Oil (CPO) from India, China, Pakistan and United States in relation to the expected global impact of lower oil seeds production and high price of soybean and crude oil. This market outlook augurs well for the oil palm industry as demand for oil palm by-products such as biodiesel and oleochemical will be on the upward trend and thus the demand for CPO will increase in tandem.

#### TERUS MENGORAK LANGKAH

Pengumuman yang dibuat oleh kerajaan Malaysia pada Februari 2010 bahawa ekonomi sedang pulih dan peningkatan stabil bakal disaksikan pada tahun 2010 merupakan petanda yang baik kepada industri binaan. Ini bermakna semua inisiatif yang dilaksanakan bagi merangsang pertumbuhan ekonomi telah menampakkan hasil yang diinginkan. Semua pesaing di dalam industri binaan teruja menantikan pakej stimulus kedua sebanyak RM60 bilion yang diumumkan pada Mac 2009 untuk tujuan bidang perniagaan baharu. Sebanyak RM13.9 bilion daripada pakej stimulus kedua telah dibelanjakan untuk industri binaan manakala baki sebanyak RM3.1 bilion diperuntukkan untuk industri berkaitan binaan.



Apa yang mengujakan industri binaan adalah laporan Kementerian Kewangan di laman web Stimulus Ekonomi Malaysia dan Unit Pakar Ekonomi yang menyatakan bahawa dianggarkan sebanyak RM7 bilion akan dibelanjakan untuk projek-projek Inisiatif Kewangan Swasta. Projek-projek mega ini turut disokong oleh dana tetap sebanyak RM25 bilion dari kerajaan bagi membantu industri binaan memperolehi dana untuk projek-projek infrastruktur. AZRB optimis bahawa rekod kecemerlangan dan pencapaian yang kukuh membolehkan syarikat membida dan mengambilalih projek-projek inisiatif pakej stimulus ini, termasuk pelaksanaan projek infrastruktur di Wilayah Ekonomi Koridor Timur (ECER) dan 10MP.

## CHAIRMAN'S STATEMENT (cont'd) *PENYATA PENGERUSI (samb)*

AZRB juga optimis dengan pelaburan ladang kelapa sawit di Pontianak, Kalimantan Barat, Indonesia bakal menyumbangkan aliran perolehan positif pada masa terdekat ini. Berdasarkan laporan yang dikeluarkan, kami menganggarkan bahawa harga minyak sawit mungkin stabil di antara RM2,373 dan RM2,542 setan pada tahun 2010. Ini kerana jangkaan pasaran bahawa permintaan tinggi atas Minyak Sawit Mentah (CPO) dari India, China, Pakistan dan Amerika Syarikat akibat pengeluaran minyak bijirin lebih rendah serta kenaikan harga minyak mentah. Keadaan pasaran untuk industri minyak sawit baik memandangkan permintaan terhadap produk-produk asas minyak sawit seperti biodiesel dan olio-kimia semakin meningkat sekaligus melonjakkan permintaan terhadap CPO.



### SWEET CHARITY

We believe charity will always taste sweeter if it came straight from the heart. Our hearts are always for the underprivileged children and citizens. That is the reason why we quintessentially broke away from the corporate sphere to an ever rewarding and heart warming activities with the less fortunate communities. We were ecstatic for the willingness of the underprivileged children from the Rumah Anak Yatim Shifa and Rumah Titian Kasih to gracefully brighten our Hari Raya Celebration with their simple happiness and joyous spirits. We are forever indebted to these special children for educating us the joy of sharing and thus, propelled our determination to further improve our social responsibilities, within sustainable approaches.

### KEBAJIKAN KEARAH KEMAJUAN

Kebajikan yang dihulurkan dengan penuh keikhlasan lebih bermakna. Kami sentiasa mengambil berat terhadap anak-anak dan warganegara yang kurang bernasib baik. Kerana itulah kami merehatkan diri daripada dunia korporat dengan menjalankan aktiviti-aktiviti yang bermanfaat dengan golongan yang kurang bernasib baik ini. Kami terharu dengan kesudian anak-anak daripada Rumah Anak Yatim Shifa dan Rumah Titian Kasih menceriaan Sambutan Hari Raya kami dengan keceriaan dan penuh kemeriahan. Kami amat terhutang budi dengan anak-anak yang mengajar kami erti berkongsi sekaligus melonjak keazaman kami untuk memperbaiki kebertanggungjawaban sosial kami dengan pendekatan-pendekatan yang kekal lama.

### DIVIDEND

During these trying and uncertain periods, the Board is obliged by its fiduciary duty to exercise prudence as several other commitments and investments are still progressing and thus require diligent financial management. Based on these economic circumstances and our commitment towards our valued shareholders, the Board has recommended that a first and final dividend be declared and paid at 3.5 sen per share, less 25% tax. The Board would like to request support from shareholders with the dividend pay out proposal.



## CHAIRMAN'S STATEMENT (cont'd)

### PENYATA PENGERUSI (samb)



#### DIVIDEN

Pada waktu yang tidak menentu dan mencabar ini, Lembaga Pengarah memikul tanggungjawab dalam memastikan penjimatan sentiasa diamalkan memandangkan beberapa komitmen dan pelaburan lain masih berjalan serta memerlukan pengurusan kewangan yang lebih berhati-hati. Mengikut keadaan ekonomi dan komitmen kami terhadap pemegang-pemegang saham, Lembaga Pengarah telah menyarankan bahawa dividen pertama dan akhir diumumkan dan dibayar pada harga 3.5sen sesaham, tolak 25% cukai. Lembaga Pengarah amat memerlukan sokongan semua pemegang saham terhadap cadangan pembayaran dividen.

#### APPRECIATION

The overall achievements of AZRB are attributed to our pool of dedicated and committed employees. On behalf of the Board of Directors, I wish to express my deepest gratitude to the management team and our staff for their unwavering support and commitment. I also like to convey my appreciation to our clients, the financiers, business partners and the relevant approving authorities that have graciously supported our Group in achieving our objectives.

Finally, I extend my warmest appreciation and gratitude to my fellow Board members for their guidance and assistance and to the shareholders for your continued support and confidence in us. I believe together with the continued support from our clients, financiers, business partners, suppliers and authorities, AZRB will be able to navigate through the difficult and challenging times ahead of us and thus produce better growth in revenue and profitability in year 2010.

#### PENGHARGAAN

Pencapaian keseluruhan AZRB amat berkait rapat dengan dedikasi serta komitmen warga kerja kami. Bagi pihak Ahli Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada pihak pengurusan dan kakitangan kami atas sokongan serta komitmen yang tidak berbelah-bahagi. Saya juga ingin turut merakamkan jutaan terima kasih kepada para pelanggan, pembiaya, rakan kongsi dan penguatkuasa pelulus yang terlibat dalam menyokong Syarikat kami demi mencapai objektif kami.



Akhir kata, saya ingin menyatakan rasa terima kasih serta penghargaan kepada Ahli Lembaga Pengarah yang telah banyak memberi bimbingan dan tunjuk ajar, serta para pemegang saham yang sentiasa menyokong dan yakin dengan kami. Saya percaya, dengan sokongan para pelanggan, pembiaya, rakan kongsi, pembekal dan penguatkuasa, AZRB berupaya merentasi segala kepayahan dan halangan yang menanti serta mensasarkan peningkatan perolehan dan keuntungan pada tahun 2010.

**RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD**  
*Chairman / Pengerusi*

# REVIEW OF OPERATIONS



Year 2009 saw another good performance of Ahmad Zaki Resources Berhad (AZRB) against the economic roller coasters stemming from the credit crunch in year 2008 and economic recovery of up to the last quarter of 2009. We improved our bottom line with a growth of 31% year-on-year in profit after tax from 16.4 million in 2008 to RM21.4 million in 2009. Increased in profit is attributable to lower overhead costs, expected improved margins for selected projects and higher contribution from an associated company.



The year under review has been an eventful period for AZRB. Our concentration on completing and delivering the existing order book has charted another landmark with the smooth delivery of Kiblat Walk, Putrajaya Mosque and Subang Kelana Link. On the corporate limelight, we bagged another high achiever award from Frost & Sullivan in the Malaysia Emerging Company of the Year in the Construction Industry for Excellence in Competitive Strategy category.

We set out below the overall performance our business division in our segmental reviews.

## REVIEW OF OPERATIONS (cont'd)



out of new infrastructure projects by the Malaysian government in line with its fiscal stimulus, 10MP and development of economic corridors as to further accelerate the economic growth of the nation. We also recognized the increasing importance of private sector involvement in driving up the economy through PPP (Private Public Partnership) and PFI (Private Finance Initiatives).

The existing ongoing contracts include: -

No.	Project Name	Approximate Contract Value (RM Milion)	Expected Project Completion Date
1.	Design and Built Complex Kerja Raya 2	307	May 2012
2.	Federal Road 3 Pekan to Kuantan	143	December 2010
3.	University Darul Iman Building Works	223	August 2011
4.	Maternity Hospital Terengganu	103	December 2011
5.	Rectification Works at Dataran Putra Precint 1	36	April 2011
6.	Istana Negara Interchange to Jalan Duta	101	February 2011
7.	University Sains Islam Malaysia – Pusat Tamhidi	24	June 2011
8.	Hulu Terengganu Hydroelectric Project Lot CW1-0 Preliminary Works	49	October 2010
9.	Reinforced Concrete Structures for Tower H1-A, Jabal Omar Development, Mecca	164	November 2010

### CONSTRUCTION DIVISION

Our efforts to reengineer and reinforce our competitiveness to secure new businesses have had paid off handsomely. We booked new businesses of approximately RM934 million and thus marked undeletable stamp of our presence as one of the key players in the construction industry.

We are optimistic with the vibrant prospects, especially with the overall total balance of billable order book from the construction division stood at RM1,294 million. Higher percentage of these projects consists of projects secured in Malaysia (87%) and overseas, namely in the Kingdom of Saudi Arabia (13%). The Construction Division will continue to be the core driver of the Group as it accounts for 90% of the Group's revenue.

Buoyed by the coveted high multiplier industry classification, we are confident that the construction industry will be seeing the churning

## REVIEW OF OPERATIONS (cont'd)

### OIL AND GAS DIVISION

The bunkering activity showed an improvement in profit margin. The margin was recorded at 23% in 2009 as compared to 19% profit margin recorded in 2008.

Our investment in Eastern Pacific Industrial Corporation (EPIC) had generously contributed to the Group's profitability during the year under review with an increase of RM4 million from RM4.7 million in 2008 to RM8.9 million in 2009. We expect the synergistic relationship between AZRB and EPIC can be materialized and translated into profitable new business ventures, mainly in the area where such partnership would create better and stronger competitive edge in terms of joint bidding for the lucrative construction works, especially the anticipated upward spiral of upstream and downstream activities in the Oil and Gas and related industries.

We are confident our strategic investment in EPIC will continue to positively contribute to the Group's operating earnings in years to come.



### PLANTATION

The Plantation Division had commenced first harvesting in August 2009. Although the first harvesting in the form of Fresh Fruit Bunch (FFB) is insignificant to the Group's profitability for the year under review, it is notable to mention that the first harvesting was recorded within the targeted industry gestation period.

Our accentuation on planting of oil palms from good seedlings with high quality yield, strong adaptability to local climate and high disease resistance when we first started in November 2006 has borne first harvest in August 2009. This is a strong testament of our good agronomic practices and distinctive plantation management practices.

More significant earnings from this division are expected to bear fruit in the year 2011/2012.

### PROPERTY DEVELOPMENT

There are no significant changes in the Property Development Division in the year under review. Despite the softer property market environment, our subsidiary Kemaman Technology and Industrial Park Sdn Bhd (KTIP) shall persist to explore development opportunities from the undeveloped areas within the vicinity of the 86 hectares Paka Industrial Park. The occupancy rate for Paka Industrial Park has exceeded 60% in 2009.

The proposed second phase development comprises an integrated and comprehensive industrial infrastructure development strategically located within the petrochemical industrial development zone in Paka/Kerteh, Terengganu. This augurs well with the projected demand for vacant industrial lots complete with infrastructure, industrial buildings, commercial buildings, vacant lots for training centre and housing lots from the businesses located in the midst of petrochemical projects, Petronas Petroleum Industrial Complex, Kerteh Plastic Park and the Eastern Corridor Economic Region (ECER).

We opine that notwithstanding the above, the land and its embedded development opportunities will benefit the Group in the mid and long-term strategic investment perspectives, especially with the imminent infrastructure developments programmes charted under the ECER and state government's initiatives for the East Coast of Malaysia.



# CALENDAR OF EVENTS



**15 January 2009.**  
Council laid the foundation stone Maternity Experts and Complex Mental Health Psychiatric Hospital Sultanah Nur Zahirah Kuala Terengganu.



**21 March 2009**  
AZRB Recreational & Sport Club Bowling Tournament.



**1 February 2009**  
AZRB Recreational & Sport Club, hiking to Gunung Tempurung.



**2 April 2009**  
Frost & Sullivan South East Asia Industrial Technologies Award, Excellence in Competitive Strategies Malaysia Building Construction Market.



**18 Feb 2009**  
Donation to NSTP Fund for GAZA.



**22 June 2009**  
12th Annual General Meeting.



## CALENDAR OF EVENTS (cont'd)



**1 August 2009**  
AZRB Recreational & Sport Club, Paintball Tournament.



**20 August 2009**  
Opening Ceremony of Sultan Mizan Zainal Abdin Mosque in Putrajaya.



**11 October 2009**  
Hari Raya Aidilfitri Celebration at Saloma Bistro, Kuala Lumpur.



**13-15 November 2009**  
AZRB Management Retreat at Residence Inn Cherating, Kuantan Pahang.



**20 November 2009**  
SIRIM QAS International Sdn Bhd Certificate presentation.

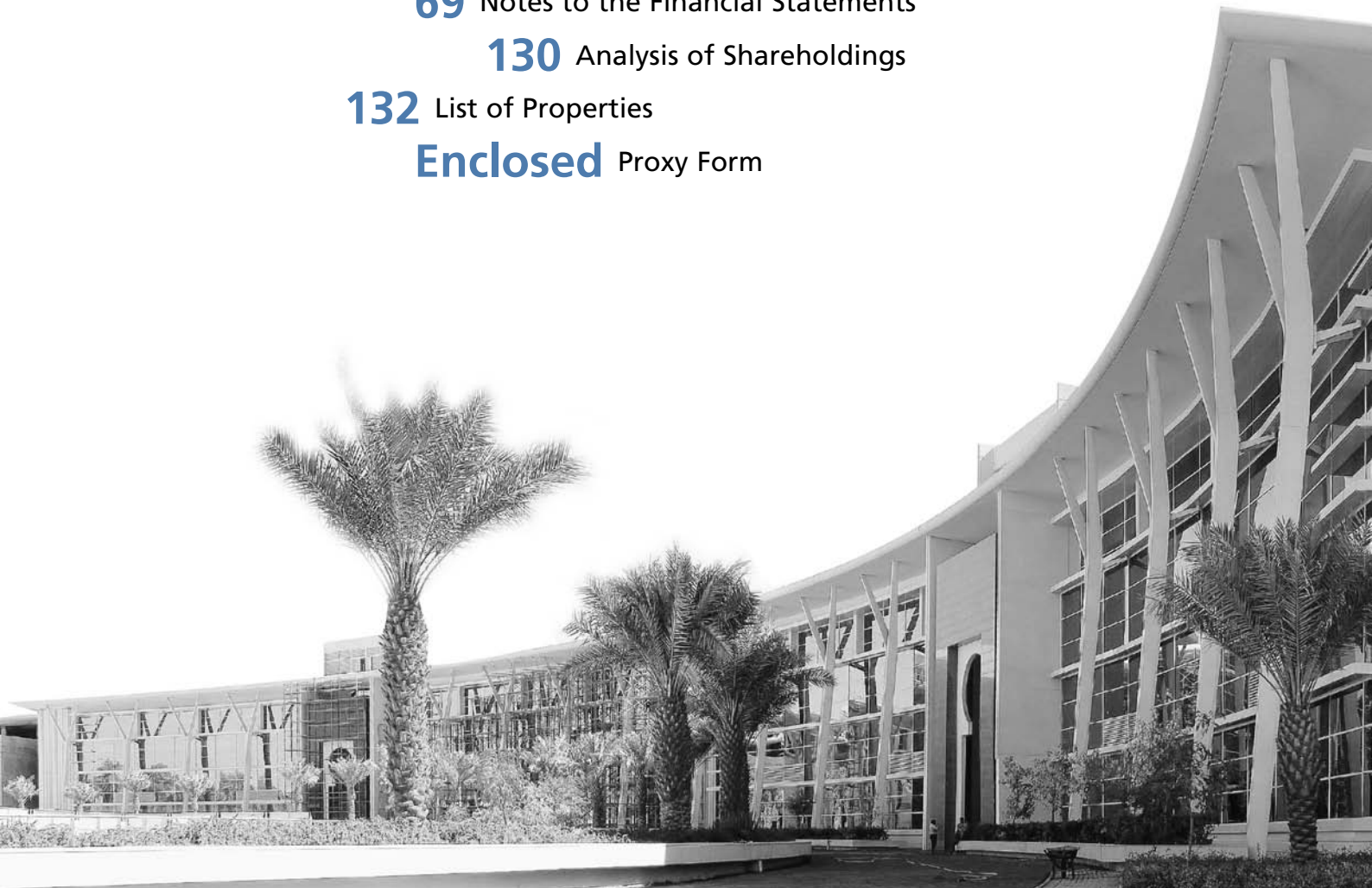


**9-11 December 2009**  
Development Programme for AZRB Managers at Lembah Pangsun, Selangor.



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# DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

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

## RESULTS

	Group RM	Company RM
Profit for the year	21,597,629	5,587,293
Profit attributable to:		
Equity holders of the Company	20,948,174	
Minority interest	649,455	
	21,597,629	

## DIVIDEND

Since the end of the previous financial year, the Company paid a first and final dividend of 3 sen per ordinary share of RM0.50 each less tax at 25% amounting to RM6,189,311 in respect of financial year ended 31 December 2008.

The Directors recommend a first and final dividend of 3.5 sen per ordinary share of RM0.50 each less tax at 25% in respect of the current financial year amounting to RM7,223,602, based on 275,184,829 ordinary shares as at financial year end, subject to the approval of the shareholders at the forthcoming Annual General Meeting. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

## 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.

## DIRECTORS' REPORT (cont'd)

### 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 provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts is required.

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

### 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 including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

## DIRECTORS' REPORT (cont'd)

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

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

### ISSUE OF SHARES

During the financial year, the following issues of shares were made by the Company:-

Class	Number	Terms of Issue	Purpose of Issue
Ordinary shares of RM0.50 each	104,329	Cash	Exercise of Employees' Share Option Scheme

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Group's ESOS and subsequent changes were approved by shareholders of the Company at the Annual General Meeting and Extraordinary General Meeting held on 20 June 2002 and 21 November 2007 respectively. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26 July 2002 and expiring on 25 July 2012.

The salient features of the ESOS are:

- (a) eligible persons are full time employees with confirmed employment within the Group (including executive directors of the Group and non-executive directors of the Company) 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 fifteen percent (15%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;

## DIRECTORS' REPORT (cont'd)

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)

- (d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately preceding the Date of Offer;
- (e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- (f) new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

Under the Transitional Provisions of FRS 2 – Share Based Payment, the Company's share options which were granted before 31 December 2004 and were vested before 1 January 2006 need not be recognised as an expense in the income statement.

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

In previous year, the Company offered a total of 8,767,600 options pursuant to the employees share option scheme to its employees and directors at exercise price of RM0.96 per share on 28 March 2008 which expired on 27 June 2008. No ESOS was exercised by directors and employees for the year ended 31 December 2008.

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

	Number of Share Options	
	2009	2008
At 1 January	762,353	422,600
New issue	–	8,767,600
Exercised	(104,329)	–
Lapsed/Expired	(88,031)	(8,767,600)
	569,993	422,600
Adjusted for Right Issues of one for one ordinary share of RM0.50 each	–	339,753
At 31 December	569,993	762,353

ESOS options lapsed due to no subscription of shares and resignation of employees.

## DIRECTORS' REPORT (cont'd)

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)

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

	2009	2008
Expiry Date 25.7.2012		
Exercise Price	RM0.56	RM0.56
Number of Share Options Outstanding	569,993	762,353

### DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD  
 DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA  
 DATO' WAN ZAKARIAH BIN HAJI WAN MUDA  
 DATO' HAJI MUSTAFFA BIN MOHAMAD  
 DATO' W ZULKIFLI BIN HAJI W MUDA  
 DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH  
 DATO' ISMAIL @ MANSOR BIN SAID

In accordance with Article 80 of the Articles of Association, Dato' Sri Haji Wan Zaki Bin Haji Wan Muda and Dato' Wan Zakariah Bin Haji Wan Muda retire, and being eligible offer themselves for re-election at the forthcoming Annual General Meeting.

### DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS

The interests 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 RM0.50 each			
	At 1.1.09	Bought	Sold	At 31.12.09
<b>The Company</b>				
<b>Direct Interest</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4,346,760	–	(430,000)	3,916,760
Dato' Wan Zakariah bin Haji Wan Muda	2,301,096	–	–	2,301,096



## DIRECTORS' REPORT (cont'd)

## DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS (cont'd)

## (a) Shareholdings in the Company and Ultimate Holding Company (cont'd)

	Number of Ordinary Shares of RM0.50 each			
	At 1.1.09	Bought	Sold	At 31.12.09
Dato' Haji Mustaffa bin Mohamad	3,484,148	–	(800,000)	2,684,148
Dato' W Zulkifli bin Haji W Muda	3,000,696	–	(70,000)	2,930,696
Dato' (Prof.) A Rahman @ Omar bin Abdullah	1,200,000	–	–	1,200,000
Dato' Ismail @ Mansor bin Said	102	–	–	102
<b>Indirect Interest</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda *	163,061,136	–	–	163,061,136
Dato' Haji Mustaffa bin Mohamad **	1,050,000	–	–	1,050,000
<b>Ultimate Holding Company</b>				
- Zaki Holdings (M) Sdn. Bhd.				
<b>Direct Interest</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	–	–	500,001
Dato' Wan Zakariah bin Haji Wan Muda	100,000	–	–	100,000
Dato' W Zulkifli bin Haji W Muda	100,000	–	–	100,000

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

\*\* Share held through person connected to the Director

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

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

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial year no directors 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 26(a) 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 34(b) to the financial statements.

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

### ULTIMATE HOLDING COMPANY

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

### AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2010.

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

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

Kuala Lumpur

# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

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 60 to 129, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2010.

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

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

Kuala Lumpur

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Zaki Bin Hamdan, 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 60 to 129 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at  
Kuala Lumpur in the Federal Territory  
on 28 April 2010

**MOHD ZAKI BIN HAMDAN**

Before me

**ZULKIFLA MOHD DAHLIM (W 541)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

to the Members of Ahmad Zaki Resources Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ahmad Zaki Resources Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 129.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

## INDEPENDENT AUDITORS' REPORT (cont'd) to the Members of Ahmad Zaki Resources Berhad

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**MOORE STEPHENS AC**  
Chartered Accountants  
(AF 001826)

**AU TAI WEE**  
1551/01/11 (J)  
Partner

Kuala Lumpur  
28 April 2010

# BALANCE SHEETS

As at 31 December 2009

	Note	2009 RM	Group 2008 RM	Company 2009 RM	2008 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	49,932,707	48,408,426	1,675,390	1,691,102
Prepaid land lease payments	5	7,902,103	8,242,056	–	–
Investment property	6	19,500,000	19,500,000	–	–
Investments in subsidiary companies	7	–	–	43,687,429	43,687,429
Investments in associated companies	8	95,679,500	89,784,333	85,486,474	85,486,474
Investments in joint ventures	9	(28,637,206)	(28,698,666)	–	–
New planting expenditure	10	82,011,852	62,956,106	–	–
Other investments	11	2,615,500	2,615,500	2,568,000	2,568,000
Goodwill	12	3,744,605	3,744,605	–	–
		<b>232,749,061</b>	<b>206,552,360</b>	<b>133,417,293</b>	<b>133,433,005</b>
<b>Current assets</b>					
Inventories	13	12,045,447	12,927,339	–	–
Property development costs	14	1,459,535	5,831,594	–	–
Receivables	15	319,274,486	306,258,522	291,872,222	233,481,544
Tax assets	16	4,268,175	3,931,817	2,323,367	3,679,224
Cash and cash deposits	17	152,619,459	185,642,625	28,424,595	29,076,689
		<b>489,667,102</b>	<b>514,591,897</b>	<b>322,620,184</b>	<b>266,237,457</b>
<b>TOTAL ASSETS</b>		<b>722,416,163</b>	<b>721,144,257</b>	<b>456,037,477</b>	<b>399,670,462</b>

## BALANCE SHEETS (cont'd)

As at 31 December 2009

	Note	Group 2009 RM	2008 RM	Company 2009 RM	2008 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	18	138,317,965	138,265,800	138,317,965	138,265,800
Reserves	19	90,497,764	74,073,128	23,148,793	23,734,299
		<b>228,815,729</b>	212,338,928	<b>161,466,758</b>	162,000,099
Treasury shares	19	(1,004,622)	(1,004,622)	(1,004,622)	(1,004,622)
<b>Total equity attributable to shareholders of the Company</b>		<b>227,811,107</b>	211,334,306	<b>160,462,136</b>	160,995,477
Minority interest		5,119,654	4,661,599	–	–
<b>Total Equity</b>		<b>232,930,761</b>	215,995,905	<b>160,462,136</b>	160,995,477
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Other borrowings	20	103,931,069	161,476,632	95,433,006	150,698,322
Deferred tax liabilities	21	4,274,357	5,153,614	5,141,287	5,151,600
		<b>108,205,426</b>	166,630,246	<b>100,574,293</b>	155,849,922
<b>Current liabilities</b>					
Payables	22	279,892,669	288,922,481	115,732,557	50,228,041
Other borrowings	20	83,895,648	37,723,565	79,268,49	32,597,022
Bank overdrafts	23	16,696,378	9,865,602	–	–
Tax liabilities		795,281	2,006,458	–	–
		<b>381,279,976</b>	338,518,106	<b>195,001,048</b>	82,825,063
<b>Total Liabilities</b>		<b>489,485,402</b>	505,148,352	<b>295,575,341</b>	238,674,985
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>722,416,163</b>	721,144,257	<b>456,037,477</b>	399,670,462

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

# INCOME STATEMENTS

For the year ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Operating revenue	24	459,400,393	662,676,939	49,767,161	127,452,119
Direct operating costs	25	(392,745,708)	(587,320,101)	(42,702,328)	(92,865,030)
<b>Gross profit</b>		<b>66,654,685</b>	<b>75,356,838</b>	<b>7,064,833</b>	<b>34,587,089</b>
Other operating revenue		7,919,874	7,427,952	15,746,595	9,465,496
Administrative costs		(30,702,170)	(34,142,268)	(5,140,042)	(5,240,046)
Other operating costs		(4,216,379)	(9,299,426)	(67,154)	(6,440,152)
		<b>(34,918,549)</b>	<b>(43,441,694)</b>	<b>(5,207,196)</b>	<b>(11,680,198)</b>
<b>Profit from operations</b>		<b>39,656,010</b>	<b>39,343,096</b>	<b>17,604,232</b>	<b>32,372,387</b>
Finance costs		(17,599,297)	(15,833,047)	(10,212,388)	(10,363,876)
Share of results of joint ventures		1,481,090	865,580	–	–
Share of results of associated companies		8,952,617	4,667,242	–	–
<b>Profit before taxation</b>	26	<b>32,490,420</b>	<b>29,042,871</b>	<b>7,391,844</b>	<b>22,008,511</b>
Taxation	27	(10,892,791)	(12,596,576)	(1,804,551)	(7,509,270)
<b>Profit for the year</b>		<b>21,597,629</b>	<b>16,446,295</b>	<b>5,587,293</b>	<b>14,499,241</b>
Attributable to :					
Equity holders of the Company		20,948,174	15,728,153		
Minority interest		649,455	718,142		
		<b>21,597,629</b>	<b>16,446,295</b>		
<b>Earnings per share attributable to equity holder of the Company (sen)</b>					
Basic, earnings per ordinary share (Sen)	28	<b>7.57</b>	5.69		
Fully diluted earnings per ordinary share (Sen)	28	<b>7.57</b>	5.68		
Proposed gross dividend per ordinary share of RM0.50 (Sen)		<b>3.50</b>	3.00		

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Note	Attributable to Equity Holders of the Company										Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Share Option Reserve RM	Foreign Exchange Translation Reserve RM	Distributable Retained Profits RM	Treasury Shares RM	Sub Total RM	Minority Interest RM	Non Distributable	
At 1.1.08	69,132,900	4,723,875	67,951	-	(1,425,488)	86,453,281	-	158,952,519	3,603,457	162,555,976	
Allotment of shares pursuant to ESOS	-	-	-	1,446,722	-	-	-	1,446,722	-	1,446,722	
Transfer of expired options to retained profits	-	-	-	(1,446,722)	-	1,446,722	-	-	-	-	
Additional paid up capital from minority interest	-	-	-	-	-	-	-	-	340,000	340,000	
Repurchase of own shares	-	-	-	-	-	-	(1,004,622)	(1,004,622)	-	(1,004,622)	
Issue of shares pursuant to Rights Issue	69,132,900	(3,813,329)	-	-	-	(16,926,541)	-	48,393,030	-	48,393,030	
Profit for the year	-	-	-	-	-	15,728,153	-	15,728,153	718,142	16,446,295	
Share issue expenses	-	(910,546)	-	-	-	-	-	(910,546)	-	(910,546)	
Foreign exchange translation difference from foreign branches and subsidiary companies *	-	-	-	-	(1,045,193)	-	-	(1,045,193)	-	(1,045,193)	
Total income and expenses recognised during the year	-	(910,546)	-	-	(1,045,193)	15,728,153	-	13,772,414	718,142	14,490,556	
Dividend	29	-	-	-	-	(10,225,757)	-	(10,225,757)	-	(10,225,757)	
At 31.12.08	138,265,800	-	67,951	-	(2,470,681)	76,475,858	(1,004,622)	211,334,306	4,661,599	215,995,905	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

	Note	Attributable to Equity Holders of the Company									Total Equity RM
		Share Capital RM	Share Premium RM	Capital Reserve RM	Share Option Reserve RM	Foreign Exchange Translation Reserve RM	Distributable Retained Profits RM	Treasury Shares RM	Sub Total RM	Minority Interest RM	
<b>At 1.1.09</b>		138,265,800	-	67,951	-	(2,470,681)	76,475,858	(1,004,622)	211,334,306	4,661,599	215,995,905
Allotment of shares pursuant to ESOS		52,165	6,260	-	-	-	-	-	58,425	-	58,425
Profit for the year		-	-	-	-	-	20,948,174	-	20,948,174	649,455	21,597,629
Foreign exchange translation difference from foreign branches and subsidiary companies *		-	-	-	-	1,659,513	-	-	1,659,513	-	1,659,513
Total income recognised during the year		-	-	-	-	1,659,513	20,948,174	-	22,607,687	649,455	23,257,142
Dividend	29	-	-	-	-	-	(6,189,311)	-	(6,189,311)	(191,400)	(6,380,711)
<b>At 31.12.09</b>		<b>138,317,965</b>	<b>6,260</b>	<b>67,951</b>	<b>-</b>	<b>(811,168)</b>	<b>91,234,721</b>	<b>(1,004,622)</b>	<b>227,811,107</b>	<b>5,119,654</b>	<b>232,930,761</b>

\* Income and expenses recognised directly in equity

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Note	← Non Distributable →					Distributable Retained Profits RM	Treasury Shares RM	Total Equity RM
		Share Capital RM	Share Premium RM	Share Option Reserve RM	Foreign Exchange Translation Reserve RM				
<b>At 1.1.08</b>		69,132,900	4,723,875	-	(5,844)	34,869,312	-	108,720,243	
Allotment of shares pursuant to ESOS		-	-	1,446,722	-	-	-	1,446,722	
Transfer of expired options to retained profits		-	-	(1,446,722)	-	1,446,722	-	-	
Issue of shares pursuant to Rights Issue		69,132,900	(3,813,329)	-	-	(16,926,541)	-	48,393,030	
Repurchase of own shares		-	-	-	-	-	(1,004,622)	(1,004,622)	
Share issue expenses		-	(910,546)	-	-	-	-	(910,546)	
Foreign exchange translation differences *		-	-	-	77,166	-	-	77,166	
Profit for the year		-	-	-	-	14,499,241	-	14,499,241	
Total (expenses)/income recognised for the year		-	(910,546)	-	77,166	14,499,241	-	13,665,861	
Dividend	29	-	-	-	-	(10,225,757)	-	(10,225,757)	
<b>At 31.12.08</b>		138,265,800	-	-	71,322	23,662,977	(1,004,622)	160,995,477	
Allotment of shares pursuant to ESOS		52,165	6,260	-	-	-	-	58,425	
Foreign exchange translation differences *		-	-	-	10,252	-	-	10,252	
Profit for the year		-	-	-	-	5,587,293	-	5,587,293	
Total income recognised for the year		-	-	-	10,252	5,587,293	-	5,597,545	
Dividend	29	-	-	-	-	(6,189,311)	-	(6,189,311)	
<b>At 31.12.09</b>		138,317,965	6,260	-	81,574	23,060,959	(1,004,622)	160,462,136	

\* Income and expenses recognised directly in equity

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 31 December 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>Cash Flows from Operating Activities</b>					
Profit before taxation		<b>32,490,420</b>	29,042,871	<b>7,391,844</b>	22,008,511
Adjustments for:-					
Amortisation of prepaid land lease payments		<b>6,945</b>	6,945	-	-
Depreciation of property, plant and equipment		<b>8,758,754</b>	8,581,444	<b>639,281</b>	674,290
Interest expenses		<b>12,834,790</b>	13,379,313	<b>10,202,147</b>	10,361,507
Bad debts written off		<b>632,989</b>	19,532	-	-
(Gain)/Loss on foreign exchange - unrealised		<b>1,982,025</b>	(1,522,102)	<b>(456,710)</b>	370,653
Property, plant and equipment written off		-	138,682	-	3,161
Allowance for diminution in value on investment in unquoted shares		-	6,000,000	-	6,000,000
Share based payment costs		-	1,446,626	-	584,292
Dividend revenue		-	-	<b>(3,057,450)</b>	(27,676,610)
Gain on disposal of property, plant and equipment		<b>(316,285)</b>	(1,170,416)	<b>(8,397)</b>	(32,273)
Interest revenue		<b>(3,440,290)</b>	(5,563,238)	<b>(13,861,858)</b>	(8,660,350)
Share of results of associated companies		<b>(8,952,617)</b>	(4,667,242)	-	-
Share of results in joint ventures		<b>(1,481,090)</b>	(865,580)	-	-
Operating profit before working capital changes		<b>42,515,641</b>	44,826,835	<b>848,857</b>	3,633,181
Decrease/(Increase) in inventories		<b>881,892</b>	(784,387)	-	-
Increase in amount due from customers for contract works		<b>(49,844,002)</b>	(81,676,286)	<b>(22,722,780)</b>	(9,478,570)
Decrease/(Increase) in property development costs		<b>4,372,059</b>	(3,300,262)	-	-
(Decrease)/Increase in amount due to customers for contract works		<b>(17,615,839)</b>	6,215,574	-	-
Decrease in trade and other receivables		<b>33,788,408</b>	72,189,783	<b>19,460,415</b>	26,208,527
Increase/(Decrease) in trade and other payables		<b>10,284,497</b>	(16,074,452)	<b>3,461,529</b>	(13,183,612)
Cash generated from operations		<b>24,382,656</b>	21,396,805	<b>1,048,021</b>	7,179,526
Interest paid		<b>(14,413,208)</b>	(13,413,567)	<b>(10,202,576)</b>	(10,697,647)
Interest received		<b>3,441,991</b>	5,499,440	<b>13,845,923</b>	8,596,553
Tax paid		<b>(13,319,567)</b>	(16,513,822)	<b>(458,991)</b>	(1,862,217)
Net cash generated from/(used in) operating activities carried down		<b>91,872</b>	(3,031,144)	<b>4,232,377</b>	3,216,215

## CASH FLOW STATEMENTS (cont'd)

For the year ended 31 December 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Net cash generated from/(used in) operating activities carried down		91,872	(3,031,144)	4,232,377	3,216,215
<b>Cash Flows from Investing Activities</b>					
Acquisition of subsidiary companies		-	-	-	(2)
Proceeds from disposal of investment in subsidiary		-	2	-	2
Dividend received		3,057,450	2,167,088	21,807,534	16,967,147
New planting expenditure incurred		(18,631,029)	(29,846,022)	-	-
Acquisition of investment in associated company		-	(2,521,794)	-	(2,521,794)
Distribution of profits from joint venture		1,419,630	691,082	-	-
Proceeds from disposal of property, plant and equipment		629,903	306,967	29,803	209,947
Purchase of property, plant and equipment	30	(7,270,705)	(8,141,942)	(205,840)	(92,266)
Repayments from related companies		-	-	-	(35,636,159)
Net cash (used in)/generated from investing activities		(20,794,751)	(37,344,619)	21,631,497	(21,073,125)
<b>Cash Flows from Financing Activities</b>					
Repayment to ultimate holding company		(171,611)	(69,803)	-	-
Advance from/(Repayment to ) a joint venture		-	504,000	(504,000)	504,000
Advance from/(Repayment to ) related companies		474,473	(576,005)	(10,858,332)	-
Dividend paid		(6,380,711)	(10,225,757)	(6,189,311)	(10,225,757)
Payments to finance lease liabilities		(5,264,448)	(4,881,106)	(445,804)	(583,539)
Proceeds from borrowings		6,582,892	10,980,693	-	-
Repurchase of treasury shares		-	(1,004,622)	-	(1,004,622)
Repayments of borrowings		(15,690,224)	(29,650,921)	(8,584,043)	(14,930,000)
Payments of right issue expenses		-	(910,546)	-	(910,546)
Proceeds from issuance of shares		58,425	48,393,030	58,425	48,393,031
Net cash (used in)/generated from financing activities		(20,391,204)	12,558,963	(26,523,065)	21,242,567
Balance carried down		(41,094,083)	(27,816,800)	(659,191)	3,385,657

## CASH FLOW STATEMENTS (cont'd)

For the year ended 31 December 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Balance brought down		(41,094,083)	(27,816,800)	(659,191)	3,385,657
Effects of exchange rate changes		1,098,791	125,153	(42,037)	997,827
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(39,995,292)</b>	<b>(27,691,647)</b>	<b>(701,228)</b>	<b>4,383,484</b>
Cash and cash equivalents at beginning of the year					
As previously reported		175,777,023	204,493,244	29,076,689	25,588,590
Effects of exchange rate changes on cash and cash equivalents		141,350	(1,024,574)	49,134	(895,385)
		175,918,373	203,468,670	29,125,823	24,693,205
<b>Cash and cash equivalents at end of the year</b>	31	<b>135,923,081</b>	<b>175,777,023</b>	<b>28,424,595</b>	<b>29,076,689</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

## 1. CORPORATE INFORMATION

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

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural construction works. The principal activities of the subsidiary companies are disclosed in note 7. There have been no significant changes in the nature of these activities during the financial year.

The registered office and principal place of business are located at No.6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur and No. 88, Jalan Gombak, Setapak, 53000 Kuala Lumpur respectively.

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

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 28 April 2010.

## 2. BASIS OF PREPARATION

### (a) Standards and Interpretations issued but not yet effective

The MASB has issued the following new and revised FRSs, Amendments to FRSs and Interpretations that are not yet effective and have not been early adopted in preparing these financial statements:-

		<b>For financial periods beginning on or after</b>
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)		1 January 2011
Improving Disclosures about Financial Instruments (Amendments to FRS 7)		1 January 2011
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Standards and Interpretations issued but not yet effective (cont'd)

		For financial periods beginning on or after
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010/ 1 March 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
Amendments to FRSs	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 9	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 10	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 11	Service Concession Arrangements	1 July 2010
IC Interpretation 12	Customer Loyalty Programmes	1 January 2010
IC Interpretation 13	FRS 119 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 14	Arrangements for the Construction of Real Estate	1 July 2010
IC Interpretation 15	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 16	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 17	Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010

By virtue of the exemption in FRS 4, 7 and 139, the impact of applying the respective FRSs on these financial statements upon their first adoption is not disclosed.

The adoption of the other FRSs, Amendments to FRSs and Interpretations is not expected to have any significant impact on the results and financial position of the Group and of the Company.

#### FRS 101 Presentation of Financial Statements

The revised FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: It presents all items of income and expense recognised in income statements, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. New terminologies will replace 'balance sheet' with 'statement of financial position' and 'cash flow statement' with 'statement of cash flows'.

#### (b) Basis of measurement

The measurement bases applied in the preparation of the financial statements include cost, recoverable amount and realisable value. Estimates are used in measuring these values.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 2. BASIS OF PREPARATION (cont'd)

#### (c) Functional and presentation currency

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

#### (d) Significant accounting estimates and judgements

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

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

- i. Depreciation of property, plant and equipment (note 4) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.
- ii. Annual testing for impairment of goodwill (note 12) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management.
- iii. Property development costs (note 14) – significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and cost, as well as the recoverability of the development projects. In making judgements, the Group evaluates based on past experience and work of specialists.
- iv. Construction contracts (note 32) - significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making judgments, the Group evaluates based on past experience and work of specialists.
- v. In accordance with FRS 2 Share-based Payment, the employee benefits expense arising from share options granted under the Employees Share Option Scheme ("ESOS") of the Group is computed based on the product of the fair value of the share options granted and the number of share options expected to vest by the vesting date. The amount is recognised as an expense in the income statement of the Group over the vesting period of the grant. The fair value of the share options granted is calculated based on the options pricing model, which includes the share price on measurement date, exercise price of the share options, expected volatility, weighted average expected life of the share options, expected dividends and the risk-free interest rate. Changes in the number of share options that are expected to vest by the vesting date will result in changes in the employee benefits expense arising from the share options granted under the ESOS.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies which are disclosed in note 7 made up to the end of the financial year. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Intra-group balances, transactions and resulting unrealised profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

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

Any excess of the cost of the acquisition over the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities assumed represents goodwill. Any excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the income statement.

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

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

#### (b) Goodwill

Goodwill represents the difference between purchase consideration and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

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

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

#### (c) Subsidiary Company

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Subsidiary Company (cont'd)

Investment in subsidiary company, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is an impairment in the value of the investments determined on an individual basis and is charged to the income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to the income statement upon disposal of the investment.

#### (d) Associated Company

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

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

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

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

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

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

#### (e) Joint Venture

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

Investment 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Joint Venture (cont'd)

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 investment in the joint venture entity is accounted for using the equity method based on the audited financial statements of the entity. When audited financial statements of the entities are not co-terminous with those of the Group, the share of results is based on the unaudited management financial statements made up to the financial year end of the Group. The consolidated income statement includes the Group's share of the entity's results of the operation. In the consolidated balance sheet, the Group's interest is stated at cost and adjusted for the Group's share of changes in the net assets of the entity.

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

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

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

Freehold land and building work-in-progress are not depreciated.

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

The principal annual rates used for this purpose are:-

Buildings	2%
Furniture, fittings and equipment	10% - 20%
Plant and machinery	10% - 20%
Motor vehicles	20%
Renovation	20%

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Impairment of Assets

The carrying amounts of assets other than investment property that is measured at fair value, construction contract assets, property development costs, inventories 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 fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flow that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. 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. Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss 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.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

#### (h) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair values is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

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

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

#### (i) New Planting Expenditure

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Inventories

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

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

#### (k) Construction Contracts

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

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

#### (l) Property Development Costs

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Borrowing Costs

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

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

#### (n) Leases

##### i. Finance leases

Assets acquired by way of hire purchase or finance lease where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

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

##### ii. Operating leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on the straight-line basis.

In the case of a lease of land, the minimum lease payments or the up-front payments representing the prepaid land lease payments are amortised on a straight-line basis over the lease term.

##### iii. Operating leases – Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### (o) Foreign Currencies

##### i. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (o) Foreign Currencies (cont'd)

##### i. Foreign Currency Transactions (cont'd)

monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

Assets, liabilities and reserves of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Income statements items are translated at the average rate of exchange for the year which approximate the exchange rate at the date of transaction. The translation differences arising therefrom are recorded as movement in translation reserve. Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are translated to Ringgit Malaysia at the rate prevailing at the date of acquisition.

#### (p) Taxation

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

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Taxation (cont'd)

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.

#### (q) Revenue Recognition

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

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

Sales of goods are recognised when goods are delivered.

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

Interest revenue is recognised on an accrual basis using the effective interest method.

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

#### (r) Employee Benefits

##### i. Short Term Employee Benefits

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

##### ii. Defined Contribution Plans

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

##### iii. Share -Based Compensation

The ESOS allows the Group's employees to acquire shares of the Company. The fair value of share options granted to employees is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Employee Benefits (cont'd)

##### iii. Share -Based Compensation (cont'd)

expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. At the balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimates is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

#### (s) Murabahah Facility

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

#### (t) Treasury shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction of equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are resold, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

#### (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 subsidiary companies and legal claims by suppliers. The financial guarantees and legal claims would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

##### i. Cash and Cash Equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (u) Financial Instruments (cont'd)

##### ii. Receivables

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

##### iii. Payables

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

##### iv. Other Non-Current Investments

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

On disposal of investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

##### v. Interest Bearing Bank Borrowings

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

##### vi. Equity Instruments

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

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

#### (v) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segment.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
<b>Group</b>						
<b>Cost</b>						
At 1.1.09	7,839,801	10,483,294	38,737,723	27,585,104	4,706,505	89,352,427
Additions	3,194,540	1,775,147	1,877,968	3,012,762	408,588	10,269,005
Disposals	–	–	–	(1,767,834)	(35,238)	(1,803,072)
Translation differences	–	287,536	204,674	18,459	38,479	549,148
At 31.12.09	11,034,341	12,545,977	40,820,365	28,848,491	5,118,334	98,367,508
<b>Accumulated Depreciation</b>						
At 1.1.09	–	2,069,902	19,250,267	16,427,706	3,196,126	40,944,001
Charge for the year	–	588,018	4,779,964	3,043,365	439,116	8,850,463
Disposals	–	–	–	(1,460,587)	(28,867)	(1,489,454)
Translation differences	–	28,409	91,183	3,770	6,429	129,791
At 31.12.09	–	2,686,329	24,121,414	18,014,254	3,612,804	48,434,801
<b>Net Carrying Amount</b>						
At 31.12.09	11,034,341	9,859,648	16,698,951	10,834,237	1,505,530	49,932,707

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
<b>Group (cont'd)</b>						
<b>Cost</b>						
At 1.1.08	6,979,801	7,677,073	30,450,736	24,541,495	4,517,299	74,166,404
Additions	–	4,393,531	8,399,403	3,589,737	470,226	16,852,897
Disposals	(4,640,000)	(1,584,676)	–	(529,830)	(2,937)	(6,757,443)
Written off	–	–	(41,339)	–	(249,934)	(291,273)
Transfer from investment properties (note 6)	5,500,000	–	–	–	–	5,500,000
Translation differences	–	(2,634)	(71,077)	(16,298)	(28,149)	(118,158)
At 31.12.08	7,839,801	10,483,294	38,737,723	27,585,104	4,706,505	89,352,427
<b>Accumulated Depreciation</b>						
At 1.1.08	–	1,842,040	14,726,772	13,045,146	2,907,747	32,521,705
Charge for the year	–	748,807	4,516,616	3,684,140	418,671	9,368,234
Disposals	–	(520,806)	–	(298,959)	(1,126)	(820,891)
Written off	–	–	(28,302)	–	(124,289)	(152,591)
Translation differences	–	(139)	35,181	(2,621)	(4,877)	27,544
At 31.12.08	–	2,069,902	19,250,267	16,427,706	3,196,126	40,944,001
<b>Net Carrying Amount</b>						
At 31.12.08	7,839,801	8,413,392	19,487,456	11,157,398	1,510,379	48,408,426

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Plant & Machinery RM	Total RM
<b>Company</b>				
<b>Cost</b>				
At 1.1.09	3,026,917	375,582	56,525	3,459,024
Additions	597,390	44,450	–	641,840
Disposals	(59,134)	(29,438)	–	(88,572)
Translation differences	2,751	3,369	2,758	8,878
<b>At 31.12.09</b>	<b>3,567,924</b>	<b>393,963</b>	<b>59,283</b>	<b>4,021,170</b>
<b>Accumulated Depreciation</b>				
At 1.1.09	1,550,129	187,260	30,533	1,767,922
Charge for the year	545,549	82,060	11,672	639,281
Disposals	(44,098)	(23,068)	–	(67,166)
Translation differences	1,778	2,290	1,675	5,743
<b>At 31.12.09</b>	<b>2,053,358</b>	<b>248,542</b>	<b>43,880</b>	<b>2,345,780</b>
<b>Net Carrying Amount</b>				
At 31.12.09	1,514,566	145,421	15,403	1,675,390

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

#### 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Plant & Machinery RM	Total RM
<b>Company (cont'd)</b>				
<b>Cost</b>				
At 1.1.08	3,026,716	390,444	67,900	3,485,060
Additions	274,220	8,046	–	282,266
Disposals	(254,229)	–	–	(254,229)
Written off	–	(8,515)	–	(8,515)
Translation differences	(19,790)	(14,393)	(11,375)	(45,558)
At 31.12.08	3,026,917	375,582	56,525	3,459,024
<b>Accumulated Depreciation</b>				
At 1.1.08	1,050,280	122,428	23,098	1,195,806
Charge for the year	586,556	75,532	12,202	674,290
Disposals	(78,367)	(2,418)	–	(80,785)
Written off	–	(1,126)	–	(1,126)
Translation differences	(8,340)	(7,156)	(4,767)	(20,263)
At 31.12.08	1,550,129	187,260	30,533	1,767,922
<b>Net Carrying Amount</b>				
At 31.12.08	1,476,788	188,322	25,992	1,691,102

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in property, plant and equipment are:

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

	Motor Vehicles RM	Plant & Machinery RM	Office Equipment RM	Total RM
Group				
<b>2009</b>				
Cost	14,053,787	9,505,071	89,000	23,647,858
Net Carrying Amount	7,451,273	6,831,956	44,500	14,327,729
<b>2008</b>				
Cost	14,885,486	8,878,272	89,000	23,852,758
Net Carrying Amount	7,505,973	8,111,446	62,300	15,679,719
Company				
<b>2009</b>				
Cost	2,895,916	-	-	2,895,916
Net Carrying Amount	1,514,566	-	-	1,514,566
<b>2008</b>				
Cost	2,870,534	-	-	2,870,534
Net Carrying Amount	1,453,993	-	-	1,453,993

(ii) freehold land and buildings of the Group with a total net carrying amount of RM11,279,504 (2008 : RM3,118,174) charged to financial institutions as securities for banking facilities of a subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB"). As at both financial year, the banking facilities has not been utilised by AZSB.

(iii) buildings and renovation of the Group is an amount of RM3,761,339 (2008 :RM4,361,123) relating to building work-in-progress.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 5. PREPAID LAND LEASE PAYMENTS

	2009 RM	Group 2008 RM
At 1 January	8,242,056	8,582,009
Amortisation during the year	(339,953)	(339,953)
At 31 December	7,902,103	8,242,056
Analysed as follows:		
Short term leasehold land	7,902,103	8,242,056

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

### 6. INVESTMENT PROPERTY

	2009 RM	Group 2008 RM
At fair value		
At beginning of the year	19,500,000	25,000,000
Less: Transfer to property, plant and equipment (note 4)	–	(5,500,000)
At end of the year	19,500,000	19,500,000
Included in above are:		
Hotel property		
- freehold land	793,912	793,912
- hotel buildings	18,706,088	18,706,088
	19,500,000	19,500,000

The hotel property is charged to financial institutions as security for facilities of a subsidiary company, AZSB, as disclosed in note 23.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost		
At beginning of the year	43,687,429	43,687,429
Additions	-	2
Disposals	-	(2)
At end of the year	43,687,429	43,687,429

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009	2008	
<b>Held by the Company</b>				
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%	Investment holding
Trend Vista Development Sdn. Bhd.	Malaysia	100%	100%	Dormant
* P.T. Ichtiar Gusti Pudi	Republic of Indonesia	95%	95%	Oil palm cultivation
@* Ahmad Zaki Saudi Arabia Co. Ltd.	Kingdom of Saudi Arabia	95%	95%	Contractors of civil and structural contract works
AZRB Properties Sdn. Bhd.	Malaysia	100%	100%	Dormant
EKVE Sdn. Bhd.	Malaysia	100%	100%	Dormant
Unggul Energy & Construction Sdn. Bhd.	Malaysia	100%	100%	Dormant
<b>Held through Ahmad Zaki Sdn. Bhd.</b>				
* Kemaman Technology & Industrial Park Sdn. Bhd.	Malaysia	60%	60%	Property development
AZSB Machineries Sdn. Bhd.	Malaysia	100%	100%	Rental of machineries

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 7. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009	2008	
<b>Held through Inter-Century Sdn. Bhd.</b>				
Astral Far East Sdn. Bhd.	Malaysia	100%	100%	Dealer of lubricants and petroleum-based products
<b>Held through AZRB International Ventures Sdn. Bhd.</b>				
* AZRB Construction (India) Pvt. Ltd.	India	100%	100%	Dormant
@* Ahmad Zaki Saudi Arabia Co. Ltd.	Kingdom of Saudi Arabia	5%	5%	Contractors of civil and structural contract works
* Audited by another professional firm of accountants.				
@ Wholly-owned subsidiary company of the Group.				

### 8. INVESTMENTS IN ASSOCIATED COMPANIES

	2009 RM	Group 2008 RM
Unquoted shares, at cost		
At beginning/end of the year	110,000	110,000
Quoted shares in Malaysia, at cost		
At beginning of the year	85,486,474	82,964,680
Additions	-	2,521,794
At end of the year	85,486,474	85,486,474
Share of post-acquisition reserves	10,083,026	4,187,859
	95,679,500	89,784,333
Market value of quoted shares in Malaysia	53,235,600	32,373,000

The goodwill included within the Group's carrying amount of investment in associated companies are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 8. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

	Group	
	2009 RM	2008 RM
Goodwill on acquisition	27,644,415	27,644,415
	Company	
	2009 RM	2008 RM
Quoted shares in Malaysia, at cost		
At beginning of the year	85,486,474	82,964,680
Additions	–	2,521,794
At end of the year	85,486,474	85,486,474
Market value of quoted shares in Malaysia	53,235,600	32,373,000

The Directors are of the opinion that the decline in market value is temporary and the Company will be able to realise the carrying amount in full in the long term.

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

Name of Company	Effective Equity Interest		Principal Activities
	2009	2008	
<b>Held by the Company</b>			
Eastern Pacific Industrial Corporation Berhad	21.3%	21.3%	Investment holding
<b>Held through Ahmad Zaki Sdn. Bhd.</b>			
Fasatimur Sdn. Bhd.	49.9%	49.9%	Project management
Maxi Heritage Sdn. Bhd.	20.0%	20.0%	General contractor

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 8. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

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

	2009 RM	Group 2008 RM
Total assets	433,719,592	402,827,402
Total liabilities	95,242,819	98,039,690
Operating revenue	183,986,297	244,791,000
Net profit	49,067,787	25,911,959

The shares of Eastern Pacific Industrial Corporation Berhad amounting to RM76,659,136 (2008 : RM76,659,136) are charged to a bank for term loan facility as disclosed in note 20(c).

### 9. INVESTMENTS IN JOINT VENTURES

	2009 RM	Group 2008 RM
Shares of post acquisition results in joint ventures		
At beginning of the year	(28,698,666)	(28,873,164)
Add: Share of results for the year	1,481,090	865,580
Less: Profit distribution from a joint venture	(1,419,630)	(691,082)
At end of the year	(28,637,206)	(28,698,666)

The Group has a 50%, 7.70% and 70% interest in the jointly controlled entities as mentioned in (i), (ii) and (iii) respectively:

- (i) BumiHiway-Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor, and
- (ii) Malaysia-China Hidro Joint Venture which undertakes the contract for design and execution of works for Bakun Hydroelectric Project Package CW2 - Main Civil Works at Sarawak.
- (iii) Ahmad Zaki-Jasa Bakti Joint Venture which undertakes the design and build for "Sekolah Menengah Sains Hulu Terengganu" at Terengganu.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 9. INVESTMENTS IN JOINT VENTURES (cont'd)

(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

	2009 RM	Group 2008 RM
Non-current asset		
Property, plant and equipment	449	448
Current assets		
Trade receivables	14,680,392	9,686,702
Amount due from customers for contract works	176,972	847,000
Other receivables, deposits and prepayments	2,999,814	279,936
Cash and cash deposits	2,452,256	3,199,281
	20,309,434	14,012,919
Less: Current liabilities		
Trade payables	2,487,073	23,904,435
Other payables and accruals	46,460,016	18,807,598
	(48,947,089)	(42,712,033)
Share of net liabilities of the joint ventures	(28,637,206)	(28,698,666)

(ii) Share of the revenue and expenses

	2009 RM	Group 2008 RM
Attributable contract revenue	39,277,334	35,657,164
Attributable contract costs	(37,857,520)	(34,966,082)
Gross profit	1,419,814	691,082
Other operating revenue	61,276	190,783
Finance costs	1,481,090	881,865
	-	(16,285)
Share of profit for the year	1,481,090	865,580

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 10. NEW PLANTING EXPENDITURE

	2009 RM	Group 2008 RM
At cost:		
At beginning of the year	62,956,106	31,954,480
Additions	19,055,746	31,001,626
At end of the year	82,011,852	62,956,106

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

Included in new planting expenditure for the year is amortisation and depreciation of prepaid land lease payments and property, plant and equipment amounting to RM424,717 (2008 : RM1,119,798).

### 11. OTHER INVESTMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At cost:				
Unquoted investment in Malaysia				
At beginning of the year	8,547,500	8,547,500	8,500,000	8,500,000
Less: Allowance for diminution in value	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
At end of the year	2,547,500	2,547,500	2,500,000	2,500,000
Club membership	68,000	68,000	68,000	68,000
	2,615,500	2,615,500	2,568,000	2,568,000

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 12. GOODWILL

	2009 RM	Group 2008 RM
At cost	3,744,605	3,744,605

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

The recoverable amount of a cash-generating unit is determined based on value in use calculations based on financial budgets approved by management covering 5 years period and assume no growth rate.

The key assumptions used for value in use calculations are as follows:

Period of project cash flows	5 years based on the estimated operation period of the subsidiary company
Discount rate	10%

The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

With regard to the assessment of value in use, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially different from its recoverable amount.

### 13. INVENTORIES

	2009 RM	Group 2008 RM
At cost:		
Completed development properties	2,651,093	322,877
Marine fuels and lubricants	8,584,267	12,161,784
Consumable goods	810,087	442,678
	<b>12,045,447</b>	<b>12,927,339</b>



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 14. PROPERTY DEVELOPMENT COSTS

	2009 RM	Group 2008 RM
Development costs		
At beginning of the year	7,531,252	2,531,332
Costs incurred during the year	603,232	4,999,920
At end of the year	8,134,484	7,531,252
Transfer to inventories of completed units	(2,328,216)	-
Cost recognised in income statement		
- previous years	(1,699,658)	(35,539)
- current year	(2,647,075)	(1,664,119)
	(4,346,733)	(1,699,658)
At end of the year	1,459,535	5,831,594

### 15. RECEIVABLES

		Group 2009 RM	2008 RM	Company 2009 RM	2008 RM
<b>Trade</b>					
External parties	(a)	30,986,057	42,866,740	582,013	459,625
Amount due from customers for contract works	33	255,785,589	205,941,587	43,028,064	20,305,284
Amount owing by					
- ultimate holding company	(b)	-	-	117,168	116,038
- joint ventures	(c)	101,331	49,773	51,558	-
- subsidiary companies	(d)	-	-	244,300,483	189,701,214
- related companies	(e)	272,598	747,071	3,709	-
		287,145,575	249,605,171	288,082,995	210,582,161

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 15. RECEIVABLES (cont'd)

	Note	2009 RM	Group 2008 RM	Company 2009 RM	2008 RM
<b>Non-trade</b>					
Amount owing by					
- associated company	(f)	20,000	20,000	-	-
Other receivables	(g)	28,362,345	53,500,740	3,127,070	22,681,760
Sundry deposits	(g)	1,407,469	1,146,438	48,834	49,843
Prepayments	(g)	2,339,097	1,986,173	613,323	167,780
		32,128,911	56,653,351	3,789,227	22,899,383
		319,274,486	306,258,522	291,872,222	233,481,544

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

## (a) Trade receivables

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

	2009 RM	Group 2008 RM
Saudi Riyal	15,911,344	19,272,811

## (b) Amount owing by ultimate holding company

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## (c) Amount owing by joint venture

This is in respect of amount owing by Bumi Hiway - Ahmad Zaki Joint-Venture and Ahmad Zaki-Jasa Bakti Joint Venture.

## (d) Amount owing by subsidiary companies

These amounts are non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash except for amounts of RM241,458,849 (2008: RM180,005,532) owing by certain subsidiary companies which bear interest ranging from 7.13% to 8% (2008: 7.13% to 8%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 15. RECEIVABLES (cont'd)

#### (d) Amount owing by subsidiary companies (cont'd)

The foreign currency exposure profile is as follows:

	2009 RM	Group 2008 RM
India Rupee	12,932	12,003
Indonesia Rupiah	93,423,236	62,772,600
Saudi Riyal	148,035,613	117,232,931
	<b>241,471,781</b>	<b>180,017,534</b>

#### (e) Amount owing by related companies

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

#### (f) Amount owing by associated company

The amount owing by Maxi Heritage Sdn. Bhd. is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

#### (g) Other receivables, sundry deposits and prepayments

Included in other receivables of the Group and of the Company are advances to sub-contractors and suppliers of RM11,484,220 (2008: RM34,835,795) and RM1,947,669 (2008 : RM20,129,637) respectively.

Included in other receivables of the Group are sales proceeds of freehold land and building receivable from the ultimate holding company and input value-added tax recoverable from the tax authority in Indonesia of RM6,800,000 (2008 : RM6,800,000) and RM5,631,505 (2008 : RM2,029,960) respectively.

The foreign currency exposure profile is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Indonesia Rupiah	7,994,524	6,084,267	-	-
India Rupee	1,972,155	20,299,831	1,971,715	20,299,411
Saudi Riyal	10,249,898	16,615,230	-	-
	<b>20,216,577</b>	<b>42,999,328</b>	<b>1,971,715</b>	<b>20,299,411</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 16. TAX ASSETS

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

### 17. CASH AND CASH DEPOSITS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	24,241,978	24,144,007	2,340,396	1,330,434
Cash deposits with licensed banks	128,377,481	161,498,618	26,084,199	27,746,255
	152,619,459	185,642,625	28,424,595	29,076,689

Included in cash deposits with licensed banks of the Group are deposits of RM105,977,194 (2008: RM96,928,753) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group as disclosed in notes 20 and 23.

Included in cash deposits with licensed banks of the Company are deposits of RM26,011,428 (2008 : RM25,442,962) which have been pledged to financial institutions as security for bank guarantee and term loan of the Company and credit facilities of its subsidiary company, AZSB, as disclosed in notes 20 and 23.

The cash deposits with licensed banks of the Group and of the Company bear effective interest at rates ranging from 1.5% to 3.53% (2008: 2.70% to 3.70%) and 1.5% to 3.18% (2008 : 3.00% to 3.56%) per annum respectively.

The foreign currency exposure profile is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Indonesia Rupiah	271,037	1,004,481	–	–
India Rupee	1,054,515	1,007,972	1,054,438	1,006,733
Saudi Riyal	1,413,520	5,469,468	–	–
	2,739,072	7,481,921	1,054,438	1,006,733

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 18. SHARE CAPITAL

	Group/Company			
	2009		2008	
	Number of Shares	Share Capital RM	Number of Shares	Share Capital RM
Ordinary shares of RM0.50 each				
Authorised:				
At 1 January/31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid :				
At 1 January	276,531,600	138,265,800	138,265,800	69,132,900
Allotment of shares pursuant to ESOS	104,329	52,165	–	–
Right issues	–	–	138,265,800	69,132,900
At 31 December	276,635,929	138,317,965	276,531,600	138,265,800

### 19. RESERVES/TREASURY SHARES

#### (a) Reserves

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>Non-distributable</b>					
Share premium		6,260	–	6,260	–
Capital reserve		67,951	67,951	–	–
Foreign exchange translation reserve	(i)	(811,168)	(2,470,681)	81,574	71,322
		(736,957)	(2,402,730)	87,834	71,322
<b>Distributable</b>					
Retained profits		91,234,721	76,475,858	23,060,959	23,662,977
		90,497,764	74,073,128	23,148,793	23,734,299

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 19. RESERVES/TREASURY SHARES (cont'd)

#### (a) Reserves (cont'd)

##### (i) Foreign exchange translation reserve

The foreign exchange translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

#### (b) Treasury shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 13 May 2009, obtained their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

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

Of the total 276,635,929 (2008 : 276,531,600) issued and fully paid ordinary shares as at 31 December 2009, 1,451,100 (2008: 1,451,100) are held as treasury shares by the Company. As at 31 December 2009, the number of outstanding ordinary shares in issue after the set off is therefore 275,184,829 (2008 : 275,080,500) ordinary shares of RM0.50 each.

### 20. OTHER BORROWINGS

Group	Note	Effective Interest Rate per annum	Short Term Borrowings	Long Term Borrowings					Sub Total RM	Total RM
			Within 1 Year RM	Within 1 - 2 Years RM	Within 2 - 3 Years RM	Within 3 - 4 Years RM	Within 4 - 5 Years RM	After 5 years RM		
Secured										
Murabahah facility	(b)	4.80% - 5.85%	28,520,000	-	-	-	-	-	-	28,520,000
Term loans	(c)	6.00%	5,340,957	8,375,000	8,375,000	8,375,000	8,375,000	21,125,000	54,625,000	59,965,957
Finance lease liabilities	(d)	3.58% - 9.07%	5,034,691	4,232,671	3,146,150	1,460,825	466,423	-	9,306,069	14,340,760
			38,895,648	12,607,671	11,521,150	9,835,825	8,841,423	21,125,000	63,931,069	102,826,717

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 20. OTHER BORROWINGS (cont'd)

	Note	Effective Interest Rate per annum	Short Term Borrowings	Long Term Borrowings					After 5 years RM	Sub Total RM	Total RM
			Within 1 Year RM	Within 1 - 2 Years RM	Within 2 - 3 Years RM	Within 3 - 4 Years RM	Within 4 - 5 Years RM				
<b>Unsecured</b>											
Term loans	(c)	7.13%-7.63%	45,000,000	40,000,000	-	-	-	-	40,000,000	85,000,000	
			<b>83,895,648</b>	<b>52,607,671</b>	<b>11,521,150</b>	<b>9,835,825</b>	<b>8,841,423</b>	<b>21,125,000</b>	<b>103,931,069</b>	<b>187,826,717</b>	
<b>2008</b>											
<b>Secured</b>											
Trust receipts	(a)	7.75% - 8.25%	523,289	-	-	-	-	-	-	523,289	
Murabahah facility	(b)	5.97%	30,070,000	-	-	-	-	-	-	30,070,000	
Term loans	(c)	6.85%-8.75%	2,093,750	8,375,000	8,375,000	8,375,000	8,375,000	31,406,250	64,906,250	67,000,000	
Finance lease liabilities	(d)	3.58%-9.16%	5,036,526	4,973,040	3,438,151	2,355,006	804,185	-	11,570,382	16,606,908	
			<b>37,723,565</b>	<b>13,348,040</b>	<b>11,813,151</b>	<b>10,730,006</b>	<b>9,179,185</b>	<b>31,406,250</b>	<b>76,476,632</b>	<b>114,200,197</b>	
<b>Unsecured</b>											
Term loans	(c)	7.13%-7.63%	-	45,000,000	40,000,000	-	-	-	85,000,000	85,000,000	
			<b>37,723,565</b>	<b>58,348,040</b>	<b>51,813,151</b>	<b>10,730,006</b>	<b>9,179,185</b>	<b>31,406,250</b>	<b>161,476,632</b>	<b>199,200,197</b>	
<b>Company</b>											
<b>2009</b>											
<b>Secured</b>											
Murabahah facility	(b)	4.80% - 5.85%	28,520,000	-	-	-	-	-	-	28,520,000	
Term loans	(c)	6.00%	5,340,957	8,375,000	8,375,000	8,375,000	8,375,000	21,125,000	54,625,000	59,965,957	
Finance lease liabilities	(d)	3.58% - 6.65%	407,534	312,315	288,702	122,047	84,942	-	808,006	1,215,540	
			<b>34,268,491</b>	<b>8,687,315</b>	<b>8,663,702</b>	<b>8,497,047</b>	<b>8,459,942</b>	<b>21,125,000</b>	<b>55,433,006</b>	<b>89,701,497</b>	
<b>Unsecured</b>											
Term loans	(c)	7.13%-7.63%	45,000,000	40,000,000	-	-	-	-	40,000,000	85,000,000	
			<b>79,268,491</b>	<b>48,687,315</b>	<b>8,663,702</b>	<b>8,497,047</b>	<b>8,459,942</b>	<b>21,125,000</b>	<b>95,433,006</b>	<b>174,701,497</b>	

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 20. OTHER BORROWINGS (cont'd)

	Note	Effective Interest Rate per annum	Short Term Borrowings	Long Term Borrowings					Sub Total RM	Total RM	
			Within 1 Year RM	Within 1 - 2 Years RM	Within 2 - 3 Years RM	Within 3 - 4 Years RM	Within 4 - 5 Years RM	After 5 years RM			
<b>2008</b>											
<b>Secured</b>											
Murabahah facility	(b)	5.95%-6.00%	30,070,000	-	-	-	-	-	-	-	30,070,000
Term loans	(c)	6.00%	2,093,750	8,375,000	8,375,000	8,375,000	8,375,000	31,406,250	64,906,250	67,000,000	
Finance lease liabilities	(d)	3.58%-6.65%	433,272	327,613	229,252	200,665	34,542	-	792,072	1,225,344	
			32,597,022	8,702,613	8,604,252	8,575,665	8,409,542	31,406,250	65,698,322	98,295,344	
<b>Unsecured</b>											
Term loans	(c)	7.13%-7.63%	-	45,000,000	-	40,000,000	-	-	85,000,000	85,000,000	
			32,597,022	53,702,613	8,604,252	48,575,665	8,409,542	31,406,250	150,698,322	183,295,344	

**(a) Trust receipt**

The trust receipts of the Group are secured and supported by:

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

**(b) Murabahah facility**

The Murabahah facility of the Group and of the Company is secured by assignments of contract proceeds, guarantees and insurance proceeds from a specific construction contract.

**(c) Term loans****Secured****Group/Company**

The term loan is repayable in monthly instalments over 8 years commencing in October 2009.

The term loan is secured and supported by charges over the 35.48 million ordinary shares of Eastern Pacific Industrial Corporation Berhad quoted on Bursa Malaysia as disclosed in note 8.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 20. OTHER BORROWINGS (cont'd)

#### Unsecured

The unsecured term loans of the Group and of the Company are repayable in one lump sum on the last day of the tenor of the facilities which should not exceed five years.

#### (d) Finance lease liabilities

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Total instalment payments	15,635,289	18,309,783	1,313,600	1,324,106
Less: Future finance charges	(1,294,529)	(1,702,875)	(98,060)	(98,762)
<b>Present value of finance lease liabilities</b>	<b>14,340,760</b>	<b>16,606,908</b>	<b>1,215,540</b>	<b>1,225,344</b>
Payable within one year				
Total instalment payments	5,695,166	5,823,027	456,185	479,832
Less: Future finance charges	(660,475)	(786,501)	(48,651)	(46,560)
<b>Present value of finance lease liabilities</b>	<b>5,034,691</b>	<b>5,036,526</b>	<b>407,534</b>	<b>433,272</b>
Payable after one year but not later than five years				
Total instalment payments	9,940,123	12,486,756	857,415	844,274
Less: Future finance charges	(634,054)	(916,374)	(49,409)	(52,202)
<b>Present value of finance lease liabilities</b>	<b>9,306,069</b>	<b>11,570,382</b>	<b>808,006</b>	<b>792,072</b>
	<b>14,340,760</b>	<b>16,606,908</b>	<b>1,215,540</b>	<b>1,225,344</b>

### 21. DEFERRED TAX LIABILITIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At beginning of the year	5,153,614	5,091,419	5,151,600	5,090,218
Recognised in income statement (note 27)	(878,944)	60,795	(10,000)	59,982
Translation differences	(313)	1,400	(313)	1,400
<b>At end of the year</b>	<b>4,274,357</b>	<b>5,153,614</b>	<b>5,141,287</b>	<b>5,151,600</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 21. DEFERRED TAX LIABILITIES (cont'd)

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Differences between the carrying amount of property, plant and equipment and its tax base	(413,560)	465,697	49,287	49,600
Difference in basis of recognition of results of joint venture	–	–	5,092,000	5,102,000
Fair value adjustment of investment properties	2,077,140	2,077,140	–	–
Fair value adjustment in respect of acquisition of subsidiary company	2,610,777	2,610,777	–	–
	<b>4,274,357</b>	<b>5,153,614</b>	<b>5,141,287</b>	<b>5,151,600</b>

The estimated amount of temporary differences for which no deferred tax assets is not recognised in the financial statements are as follows:-

	Group	
	2009 RM	2008 RM
Utilised tax losses	10,906,680	–

### 22. PAYABLES

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
<b>Trade</b>					
Amount due to customers for contract works	33	16,733,647	34,349,486	–	–
External parties	(a)	174,747,459	167,672,523	20,562,854	21,825,580
		<b>191,481,106</b>	<b>202,022,009</b>	<b>20,562,854</b>	<b>21,825,580</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 22. PAYABLES (cont'd)

	Note	Group 2009 RM	2008 RM	Company 2009 RM	2008 RM
<b>Non-trade</b>					
Amounts owing to					
- ultimate holding company	(b)	143,003	314,614	-	-
- associated company	(c)	53,089	53,089	-	-
- subsidiary company	(d)	-	-	72,478,463	9,982,607
- joint venture	(e)	-	504,000	-	504,000
Advance payments received	(f)	81,147,128	77,966,308	20,259,174	15,363,509
		<b>81,343,220</b>	78,838,011	<b>92,737,637</b>	25,850,116
Other payables	(g)	3,269,829	4,186,457	225,008	357,459
Deposits received	(g)	301,527	423,231	-	-
Accruals	(g)	3,496,987	3,452,773	2,207,058	2,194,886
		<b>88,411,563</b>	86,900,472	<b>95,169,703</b>	28,402,461
		<b>279,892,669</b>	288,922,481	<b>115,732,557</b>	50,228,041

#### (a) Trade payables

The normal trade credit term granted to the Group and the Company ranges from 30 to 90 days.

Included in trade payables of the Group are:

(a) retention sums of RM47,660,831 (2008: RM43,425,275)

(b) amount due to a related party as follows:

	Group 2009 RM	2008 RM
Chuan Huat Industrial Marketing Sdn. Bhd.	863,491	485,585

Chuan Huat Industrial Marketing Sdn. Bhd. is a subsidiary company of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 22. PAYABLES (cont'd)

## (a) Trade payables (cont'd)

The foreign currency exposure profile is as follows:

	2009 RM	Group	2008 RM
Indonesia Rupiah	1,569,964		4,469,118
Saudi Riyal	14,203,526		16,660,483
	<b>15,773,490</b>		<b>21,129,601</b>

## (b) Amount owing to ultimate holding company

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## (c) Amount owing to associated company

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## (d) Amount owing to subsidiary company

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## (e) Amount owing to joint venture

This is in respect of advance from Ahmad Zaki – Jasa Bakti Joint-Venture. This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 22. PAYABLES (cont'd)

#### (f) 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.

The foreign currency exposure profile is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
India Rupee	20,259,174	15,363,509	20,259,174	15,363,509
Saudi Riyal	9,372,494	16,793,809	-	-
	<b>29,631,668</b>	<b>32,157,318</b>	<b>20,259,174</b>	<b>15,363,509</b>

#### (g) Other payables, deposits and accruals

Included in accruals of the Group and of the Company is interest on borrowing amounting to RM2,156,658 (2008: RM2,157,087).

The foreign currency exposure profile is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Indonesia Rupiah	1,024,284	695,739	-	-
India Rupee	220,633	361,170	218,615	359,242
Saudi Riyal	840,833	2,723,233	-	-
	<b>2,085,750</b>	<b>3,780,142</b>	<b>218,615</b>	<b>359,242</b>

### 23. BANK OVERDRAFTS

The bank overdraft facilities of the Group are payable on demand and bear interest at rates ranging from 7.50% to 8.05% (2008: 7.25% to 8.25%) per annum. These facilities are secured and supported by:

- (i) hotel property of a subsidiary company, AZSB, as disclosed in note 6;
- (ii) cash deposits of the Company and of a subsidiary company, AZSB; and
- (iii) corporate guarantee from the Company.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 24. OPERATING REVENUE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Management fees	–	–	2,190,000	2,190,000
Dividend revenue	–	–	3,057,450	27,676,610
Sale of goods	41,617,667	68,198,389	–	–
Rental of machinery	140,000	120,000	–	–
Attributable contract revenue	411,563,495	589,337,913	44,519,711	97,585,509
Sales of development properties	6,079,231	5,020,637	–	–
	<b>459,400,393</b>	<b>662,676,939</b>	<b>49,767,161</b>	<b>127,452,119</b>

## 25. DIRECT OPERATING COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cost of goods sold	38,535,544	48,392,623	–	–
Attributable contract costs	350,616,314	536,566,177	42,702,328	92,865,030
Cost of development properties	3,593,850	2,361,301	–	–
	<b>392,745,708</b>	<b>587,320,101</b>	<b>42,702,328</b>	<b>92,865,030</b>

## 26. PROFIT BEFORE TAXATION

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

Note	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Allowance for diminution in value on investment in unquoted shares	–	6,000,000	–	6,000,000
Amortisation of prepaid land lease payments	6,945	6,945	–	–
Auditors' remuneration				
- statutory audit	219,248	213,431	46,017	46,017
- under provision in prior year	–	(5,000)	–	–
Bad debts written off	632,989	19,532	–	–
Depreciation of property, plant and equipment	8,758,754	8,581,444	639,281	674,290

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 26. PROFIT BEFORE TAXATION (cont'd)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Interest expenses		12,834,790	13,379,313	10,202,147	10,361,507
(Gain)/Loss on foreign exchange					
- realised		-	2,197	-	-
- unrealised		1,982,025	(1,522,102)	(456,710)	370,653
Property, plant and equipment written off		-	138,682	-	3,161
Rental and running cost of machinery and equipment		19,397,415	19,312,468	-	-
Rental of motor vehicles		74,457	178,424	-	-
Rental of premises		2,823,873	3,311,472	180,000	180,000
Directors' remuneration					
- non-executive	(a)	450,400	669,040	443,200	665,440
Employee benefits expense	(b)	39,615,691	41,681,363	3,135,802	3,059,610
Dividend revenue					
- unquoted shares		-	-	-	(25,000,110)
- quoted shares		-	-	(3,057,450)	(2,676,500)
Gain on disposal of property, plant and equipment		(316,285)	(1,170,416)	(8,397)	(32,273)
Interest revenue		(3,440,290)	(5,563,238)	(13,861,858)	(8,660,350)
Rental revenue		(206,300)	(180,445)	-	-

## (a) Directors' remuneration

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Executive Directors</b>				
Fees	336,400	711,498	-	-
Other emoluments	2,441,319	2,596,136	1,279,100	1,351,300
Share based payment	-	330,400	-	183,600
Total remuneration (Exclude benefits-in-kind)	2,777,719	3,638,034	1,279,100	1,534,900
Benefits-in-kind	545,600	602,720	208,500	208,500
Total remuneration (Include benefits-in-kind)	3,323,319	4,240,754	1,487,600	1,743,400

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 26. PROFIT BEFORE TAXATION (cont'd)

## (a) Directors' remuneration

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Non-Executive Directors</b>				
Fees	406,000	372,000	406,000	372,000
Other emoluments	44,400	20,400	37,200	16,800
Share based payment	–	276,640	–	276,640
Total remuneration (Exclude benefits-in-kind)	450,400	669,040	443,200	665,440
Benefits-in-kind	36,600	36,600	18,300	18,300
Total remuneration (Include benefits-in-kind)	487,000	705,640	461,500	683,740

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

The Executive directors are as follows:

**2009**

Dato' Sri Haji Wan Zaki bin Haji Wan Muda  
Dato' Wan Zakariah bin Haji Wan Muda  
Dato' Haji Mustaffa bin Mohamad  
Dato' W Zulkifli bin Haji W Muda

**2008**

Dato' Sri Haji Wan Zaki bin Haji Wan Muda  
Dato' Wan Zakariah bin Haji Wan Muda  
Dato' Haji Mustaffa bin Mohamad  
Dato' W Zulkifli bin Haji W Muda

The Non-Executive directors are as follows:

**2009**

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

**2008**

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 26. PROFIT BEFORE TAXATION (cont'd)

#### (b) Employee benefits expense

Included in employee benefits expense are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Employees Provident Fund and Social Security Contribution	3,290,479	3,041,566	213,769	180,802
Share based payment	-	839,586	-	124,052

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,777,719 (2008 : RM3,638,034) and RM1,279,100 (2008 : RM 1,534,900) respectively as further disclosed in note 26 (a).

### 27. TAXATION

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Based on results for the year				
- Malaysian tax	12,389,431	11,144,769	1,814,551	7,550,000
- Foreign tax	-	1,016,151	-	6,523
Origination and reversal of temporary differences (note 21)	(878,944)	60,795	(10,000)	59,982
	11,510,487	12,221,715	1,804,551	7,616,505
(Over)/Underprovision in prior years	(617,696)	374,861	-	(107,235)
Tax expense	10,892,791	12,596,576	1,804,551	7,509,270

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008 : 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:-

On the first RM500,000 of chargeable income: 20%  
In excess of RM500,000 of chargeable income: 26%

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 27. TAXATION (cont'd)

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

The reconciliation from the tax amount at statutory tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit before taxation	<b>32,490,420</b>	29,042,871	<b>7,391,844</b>	22,008,511
Tax at the statutory income tax rate of 25% (2008 : 26%)	<b>8,122,605</b>	7,551,000	<b>1,847,961</b>	5,722,212
Effect of lower tax rate for Malaysian subsidiary companies with issued and paid-up share capital of RM2.5 million and below	–	(65,500)	–	–
Tax effect of non-taxable Effect of lower tax rate for foreign branches/subsidiary companies	–	(269,341)	–	(7,000)
Tax effect of non-deductible expenses	<b>4,013,004</b>	6,625,966	<b>199,029</b>	2,059,893
Tax effect of non-taxable revenue	<b>(382,938)</b>	(489,900)	<b>(242,439)</b>	(194,900)
Deferred tax assets not recognised during the year	<b>2,726,670</b>	–	–	–
Tax effect of share of results of associated companies	<b>(2,238,154)</b>	(1,166,810)	–	–
(Over)/Under provision in prior years				
- income tax	<b>(617,696)</b>	374,861	–	(107,235)
- deferred tax	<b>(730,700)</b>	36,300	–	36,300
Tax expense	<b>10,892,791</b>	12,596,576	<b>1,804,551</b>	7,509,270

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under Finance Act 2007. As at 31 December 2009, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

The Group has unutilised tax losses of RM10,906,680 (2008 : Nil).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 28. EARNINGS PER ORDINARY SHARE

## Basic Earnings Per Share

The basic earnings per ordinary share of the Group is calculated based on the profit attributable to equity shareholders of RM20,948,174 (2008 : RM15,728,153) divided by the adjusted weighted average number of shares of 276,575,070 (2008 : 276,531,600).

## Diluted Earnings Per Share

The diluted earnings per share of the Group is calculated based on the profit attributable to equity shareholders of RM20,948,174 (2008 : RM15,728,153) divided by the adjusted weighted average number of shares of weighted as at follows:

	No. of shares of RM0.50 each
Weighted average number of shares at at 31 December 2009	276,575,070
Add: Dilutive ESOS	147,450
Adjusted weighted average number of shares	276,722,520
Weighted average number of shares at at 31 December 2008	276,531,600
Add: Dilutive ESOS	273,283
Adjusted weighted average number of shares	276,804,883

The share options are calculated based on the number of shares which would have been acquired at the market price of RM0.76 based on the monetary value of the subscription rights attached to the outstanding share options.

## 29. DIVIDEND

	Group/Company	
	2009 RM	2008 RM
<b>Recognised during the year</b>		
First and final dividend of 3 sen per ordinary share of RM0.50 each less tax at 25% in respect of financial year ended 31 December 2008	6,189,311	–
First and final dividend of 5 sen per ordinary share of RM0.50 each less tax at 25% in respect of financial year ended 31 December 2007	–	10,225,757
	6,189,311	10,225,757

The Directors recommend a first and final dividend of 3.5 sen per ordinary share of RM0.50 each less tax at 25% in respect of the current financial year amounting to RM7,223,602, based on 275,184,829 ordinary shares as at financial year end, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM10,269,005 (2008 : RM16,852,897) and RM641,840 (2008 : RM282,266) respectively, which were satisfied as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Finance lease liabilities	2,998,300	8,710,955	436,000	190,000
Cash payments	7,270,705	8,141,942	205,840	92,266
	<b>10,269,005</b>	<b>16,852,897</b>	<b>641,840</b>	<b>282,266</b>

### 31. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	24,241,978	24,144,007	2,340,396	1,330,434
Cash deposits with licensed banks	128,377,481	161,498,618	26,084,199	27,746,255
Bank overdrafts	(16,696,378)	(9,865,602)	-	-
	<b>135,923,081</b>	<b>175,777,023</b>	<b>28,424,595</b>	<b>29,076,689</b>

### 32. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Aggregate costs incurred to date	1,848,084,960	1,649,583,563	388,666,184	498,814,156
Attributable profits	186,394,033	202,205,998	28,180,147	32,767,494
	<b>2,034,478,993</b>	<b>1,851,789,561</b>	<b>416,846,331</b>	<b>531,581,650</b>
Progress billings	(1,795,427,051)	(1,680,197,460)	(373,818,267)	(511,276,366)
	<b>239,051,942</b>	<b>171,592,101</b>	<b>43,028,064</b>	<b>20,305,284</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 32. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS (cont'd)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Represented By:				
Amount due from customers for contract works (note 15)	255,785,589	205,941,587	43,028,064	20,305,284
Amount due from customers for contract works (note 22)	(16,733,647)	(34,349,486)	-	-

Included in the above progress billings of the Group are retention sums of RM13,661,372 (2008 : RM14,694,345).

Included in additions to aggregate cost incurred to date of the Group are:

- (i) staff costs for the year amounting to RM24,315,626 (2008 : RM21,099,511); and
- (ii) rental of premises, running cost of machinery and rental of motor vehicles for the year amounting RM836,309 (2008 : RM1,065,389), RM27,809,528 (2008 : RM23,603,644) and RM70,839 (2008 : RM176,207) respectively.

Included in additions to aggregate cost incurred to date of the Company is:

- (i) depreciation charges for the year amounting to RM33,727 (2008: RM39,213).

### 33. EQUITY COMPENSATION BENEFITS

- (i) The Group's ESOS and subsequent changes were approved by shareholders of the Company at the Annual General Meeting and Extraordinary General Meeting held on 20 June 2002 and 21 November 2007 respectively. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26 July 2002 and expiring on 25 July 2012.

The salient features of the ESOS are:

- (a) eligible persons are full time employees with confirmed employment within the Group (including executive directors of the Group and non-executive directors of the Company) 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;

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 33. EQUITY COMPENSATION BENEFITS (cont'd)

- (c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed fifteen percent (15%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- (d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately preceding the Date of Offer;
- (e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- (f) new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

Under the Transitional Provisions of FRS 2 – Share Based Payment, the Company's share options which were granted before 31 December 2004 and were vested before 1 January 2006 need not be recognised as an expense in the income statement.

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

In previous year, the Company offered a total of 8,767,600 options pursuant to the employees share option scheme to its employees and directors at exercise price of RM0.96 per share on 28 March 2008 which expired on 27 June 2008. No ESOS was exercised by directors and employees for the year ended 31 December 2008.

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

	Number of Share Options	
	2009	2008
At 1 January	762,353	422,600
New issue	–	8,767,600
Exercised	(104,329)	–
Lapsed/Expired	(88,031)	(8,767,600)
	569,993	422,600
Adjusted for Right Issues of one for one ordinary share of RM0.50 each	–	339,753
At 31 December	569,993	762,353

ESOS options lapsed due to no subscription of shares and resignation of employees.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 33. EQUITY COMPENSATION BENEFITS (cont'd)

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

	<b>2009</b>	<b>2008</b>
Expiry Date 25.7.2012	<b>RM0.56</b>	RM0.56
Exercise Price Number of Share Options Outstanding	<b>569,993</b>	762,353

(iv) The fair value of share options granted in previous year was estimated by an external valuer using Binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

<b>Grant date</b>	<b>28 March 2008</b>
Number of options granted	8,767,600
Fair value of share options - Non-Executive Directors	RM0.247
Fair value of share options - Others	RM0.153
Weighted average share price	RM1.06
Weighted average exercise price	RM0.96
Expected volatility	50%
Expected life	0.23 years to 1.19 years
Risk free rate - Non-Executive Directors	3.40%
- Others	3.10%
Expected dividend yield	6% per annum

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility and also an implied volatility from prices of traded options on Company shares where these exist are indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 34. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Management fees charged to:				
- subsidiary companies	-	-	(2,190,000)	(2,190,000)
Dividend revenue from:				
- subsidiary companies	-	-	-	(25,000,110)
Interest received and receivable from:				
- subsidiary companies	-	-	(13,287,039)	(7,536,569)
Administrative service charged by:				
- ultimate holding company	122,400	122,450	-	-
Rental paid and payable to:				
- ultimate holding company	420,000	420,000	180,000	180,000
Reimbursement of expenses to:				
- ultimate holding company	432,713	637,385	49,480	55,915

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

	2009 RM	Group 2008 RM
Purchases from subsidiary companies of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:		
- Chuan Huat Industrial Marketing Sdn. Bhd.	8,497,017	17,143,469
- Chuan Huat Hardware Sdn. Bhd.	-	54,450
Purchases from QMC Sdn. Bhd., a subsidiary of ultimate holding company where Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	462,702	161,750
Purchases from Kemaman Quarry Sdn Bhd, a subsidiary of ultimate holding company where Dato' Sri Haji Wan Zaki bin Haji Wan Muda and Dato W. Zulkifli bin Haji W. Muda have substantial financial interest and are also directors	537,852	905,974
Sale of land and building to ultimate holding company	-	(6,800,000)
Professional fees paid to Dato' Ismail @ Mansor bin Said	18,000	18,000
Rental of premise paid and payable to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	36,000



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 34. RELATED PARTY TRANSACTIONS (cont'd)

## (c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Company.

The compensations of the key management are as follows:

	Group	
	2009 RM	2008 RM
Short term employees benefits	2,494,055	3,394,992
Post employment benefits	283,664	305,042
Share based payment	–	330,400
	<b>2,777,719</b>	<b>4,030,434</b>

## 35. CONTINGENT LIABILITIES

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>Unsecured</b>					
Legal claims by suppliers of joint ventures of AZSB	(a)	18,453,756	18,453,756	–	–
Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to AZSB		–	–	228,964,406	85,605,938
<b>Partially secured</b>					
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,630,814 (2008 : RM2,577,699) to a financial institutions in respect of credit facilities granted to AZSB		–	–	55,672,148	80,433,938
		<b>18,453,756</b>	<b>18,453,756</b>	<b>284,636,554</b>	<b>166,039,876</b>

**Note (a)**

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 36. CAPITAL COMMITMENT

	2009 RM	Group 2008 RM
Capital expenditure approved but not contracted for the purchase of property, plant and equipment	385,200	–

### 37. NON-CANCELLABLE OPERATING LEASE COMMITMENT

	2009 RM	Group 2008 RM
Lease rental of office equipment:		
Payable within 1 year	105,600	86,868
Payable within 1 to 2 years	100,970	86,868
Payable within 2 to 3 years	78,120	86,868
Payable within 3 to 4 years	66,520	86,868
Payable within 4 to 5 years	31,280	86,868
	<b>382,490</b>	<b>434,340</b>

### 38. SEGMENTAL ANALYSIS

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 38. SEGMENTAL ANALYSIS (cont'd)

#### Business Segments

The Group comprises the following four major business segments:

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

#### Geographical Segments

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

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

#### Major Segment By Activity

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2009</b>						
<b>Revenue</b>						
External revenue	411,703,495	41,617,667	–	6,079,231	–	459,400,393
Inter-segment revenue	–	14,485,468	–	–	(14,485,468)	–
<b>Total revenue</b>	<b>411,703,495</b>	<b>56,103,135</b>	<b>–</b>	<b>6,079,231</b>	<b>(14,485,468)</b>	<b>459,400,393</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 38. SEGMENTAL ANALYSIS (cont'd)

## Major Segment By Activity (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>Results</b>						
Segment result	20,897,625	12,207,008	-	(1,653,420)	-	31,451,213
Interest revenue						3,440,290
Interest expenses						(12,834,790)
Share of results in joint ventures	1,481,090	-	-	-	-	1,481,090
Share of results of associated companies	1,862	8,950,755	-	-	-	8,952,617
Income taxes						(10,892,791)
Minority interest						(649,455)
Profits attributable to shareholders						<u>20,948,174</u>
<b>Other Information</b>						
Segment assets	351,881,821	16,794,912	105,026,776	25,033,540	(1,868,941)	496,868,108
Investment properties						19,500,000
Investments in joint ventures	(28,637,206)	-	-	-	-	(28,637,206)
Goodwill						3,744,605
Tax assets						4,268,175
Cash deposits with licensed banks						128,377,481
Other investments						2,615,500
Investments in associated companies	164,587	95,514,913	-	-	-	95,679,500
Consolidated total assets						<u>722,416,163</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 38. SEGMENTAL ANALYSIS (cont'd)

## Major Segment By Activity (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2009</b>						
Segment liabilities	274,591,243	2,880,314	2,594,248	3,850,125	(4,023,260)	279,892,670
Interest bearing borrowings						204,523,094
Tax liabilities						795,281
Deferred tax liabilities						4,274,357
Consolidated total liabilities						489,485,402
Capital expenditure	6,618,499	881,263	2,114,843	654,400	–	10,269,005
Depreciation	7,266,469	844,170	–	648,115	–	8,758,754
<b>2008</b>						
<b>Revenue</b>						
External revenue	593,766,340	63,889,962	–	5,020,637	–	662,676,939
Inter-segment revenue	–	10,531,498	–	–	(10,531,498)	–
Total revenue	593,766,340	74,421,460	–	5,020,637	(10,531,498)	662,676,939
<b>Results</b>						
Segment result	27,134,759	14,521,486	–	(10,330,121)	–	31,326,124
Interest revenue						5,563,238
Interest expenses						(13,379,313)
Share of results in joint ventures	865,580	–	–	–	–	865,580
Share of results of associated companies	866	4,666,376	–	–	–	4,667,242
Income taxes						(12,596,576)
Minority interest						(718,142)
Profits attributable to shareholders						15,728,153

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 38. SEGMENTAL ANALYSIS (cont'd)

## Major Segment By Activity (cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
<b>2008</b>						
<b>Other Information</b>						
Segment assets	344,787,019	25,183,558	82,269,244	19,153,001	(2,624,772)	468,768,050
Investment properties						19,500,000
Interest in joint ventures	(28,698,666)	–	–	–	–	(28,698,666)
Goodwill						3,744,605
Tax assets						3,931,817
Deferred tax assets						–
Cash deposits with licensed banks						161,498,618
Other investments						2,615,500
Investment in associated companies	163,223	84,621,110	–	–	–	89,784,333
Consolidated total assets						<u>721,144,257</u>
Segment liabilities	278,149,155	3,362,476	5,164,857	4,339,297	(2,093,303)	288,922,482
Interest bearing borrowings						209,065,798
Tax liabilities						2,006,458
Deferred tax liabilities						5,153,614
Consolidated total liabilities						<u>505,148,352</u>
Capital expenditure	12,608,796	1,558,203	2,404,090	281,808	–	16,852,897
Depreciation	7,087,082	826,582	–	667,780	–	8,581,444

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 38. SEGMENTAL ANALYSIS (cont'd)

#### Major Segment By Geographical Location

	Malaysia	Republic of Indonesia	India	Kingdom of Saudi Arabia	Eliminations	Consolidated
<b>2009</b>						
Total revenue from external customers	367,759,307	-	23,218,744	68,422,342	-	459,400,393
Segment assets	201,150,326	105,026,776	28,270,001	162,421,005	-	496,868,108
Investments in associated companies	95,679,500	-	-	-	-	95,679,500
Investments in joint ventures	(28,637,206)	-	-	-	-	(28,637,206)
Goodwill	3,744,605	-	-	-	-	3,744,605
Tax assets	1,989,832	-	2,278,343	-	-	4,268,175
Cash deposits with licensed banks	128,377,481	-	-	-	-	128,377,481
Investment properties	19,500,000	-	-	-	-	19,500,000
Other investments	2,615,500	-	-	-	-	2,615,500
Consolidated total assets	424,420,038	105,026,776	30,548,344	162,421,005	-	722,416,163
Capital expenditure	8,154,162	2,114,843	-	-	-	10,269,005
<b>2008</b>						
Total revenue from external customers	478,066,870	-	46,400,364	148,741,203	(10,531,498)	662,676,939
Segment assets	165,168,438	82,269,244	66,234,443	155,095,925	-	468,768,050
Investments in associated companies	89,784,333	-	-	-	-	89,784,333
Investments in joint ventures	(28,698,666)	-	-	-	-	(28,698,666)
Goodwill	3,744,605	-	-	-	-	3,744,605
Tax assets	2,108,835	-	1,822,982	-	-	3,931,817
Deferred tax assets	(6,400)	-	6,400	-	-	-
Cash deposits with licensed banks	161,498,618	-	-	-	-	161,498,618
Investment properties	19,500,000	-	-	-	-	19,500,000
Other investments	2,615,500	-	-	-	-	2,615,500
Consolidated total assets	415,715,263	82,269,244	68,063,825	155,095,025	-	721,144,257
Capital expenditure	12,816,327	2,404,090	457	1,632,023	-	16,852,897

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 39. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Policies

The Group is exposed to a variety of risks in the normal course of business. The Group'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.

##### ii. Interest Rate Risk

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

###### – Interest bearing financial assets

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

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

###### – Interest bearing financial liabilities

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

##### iii. Credit Risk

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 39. FINANCIAL INSTRUMENTS (cont'd)

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

##### 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, Receivables and Payables

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

##### ii. Other Investments

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

##### iii. Borrowings

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

## 39. 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:

	Note	Group Carrying Amount RM	Fair Value RM	Company Carrying Amount RM	Fair Value RM
<b>2009</b>					
<b>Financial Assets</b>					
Club membership	11	68,000	100,000	68,000	100,000
Unquoted investments	11	2,547,500	*-	2,500,000	*-
<b>Financial Liabilities</b>					
Finance lease liabilities		14,340,760	14,311,081	1,215,540	1,212,079
Term loans		144,965,957	144,428,914	144,965,957	144,428,914
<b>2008</b>					
<b>Financial Assets</b>					
Club membership	11	68,000	100,000	68,000	100,000
Unquoted investments	11	2,547,500	*-	2,500,000	*-
<b>Financial Liabilities</b>					
Finance lease liabilities		16,606,908	15,281,189	1,225,344	1,221,755
Term loans		152,000,000	151,462,956	15,200,000	151,462,956

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2009

### 39. FINANCIAL INSTRUMENTS (cont'd)

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

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

	Note	Group		Company	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
<b>2009</b>					
Contingent liabilities in respect of:					
Legal claims by suppliers of joint ventures of AZSB	35	18,453,756	*-	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB	35	-	-	228,964,406	*-
Corporate guarantees given to a financial institution and suppliers of AZSB	35	-	-	55,672,148	*-
		<b>18,453,756</b>	<b>-</b>	<b>284,636,554</b>	<b>-</b>
<b>2008</b>					
Contingent liabilities in respect of:					
Legal claims by suppliers of joint ventures of AZSB	35	18,453,756	*-	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB	35	-	-	85,605,938	*-
Corporate guarantees given to a financial institution and suppliers of AZSB	35	-	-	80,433,938	*-
		<b>18,453,756</b>	<b>-</b>	<b>166,039,876</b>	<b>-</b>

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

# ANALYSIS OF SHAREHOLDINGS

As at 30 April 2010

Authorised Share Capital	: RM 500,000,000.00
Class of Shares	: Ordinary Share of RM0.50 each
Issued and Fully Paid-up Share Capital	: RM 138,340,124.50
Voting Rights	: One vote per RM0.50 per share

## STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	Number of Ordinary Shares of RM0.50 Each			
	Direct Interest	%	Deemed Interest	%
<b>The Company</b>				
<b>Ahmad Zaki Resources Berhad</b>				
Raja Dato' Seri Aman bin Raja Haji Ahmad	–	–	–	–
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	3,916,760	1.42	163,061,136	59.25*
Dato' Wan Zakariah bin Haji Wan Muda	2,301,096	0.84	–	–
Dato' Haji Mustaffa bin Mohamad	479,148	0.17	1,050,000	0.38
Dato' W Zulkifli bin Haji W Muda	2,737,696	0.99	–	–
Datuk (Prof.) A Rahman @ Omar bin Abdullah	1,200,000	0.44	–	–
Dato' Haji Ismail @ Mansor bin Said	102	–	–	–
<b>Ultimate Holding Company</b>				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	50.00	–	–
Dato' Wan Zakariah bin Haji Wan Muda	100,000	10.00	–	–
Dato' W Zulkifli bin Haji W Muda	100,000	10.00	–	–

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

By virtue of Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than 15% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 April 2010.

## DISTRIBUTION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
LESS THAN 100	126	–	2,377	–	0.0009	0.0000
100 TO 1,000	466	1	275,913	1,000	0.0997	0.0004
1,001 TO 10,000	2,480	29	13,723,024	150,540	4.9599	0.0544
10,001 TO 100,000	1,064	34	32,092,675	1,314,653	11.5992	0.4752
100,001 TO LESS THAN 5% OF ISSUED SHARES	119	7	64,983,584	1,075,347	23.4869	0.3887
5% AND ABOVE OF ISSUED SHARES	3	–	163,061,136	–	58.9349	–
<b>SUBTOTAL</b>	<b>4,258</b>	<b>71</b>	<b>274,138,709</b>	<b>2,541,540</b>	<b>99.0815</b>	<b>0.9187</b>

## ANALYSIS OF SHAREHOLDINGS (cont'd)

As at 30 April 2010

### LIST OF SUBSTANTIAL SHAREHOLDERS (5% and Above Excluding Bare Trustees)

	Number of Ordinary Shares of RM0.50 Each			
	Direct Interest	%	Deemed Interest	%
1. ZAKI HOLDINGS (M) SDN BHD	135,461,136	49.22	–	–
2. AMMB NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD	27,600,000	10.03	–	–
3. DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	3,916,760	1.42	135,461,136*	49.22*
* Shares held through Zaki Holdings (M) Sdn Bhd				

### LIST OF 30 LARGEST SHAREHOLDERS AS AT 30 APRIL 2010

No.	Name	Shares Held	%
1.	ZAKI HOLDINGS (M) SDN BHD	97,282,064	35.35
2.	ZAKI HOLDINGS (M) SDN BHD	38,179,072	13.87
3.	AMMB NOMINEES (TEMPATAN) SDN BHD (AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD)	27,600,000	10.03
4.	GEOSAKTI SDN BHD	5,910,300	2.15
5.	AMANAHRAYA TRUSTEE BERHAD (PUBLIC ISLAMIC OPPORTUNITIES FUND)	5,606,400	2.04
6.	DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	3,916,760	1.42
7.	VALUECAP SDN BHD	3,677,600	1.34
8.	DATO' W ZULKIFLI BIN HAJI W MUDA	2,737,696	0.99
9.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389))	2,400,000	0.87
10.	DATO' WAN ZAKARIAH BIN HAJI WAN MUDA	2,301,096	0.84
11.	NIK MAHANI BINTI NIK MOHD RASHID	2,248,908	0.82
12.	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD (CKT))	2,000,000	0.73
13.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAUZAN (5170))	1,710,000	0.62
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND)	1,550,000	0.56
15.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082))	1,310,000	0.48
16.	MAYBAN NOMINEES (TEMPATAN) SDN BHD (MAYBAN TRUSTEES BERHAD FOR MAAKL VALUE FUND (950290))	1,200,000	0.44
17.	DATUK (PROF) A RAHMAN @ OMAR BIN ABDULLAH	1,200,000	0.44
18.	TO' PUAN NAIMAH BINTI HASHIM	1,050,000	0.38
19.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (AXA AFFIN GENERAL INSURANCE BERHAD)	1,036,800	0.38
20.	TAN LENG MOOI	840,000	0.31
21.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR OSK-UOB GROWTH AND INCOME FOCUS TRUST (4892))	778,200	0.28
22.	ROSMINI AZAH BINTI ABDUL RAHMAN	761,200	0.28
23.	MEGAT AHMAD ZAKI BIN MOHD MUSLIM	760,000	0.28
24.	LAU NGEE TACK	703,000	0.26
25.	HLB NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR HAMZAH BIN HASAN)	640,800	0.23
26.	DATO' HAJI MUSTAFFA BIN MOHAMAD	479,148	0.17
27.	TAN BOON KUAN	460,000	0.17
28.	NG TECK LONG	457,400	0.17
29.	AHMAD RIZAL BIN ABDUL RAHMAN	455,000	0.17
30.	CHONG TZE LING	420,000	0.15
TOTAL		209,671,444	76.15

The analysis of shareholdings is based on the issued and paid up capital of the Company after deducting 1,451,100 ordinary shares bought back by the Company and held as treasury shares as at 30 April 2010.

# LIST OF PROPERTIES

31 December 2009

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/Prepaid Lease Payment RM'000
GM372, Lot 981 and 8,694GM 4708, Lot 985, Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 981 and Lot 985")	20.01.1994 & 16.02.1994	Vacant land	Freehold	54,967 sq.ft.	8,694
EMR 873, Lot 826 Mukim Sungai Karang Kuantan, Pahang ("Lot 826")	30.10.1993	Land and 1-storey and 3-storey buildings held for rental	Freehold (15 years)	202,815/ (64,670) sq.ft.	19,500
HS (M) 1038, Lot PT4782 and HS (M) 1039, Lot PT4783 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT4782 and Lot PT4783")	05.05.1997	Adjoining 5-storey buildings for own use	Freehold (14 years)	3,498/ (20,728) sq.ft.	3,073
Daerah Kuala HS (M) 994, Lot PT16360 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT16360")	28.09.2000	5-storey building for own use	Freehold (24 years)	1,581/ (10,364) sq.ft.	1,018
GM 1012, Lot 22050, Tempat Rifle Range Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 22050")	03.08.2007	Vacant land	Freehold	12,066.34 sq.ft.	1,448
Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu ("Lot PT2100")	15.07.2003	Vacant land	Leasehold expiring 18.10.2025	20 hectares	104
HS (M) 929, Lot PT 16343 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16343")	24.11.2005	4-storey building for own use	Freehold (14 years)	1,604/ (8,291) sq.ft.	756
HGU No. 5 Desa Amboyo Selatan Kecamatan Ngabang, Kabupaten Pontianak Kalimantan Barat, Republic of Indonesia	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	7,740 hectares	7,798

# FORM OF PROXY



\*I/We, \_\_\_\_\_ NRIC /Company No. \_\_\_\_\_

of \_\_\_\_\_

being a \*member/members of **AHMAD ZAKI RESOURCES BERHAD**, hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

\*and/or failing him/her \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

or failing \*him/her/both, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the 13th Annual General Meeting of the Company to be held at Dillenia & Eugenia Room, Ground Floor, SIME Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 June 2010 at 10:00 am and at every adjournment thereof for/against\* the resolution(s) to be proposed thereat.

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

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

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		

Number of Shares Held :

**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 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

(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 \_\_\_\_\_ 2010

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

(\* Delete where inapplicable)



( 4 3 2 7 6 8 - X )

W W W . A Z R B . C O M