

LAPORAN TAHUNAN
ANNUAL REPORT
2003

AZRB

AHMAD ZAKI RESOURCES BERHAD

Company No. 432768-X

(Incorporated in Malaysia under the Companies Act, 1965)

VISION

TO BE TRUSTED INDUSTRY LEADER IN DELIVERING COMMITMENT WITH EXCELLENCE AND VALUE



VALUE STATEMENT

- Smart Partnership with Customers, Employees and Stakeholders
- Institutionalise the Virtues of Honesty and Trust
- Setting and Maintaining High Standards; Striving for Superior Performance in all Undertakings
- Being Pro-active through Continuous Research and Development in Meeting Challenges



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 23 June 2004 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a first and final dividend of 12% less 28% tax for the year ended 31 December 2003. **(Resolution 2)**
3. To approve the payment of Directors' Fees for the year ended 31 December 2003. **(Resolution 3)**
4. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-
 - (i) Dato' Haji Wan Zaki bin Haji Wan Muda **(Resolution 4)**
 - (ii) Dato' Haji Mustaffa bin Mohamad **(Resolution 5)**
 - (iii) Raja Dato' Seri Aman bin Raja Haji Ahmad **(Resolution 6)**
5. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

As Special Business:

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

6. **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES**

"**THAT** subject to the provisions of Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia and other relevant governmental/regulatory authorities where such approvals shall be necessary, authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and such authority shall remain in force until the next Annual General Meeting of the Company." **(Resolution 8)**
7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ZAKI HOLDINGS (M) SDN BHD AND RESIDENCE INN & MOTELS SDN BHD**

"**THAT**, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries ("AZRB Group") to continue to enter into all arrangements and/or transactions with Zaki Holdings (M) Sdn Bhd and Residence Inn & Motels Sdn Bhd, involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the AZRB Group ("Related Parties") as disclosed in section 2.2 of the circular to shareholders dated 29 May 2004 ("Circular") provided that such arrangements and/or transactions are:

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

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

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

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

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 8th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of the Shareholders' Mandate 1 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 8th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

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

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

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

(Resolution 9)

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

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

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

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

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

- (i) the conclusion of the next AGM of the Company (being the 8th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of Shareholders' Mandate 2 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 8th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

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

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

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

(Resolution 10)

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

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 12% less 28% tax for the financial year ended 31 December 2003, if approved, will be paid on 19 July 2004 to depositors registered in the Record of Depositors at the close of business on 12 July 2004.

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

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 July 2004 in respect of ordinary transfer; and
- b. Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

Bahari Bin Johari

Lim Ming Toong

Liew Wai Kean

Secretaries

Kuala Lumpur

29 May 2004

NOTES:

1. *A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
3. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.*
5. *Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. *The proposed ordinary resolution No. 8, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a General Meeting will expire at the next Annual General Meeting of the Company.*
8. *The proposed ordinary resolutions No. 9 & 10, if passed, will allow the AZRB Group to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandate").*

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

Further information on the Proposed Shareholders' Mandate is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2003.

STATEMENT ACCOMPANYING NOTICE OF AGM

Pursuant To Paragraph 8.28(2) Of The Bursa Malaysia Listing Requirements

1. Details of Board meetings held during financial year ended 31 December 2003:

There were 3 Board meetings held during the financial year ended 31 December 2003. Details of attendance of the Directors are as follows:-

Name of Director	Total Meetings attended by the Director	% of Attendance
Executive Directors		
Dato' Haji Wan Zaki bin Haji Wan Muda	3/3	100%
Dato' Wan Zakariah bin Haji Wan Muda	3/3	100%
Dato' Haji Mustaffa bin Mohamad	3/3	100%
W Zulkifli bin Haji W Muda	3/3	100%
Non-Executive Directors		
Dato' Ismail @ Mansor bin Said	3/3	100%
Dato' Mohamed bin Awang*	3/3	100%
Datuk (Prof.) A Rahman @ Omar bin Abdullah	3/3	100%
Raja Dato' Seri Aman bin Raja Haji Ahmad ##	N/A	N/A

Notes

* Dato' Mohamed bin Awang has resigned as Senior Independent Non-Executive Director on 31 December 2003.

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

2. Place, Date and Time of Meeting

The Seventh Annual General Meeting of the Company will be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 23 June 2004 at 10.00 a.m.

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

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

Name of Director

Raja Dato' Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Director)

Dato' Haji Wan Zaki bin Haji Wan Muda (Non Independent Executive Director)

Dato' Haji Mustaffa bin Mohamad (Non Independent Executive Director)

Further details of the above Directors are set out in the Profile of Directors on pages 10 to 13 of this Annual Report and Statement of Directors' shareholdings on pages 44 to 45 of this Annual Report.

CORPORATE INFORMATION

Standing front row - left to right

Dato' Haji Wan Zaki bin
Haji Wan Muda

Raja Dato' Seri Aman bin
Raja Haji Ahmad

Dato' Wan Zakariah bin
Haji Wan Muda

Standing middle row - left to right

Dato' Ismail @ Mansor bin Said

Datuk (Prof.) A Rahman @
Omar bin Abdullah

Dato' Haji Mustaffa bin Mohamad

Standing back row - left to right

Bahari bin Johari
(Company Secretary)

W Zulkifli bin Haji W Muda

**BOARD OF DIRECTORS**

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

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

Dato' Wan Zakariah bin Haji Wan Muda
Managing Director

Dato' Haji Mustaffa bin Mohamad
Executive Director

W Zulkifli bin Haji W Muda
Executive Director

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

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

AUDIT COMMITTEE

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

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

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

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2692 4271 Fax: 03-2732 5388

PRINCIPAL BANKERS

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

AUDITORS

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

STOCK EXCHANGE

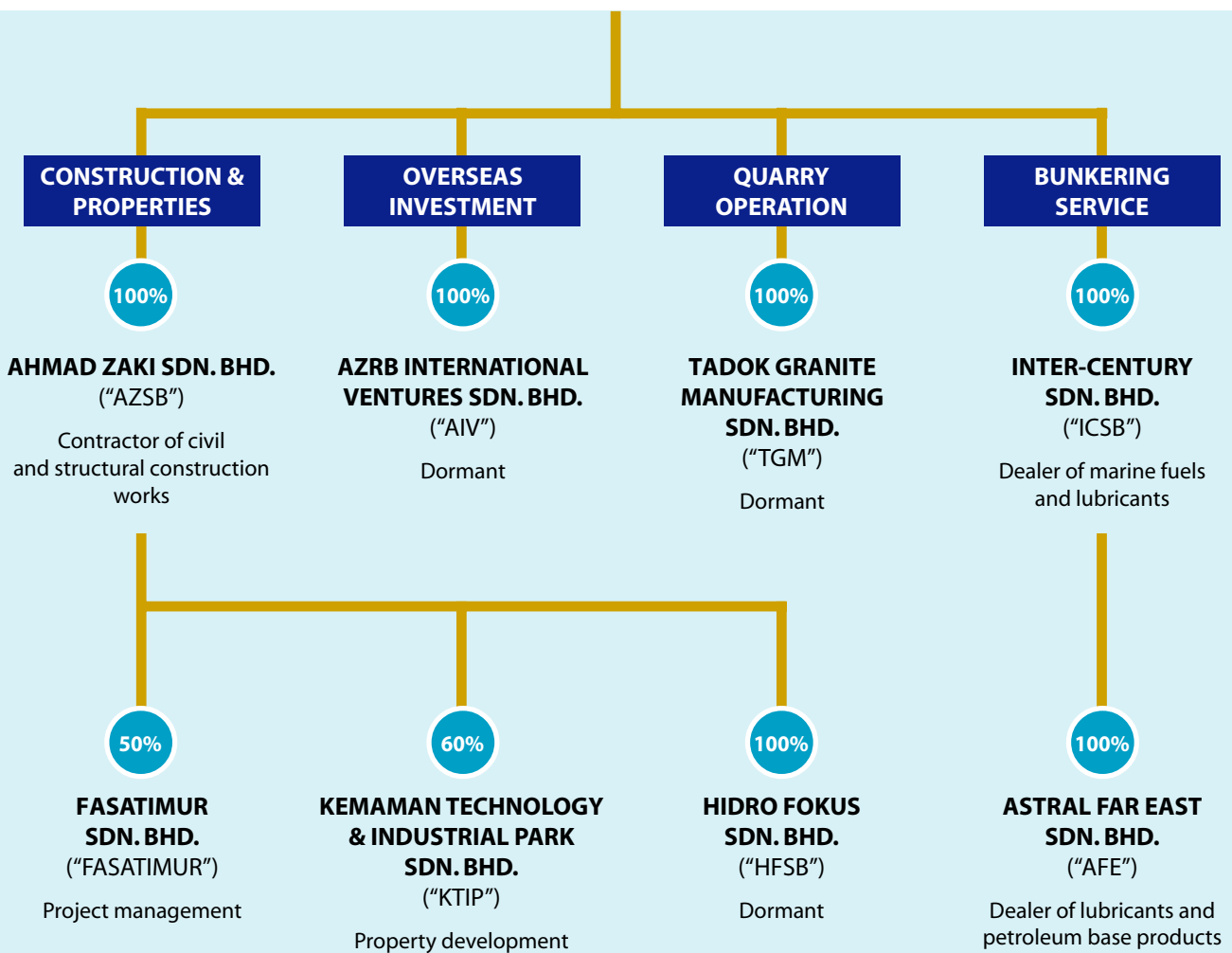
Main Board of Bursa Malaysia

CORPORATE STRUCTURE



AZRB

AHMAD ZAKI RESOURCES BERHAD

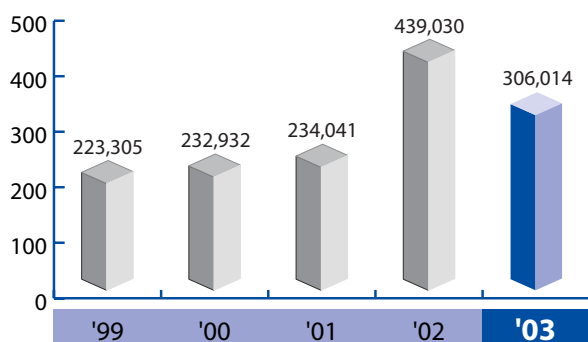


FINANCIAL HIGHLIGHTS

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	223,305	232,932	234,041	439,030	306,014
Profit before taxation	22,241	23,757	17,153	19,630	18,975
Profit after taxation and minority interest	22,272	16,614	11,479	13,436	12,907
Paid up capital	30,000	30,000	30,000	46,301	66,306
Shareholders' funds	57,974	73,748	81,147	111,704	122,117
Net tangible assets per share (sen)	190	243	268	240	178

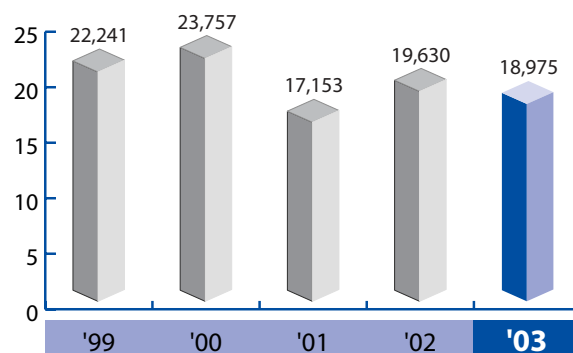
REVENUE

(RM THOUSAND)



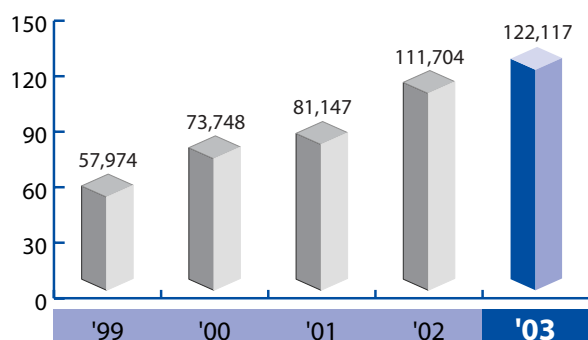
PROFIT BEFORE TAXATION

(RM THOUSAND)



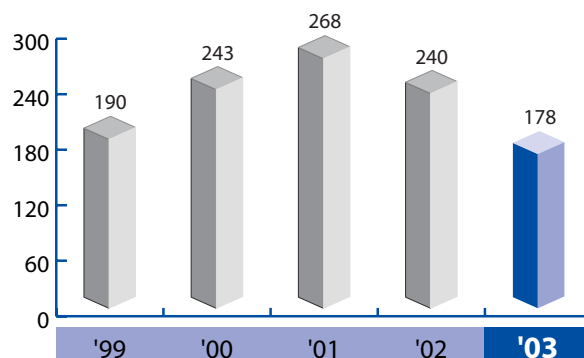
SHAREHOLDERS' FUNDS

(RM THOUSAND)



NET TANGIBLE ASSETS PER SHARE

(SEN)



DIRECTORS' PARTICULARS



Raja Dato' Seri Aman Bin Raja Haji Ahmad, SPMP, DPMP, PJK, AMN, a Malaysian, aged 58, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26 February 2004 and subsequently assumed the Chairman of Audit Committee on 8 April 2004. He also sits on the Remuneration and Nomination Committee as an ordinary member.

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

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

During the financial year ended 31 December 2003, he did not attend any Board meeting as his appointment commenced in 2004.

Dato' Haji Wan Zaki bin Haji Wan Muda, DPMT, PPN, PJK, a Malaysian, aged 55, was appointed the Executive Vice Chairman of AZRB on 24 March 1999. He subsequently held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of AZRB on 26 February 2004. He is presently the Chairman of Remuneration Committee and an ordinary member of the Audit Committee.

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

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

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.



DIRECTORS' PARTICULARS (CONT'D)



Dato' Wan Zakariah bin Haji Wan Muda, DSSA, a Malaysian, aged 44, was appointed an Executive Director of AZRB on 24 March 1999 and subsequently assumed the Managing Director of AZRB with effect from 1 January 2003. He is presently the Chairman of the Establishment Committee and sits on the Remuneration Committee as an ordinary member.

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

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

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.

Dato' Haji Mustaffa bin Mohamad, DPMT, PJK, a Malaysian, aged 53, was appointed an Executive Director of AZRB on 24 March 1999 and is an ordinary member of the Establishment Committee.

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

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.



DIRECTORS' PARTICULARS (CONT'D)



W Zulkifli bin Haji W Muda, a Malaysian, aged 42, was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee as an ordinary member.

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

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.

Datuk (Prof.) A Rahman @ Omar Bin Abdullah, PJN, DPMT, JSM, SMT, AMN, a Malaysian, aged 58, was appointed an Independent Non-Executive Director on 1 January 2003. He presently sits on the Remuneration Committee as an ordinary member.

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

Datuk A Rahman is currently the Chairman of the Construction Industry Development Board, prior to which he was the Deputy Director General II of the Public Works Department. In 1992, he was accorded an Honorary Professor by the University Teknologi Malaysia. Among other appointments, he has also been President of the Institute of Surveyors, Malaysia, Chairman of the Technical Committee on the Development of the Professional Institute for Baitulmal Wilayah Persekutuan and the President of the Board of Quantity Surveyors, Malaysia.

He does not hold directorship in any other public companies and sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.



DIRECTORS' PARTICULARS (CONT'D)



Dato' Ismail @ Mansor bin Said, DPMT, AMN, a Malaysian, aged 55, 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 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 since 1988 to 2002.

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

During the financial year ended 31 December 2003, he attended 3 out of 3 Board meetings held.

FAMILY RELATIONSHIP

Except for Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Wan Zakariah bin Haji Wan Muda and 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 92 to 93 (note 41) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

CONVICTIONS FOR OFFENCES

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

STATEMENT ON INTERNAL CONTROL

The Board has the overall responsibility for the Group's system of internal control and for reviewing its effectiveness. However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable and not absolute assurance against material misstatement and losses. The internal control system covers not only financial controls but operational and compliance controls, and risk management. Associated companies and joint-ventures have not been dealt with as part of the Group for the purpose of this statement.

The key elements of the system of internal control are addressed in the following manner:-

Control Environment

The Board has established a proper defined organisation structure to outline the job functions and authorities. Procedures manual has been devised by management to cover major processes to ensure consistency of practices within the Group and to put in place the internal control procedures. The Board also undertakes to review and make amendments to such processes to adopt new requirements from time to time.

Risk Assessment

The Board and management are responsible for the ongoing identification, evaluation and managing of significant risks.

As part of the ongoing risk management exercise, the management had initiated a risk management program aimed at creating awareness among the staff on the importance of risk management and to instill risk sensitivity culture for all level of staff within the Group. The risk management program had commenced in October 2003 with workshops to be conducted in phases to streamline corporate objectives with the relevant risk embedded. The program shall assist the management in identifying areas of significant risks that have yet to be addressed due to continuous evolvement of business environment.

The process of identifying, evaluating and managing of key financial, operational and compliance risks facing the business have been instilled by the Board as an effort to mitigate these risks.

Control Activities and Procedures

The Board reviews and approves annual budget prepared by management which will be compared against the actual performance and any material variances will be deliberated and immediate actions as decided by the Board will be implemented by management to address such issues.

Performance appraisals are being carried out annually to gauge the employees' performance for any confirmation, promotion, transfer and annual increment exercise and policies and procedures with regards to employees' code of conducts and benefits are properly set out in the employee handbook for employee to adhere. The Board has also established a Committee to look into employee's welfare, grieve or any improper conducts matters.

The Board has approved a 5-years audit plan after having carried out the risk assessment exercise to evaluate the effectiveness of the Group's system of internal control and mitigate risks including financial, operational and compliance risks. The audit plan will focus on reviewing areas of significant risks to the Group. The audit plan is formulated in order of priority, high risk areas and provides for audits to attain the assurance that procedures put in place to mitigate these risks have been adhered to. Nevertheless, the audit plan shall be also reviewed annually to take into account changes in risks the Group may be exposed to as the Group's objectives, the organization and the environment in which it operates are continuously evolving.

Information and Communication

The Board would receive periodic financial and operational progress reports which contain overview performance of various divisions within the Group as well as material related parties' transactions. The Board will also receive periodic reports from the investment committee which studies and makes recommendations on any new business ventures the Group intends to undertake. Major corporate proposals will be tabled and deliberated before such proposals are being endorsed by Board for implementation.

Monitoring

The Board is responsible for reviewing the effectiveness of the system of internal control, which is facilitated by reports from the Audit Committee at periodic Board meetings. The Audit Committee which has engaged external party to perform the internal audit function in accordance to the approved audit plan has in so far reviewed and made appropriate recommendations to the Audit Committee in areas like procurement, tendering, project management, management information system and physical resource management.

Reviews were conducted on these areas and the results of these reviews including comments from management, were reported to the Audit Committee periodically, who in turn reports to the Board. Actions agreed in response to recommendations were followed up and reports were updated to reflect the latest position. Follow-up reviews were carried by the Group's internal auditor to ensure implementation on corrective actions agreed by management. In so far, those internal control weaknesses identified during the financial year under review are being addressed by the Management. None of those weaknesses has resulted in any material loss to the Group for the financial year ended 31 December 2003 which require disclosure in the Group's financial statement.

This Statement of Internal Control is made in accordance with the resolution of Board of Directors dated 18 May 2004.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Ahmad Zaki Resources Berhad is committed to promote the highest standards of corporate governance within the Group. The statement below reports on how the Group has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance (the "Code"). The Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year unless otherwise noted.

SECTION 1: DIRECTORS

(a) Composition of the Board

The Board is currently led by an Independent Non-Executive Chairman and has seven (7) members comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board comprises a balance of members with experience in business and finance required for an effective and independent decision making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 10 to 13 of the Annual Report.

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

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

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Malaysia and the Independent Directors have confirmed their independence in writing.

(b) Board Responsibilities and Supply of Information

The Board recognizes its responsibilities which 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 adhere 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 contain necessary information for each of the meeting agenda in advance to enable the Director to obtain further explanations, where necessary, in order to be briefed properly before the meeting. Matters to be discussed are not limited to financial performance of the Group but also to address major investment decisions as well as operational issues and problems encountered by the Group.

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

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

SECTION 1: DIRECTORS (Cont'd)**(b) Board Responsibilities and Supply of Information (Cont'd)**

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

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

NOMINATION COMMITTEE**Primary function**

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

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

Member

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

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

The Company Secretary is the secretary of the Nomination Committee.

REMUNERATION COMMITTEE**Primary function**

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SECTION 1: DIRECTORS (Cont'd)**(b) Board Responsibilities and Supply of Information (Cont'd)****Member**

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

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

The Company Secretary is the secretary of the Remuneration Committee.

ESTABLISHMENT COMMITTEE**Primary function**

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

Member

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

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

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

The Establishment Committee held seven meetings during the financial year ended 31 December 2003.

(c) Board Meetings

During the financial year ended 31 December 2003, three (3) 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
24 February 2003	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (100%)	5 (100%)
22 May 2003	4th Floor, Lot 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (100%)	5 (100%)
17 November 2003	Regent 9, 3rd Floor The Regent Kuala Lumpur 160, Jalan Bukit Bintang 55100 Kuala Lumpur	7	2 (100%)	5 (100%)

SECTION 1: DIRECTORS (Cont'd)**(c) Board Meetings (Cont'd)**

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2003 is set out in the Statement Accompanying Notice of AGM on page 6 of this Annual Report.

(d) Appointment to the Board

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

(e) Directors' Remuneration

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

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

The details of the remuneration of the Directors of the Company received and receivable from the Group in respect of financial year ended 31 December 2003 are as follows:-

	Salaries*	Allowances	Fees	Bonuses	Benefits-in-kind	Total
	RM	RM	RM	RM	RM	RM
Executive Directors	1,344,153	21,500	127,000	231,850	493,600	2,218,103
Non-Executive Directors	-	5,800	210,000	-	15,967	231,767

* 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	-	2
RM50,001 - RM150,000	-	-
RM150,001 - RM200,000	-	1
RM200,001 - RM400,000	-	-
RM400,001 - RM450,000	1	-
RM450,001 - RM500,000	-	-
RM500,001 - RM550,000	2	-
RM550,001 - RM750,000	-	-
RM750,001 - RM800,000	1	-

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SECTION 1: DIRECTORS (Cont'd)**(f) Directors' Training**

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

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

(g) Re-election of Directors

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

SECTION 2: RELATIONSHIP WITH SHAREHOLDERS

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

The Senior Independent Non-Executive Director, to whom concerns may be conveyed was held by Dato' Mohamed bin Awang until 31 December 2003. Subsequently, the role is assumed by Dato' Ismail @ Mansor bin Said with effect from 29 April 2004.

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

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

The AGM serves as an important means for shareholders' communication. Notice of 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 the Audit Committee aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to the Bursa Malaysia.

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 22 of this Annual Report.

(b) Internal Control and Risk Management

The Statement of Internal Control is set out on pages 14 to 15 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 18 May 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Preparing The Financial Statements

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

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

- adopted suitable accounting policies and applied them consistently;
- made judgements 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 18 May 2004.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE / MEMBERSHIP

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

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

TERMS OF REFERENCE OF AUDIT COMMITTEE

Terms of Membership

- (i) The Committee shall be appointed by the Board of Directors from amongst its members and consist of at least three members, of whom the 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 25 of this Annual Report.
- (ii) The Company Secretary shall act as secretary of the Committee.
- (iii) The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors.
- (iv) The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

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 auditor before the audit commences, the nature and scope of the audit;
- (iii) To discuss with the external auditor 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 auditor is not suitable for reappointment;
- (v) To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- (vi) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);
- (vii) To review the external auditor's management letter and the management's response;
- (viii) To do the following where there is an internal audit function:
 - Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function; and
 - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (ix) To consider any related party transactions that may arise within the Company or the Group;
- (x) To consider the major findings of internal investigations and the management's response; and
- (xi) To consider other topics as defined by the Board.

Rights of the Audit Committee

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

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

Procedures of Audit Committee

The Audit Committee regulates its own procedures:-

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

Review of the Audit Committee

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

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2003 are as follows:-

Date of meeting	Total committee members	Attendance by committee members (Percentage attendance)	
		Independent	Non-Independent
24 February 2003	3	2 (100%)	1 (100%)
28 April 2003	3	2 (100%)	1 (100%)
29 May 2003	3	2 (100%)	1 (100%)
27 August 2003	3	2 (100%)	1 (100%)
17 November 2003	3	2 (100%)	1 (100%)

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2003 are as follows:-

Name of Audit Committee member	Total meetings attended by Audit Committee member	% of Attendance
Dato' Ismail @ Mansor bin Said	5/5	100%
Dato' Haji Wan Zaki bin Haji Wan Muda	5/5	100%
Dato Mohamed bin Awang #	5/5	100%
Raja Dato' Seri Aman bin Raja Haji Ahmad *	N/A	N/A

Resigned on 31 December 2003

* Appointed on 26 February 2004

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2003 include the following:-

- (i) review the Group's year end audited financial statements presented by the external auditors and recommend the same to the Board for approval;
- (ii) review the quarterly financial result announcements;
- (iii) review audit plan of external auditors;
- (iv) review related party transactions within the Group;
- (v) review of internal audit reports on findings and recommendations in relation to weaknesses in the internal control system presented by the internal auditors and discussed with management on corrective actions to be taken.

OTHER INFORMATION

Required By The Listing Requirements Of Bursa Malaysia

SHARE BUY BACK

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

OPTION, WARRANTS OR CONVERTIBLE SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 40 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2003.

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

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

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

SANCTIONS AND/PENALTIES

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

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

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

NON AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2003.

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 2003.

MATERIAL CONTRACT WITH RELATED PARTIES

Save as those disclosed as recurrent related parties transactions of a revenue in nature in page 27 of the Annual Report, there were no material contracts entered by the Company and its subsidiaries involved Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2003 or entered into since the end of previous financial year.

OTHER INFORMATION (CONT'D)

RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of the transactions with related party	Entered by	Period covered from 1 st January to 30 th June of Year 2003 RM'000	Period covered from 1 st July to 31 st December of Year 2003 RM'000
a) Purchases of building materials from following subsidiaries of CHRB			
(i) Chuan Huat Industrial Marketing Sdn. Bhd.	AZSB	2,830	1,173
(ii) Chuan Huat Hardware Sdn. Bhd.	AZSB	463	164
b) Purchases of building materials from QMC	AZSB	25	0
c) Insurance premium paid/payable to ZHSB	AZSB, ICSB and AZRB	153	141
d) Administrative charges paid/payable to ZHSB	AZSB and ICSB	61	61
e) Rental of premises paid to Dato' Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
f) Rental of premises paid to ZHSB	AZSB and AZRB	210	210

Relationship of the related parties :

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

CHAIRMAN'S STATEMENT / PENYATA PENGERUSI



In a year which saw the Group faced with many challenges, AZRB remained profitable, attesting to its resilience. Unquestionably, the year 2003 was eventful, to say the least. The fluctuating construction material prices and saturated government contracts coupled with the post Iraq war effect and the SARS epidemic have taken a toll on Malaysia's economic growth. Against this backdrop, AZRB continued to establish a strong footing, poised for new and more focused growth. It therefore gives me great pleasure to present to you, on behalf of the Board of Directors of AZRB, the Annual Report and Audited Accounts of the Company and Group for the financial year ended 31 December 2003.

FINANCIAL PERFORMANCE

For the financial year ended 31st December 2003, the Group recorded revenue and profit before tax of RM306.0 million and RM19.0 million. The revenue achieved represents a decline of 30.3% over that of 2002. Despite a hefty contraction in revenue, the Group managed to post a slightly lower profit before tax, a decrease of a mere 3.3% from previous year. The Group had been able to improve the profit before tax margin from 4.5% to 6.1% during the year under review, through focusing on mix projects having a better margin. The net tangible per share declined from RM2.40 to RM1.78 per share following the enlarged share capital exercise as mentioned in the corporate development below.

Tahun 2003 ternyata satu tahun yang cukup mencabar bagi Kumpulan. Namun keutuhannya terserlah dan terbukti apabila AZRB tetap mencatat tahap keuntungan yang memberangsangkan. Sesungguhnya, memang tidak dapat disangkal bahawa tahun 2003 juga menyaksikan pelbagai peristiwa penting. Harga bahan binaan yang mengalami keadaan turun-naik serta penepuan kontrak kerajaan dan diiringi pula dengan kesan selepas peperangan Iraq dan wabak penyakit SARS ternyata memberi tamparan hebat kepada pertumbuhan ekonomi Malaysia. Meskipun begitu, AZRB terus mengukuhkan kedudukannya dengan mengambil pendekatan kepada pertumbuhan baru yang lebih tertumpu. Justeru itu, saya bagi pihak Lembaga Pengarah AZRB, dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Beraudit Syarikat dan Kumpulan untuk tahun kewangan berakhir 31 Disember 2003.

PRESTASI KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2003, Kumpulan mencatat hasil pendapatan dan keuntungan sebelum cukai masing-masing berjumlah RM306.0 juta dan RM19.0 juta. Hasil pendapatan yang dicapai itu mewakili kemerosotan 30.3% berbanding angka tahun 2002. Walaupun berlaku susutan yang besar dalam jumlah pendapatan, Kumpulan telah berupaya mencatat keuntungan sebelum cukai yang sedikit rendah iaitu kemerosotan hanya 3.3% berbanding tahun sebelumnya. Kumpulan juga berjaya meningkatkan jidar keuntungan sebelum cukai dari 4.5% kepada 6.1% menerusi penumpuan kepada campuran projek yang lebih baik

CORPORATE DEVELOPMENT

During the year under review, the Company has completed its corporate proposal for the upgrading of its listing status to the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) on 10 September 2003. Pursuant to this exercise, the Company has recapitalized through bonus issue of 18.7 million shares to increase its paid up capital from its initial number of RM46.3 million to RM65.0 million prior to the transfer of listing status. In addition, a total of 1.3 million shares were issued for the exercise of share options by employees.

I am pleased to inform that the Group was shortlisted as finalist for KPMG Shareholder Value Awards 2002 where the Group was ranked third best in the overall Construction & Property sector.

BUILDING SOLID FOUNDATIONS

Our human resources remain an important cornerstone in our operations and will continue to shape AZRB's present and future success.

Reinforcing the foundation that we have established, our training effort is geared towards meeting both corporate and personal goals. Human resource development remained an on-going exercise and a broad range of training programmes were offered to staff to enhance competencies as well as personal development.

As part of the AZRB's Group philosophy, our people benefited from a variety of training courses ranging from Quality Management, Safety, Health and Environment, Leadership, Technical and IT courses conducted by industry experts and professionals as well as in-house personnel.

The Group will remain focused on equipping our staff with the necessary skills to compete in an ever increasing competitive business environment. It is noteworthy to mention that because of our people's drive and commitment, AZRB received the KLSE Corporate Merit Award 2003 in the construction/property/plantation sector of the Second Board of Bursa Malaysia. The Award is in recognition of our hard work, honesty and diligence in ensuring best practices is common place within the Group.

TOUCHING MALAYSIAN LIVES

From the time of our incorporation, we have established a tradition of serving the needs of society. AZRB supports many charitable organisations in the country, responding to many deserving causes. This is our way of sharing our success with society and in the process plant roots deep into the various communities in which we operate. On our part, the Company has invested considerable time and effort in community outreach programmes, benefiting a broad spectrum of Malaysian society.

OUTLOOK / PROSPECTS

Backed by a wealth of experience and upgraded technology, the Group is always ready to deliver solutions for Malaysia's construction needs. Our foray into the global construction market is beginning to show results and this will further enhance the Group's financial performance significantly. Given the close relationship between the construction industry and the economic climate, encouraging signs

jidarnya sepanjang tahun dalam kajian. Harga ketara bersih sesaham telah merosot dari RM2.40 ke RM1.78 sesaham berikutan pelaksanaan program pembesaran modal sesaham seperti yang diperihalkan dalam seksyen perkembangan korporat di bawah ini.

PERKEMBANGAN KORPORAT

Pada tahun kewangan dalam kajian, Syarikat telah menyempurnakan cadangan korporatnya iaitu menaiktaraf status penyenaiaannya ke Papan Utama Bursa Malaysia (sebelum ini dikenali sebagai Bursa Saham Kuala Lumpur) pada 10 September 2003. Sehubungan itu, Syarikat telah memodal semula menerusi terbitan bonus 18.7 juta saham untuk menaikkan modal berbayarnya dari jumlah asal RM46.3 juta kepada RM65.0 juta sebelum pemindahan status penyenaiaan. Selain itu, sebanyak 1.3 juta saham telah diterbitkan berhubung dengan pelaksanaan opsyen saham oleh para kakitangan.

Saya dengan sukacitanya memaklumkan bahawa Kumpulan telah terpilih ke dalam senarai calon terakhir untuk Anugerah Nilai Pemegang Saham KPMG 2002 di mana Kumpulan berjaya meraih tempat ketiga terbaik dalam keseluruhan sektor Pembinaan & Hartanah.

PENGUKUHAN ASAS KEUSAHAWANAN

Aspek sumber manusia terus menjadi tunggak penting dalam operasi dan akan terus membentuk halatuju kejayaan AZRB di masa kini dan juga di masa hadapan.

Demi meneguhkan asas yang sedia ada, Kumpulan telah merangka program latihan yang bermatlamat memenuhi sasaran korporat dan juga pencapaian peribadi. Pembangunan sumber manusia terus bergerak rancak dan pelbagai program latihan telah ditawarkan kepada kakitangan untuk merangsang kecekapan dan juga kemajuan kerjaya mereka.

Sebagai sebahagian daripada filsafat Kumpulan AZRB, para kakitangan ternyata telah memanfaatkan pelbagai kursus latihan yang merangkumi Pengurusan Mutu, Keselamatan, Kesihatan dan Alam Sekitar, Kepimpinan, Teknikal dan kursus IT yang dikendalikan oleh para pakar industri dan juga profesional serta kakitangan dalaman.

Operasi Kumpulan akan terus tertumpu pada usaha melengkapkan kakitangan dengan segala kemahiran yang berkaitan untuk membolehkan mereka bersaing dalam suasana perniagaan yang semakin sengit persaingannya. Seperkara yang wajar disebutkan di sini adalah bahawa berkat ketekunan dan kegigihan kakitangan, AZRB telah menerima Anugerah Merit Korporat BSKL 2003 dalam sektor pembinaan/hartanah/pertanian di Papan Kedua Bursa Malaysia. Sesungguhnya, anugerah tersebut adalah suatu pengiktirafan kepada pengembelian dayausaha, kejujuran dan ketekunan dalam mewujudkan amalan terbaik dalam lingkungan seluruh Kumpulan.

MENGHAYATI SANUBARI WARGA MALAYSIA

Sejak diperbadankan, Kumpulan terus memperjuangkan tradisi untuk berkhidmat memenuhi keperluan masyarakat. AZRB juga memberi sokongan kepada pelbagai pertubuhan amal kebajikan di



University Technology Petronas, Tronoh

have started to emerge towards the end of year 2003. These included measures introduced by the Government aimed at reducing interest rates, ensuring a strong political and sound economic climate with the recent landslide victory in the general elections, and improving delivery in both private and public sectors. AZRB's major business entities were able to benefit from the growing confidence in the economy which at the macro-economic level grew 5.2% in year 2003. The forecast for 2004, remains positive.

The Board believes that with a conducive economic climate, AZRB will be able to sustain the Group's resilient financial performance in the future years.

DIVIDEND PAYOUT

The Board has recommended a first and final dividend of 12% gross per ordinary share for the financial year ended 31 December 2003, representing a dividend payout ratio of approximately 44.4% of the profit attributable to shareholders.

The Board believes that the firm support from its investors and shareholders have largely contributed to the success of the Group and due to this would like to reward its investors and shareholders alike for their generous support.

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

negara ini. Inilah caranya Kumpulan berkongsi kejayaannya bersama masyarakat dan dalam proses tersebut, berjaya mengasaskan perhubungan yang akrab dengan pelbagai komuniti dimana Kumpulan beroperasi. Syarikat telah melabur sejumlah masa dan usaha yang tertentu dalam melaksanakan program capaian masyarakat yang ternyata amat bermanfaat kepada seluruh masyarakat Malaysia.

TINJAUAN / PROSPEK MASA DEPAN

Berbekalkan pengalaman yang begitu meluas dan teknologi yang semakin canggih, Kumpulan sentiasa bersedia untuk menyediakan penyelesaian mantap untuk keperluan industri pembinaan Malaysia. Penceburan dan ketrampilan Kumpulan dalam pasaran pembinaan global kini sudah mula menampakkan kesan yang memberangsangkan dan ini pastinya akan menyemarakkan lagi prestasi kewangan Kumpulan. Berdasarkan hubungan yang begitu rapat antara industri pembinaan dan suasana ekonomi, tanda-tanda yang baik telah disaksikan di hujung tahun 2003. Ini termasuklah langkah-langkah yang diperkenalkan oleh Kerajaan seperti pengurangan kadar faedah, menentukan wujudnya suasana politik dan ekonomi yang meyakinkan berikutan kejayaan cemerlang dalam pilihanraya umum yang baru lalu, serta merangsang tahap prestasi, baik di sektor swasta mahupun sektor awam. Entiti perniagaan utama AZRB telah berjaya memanfaatkan keyakinan yang semakin kukuh dalam ekonomi yang pada tahap makro-ekonomi, telah tumbuh 5.2% pada tahun 2003. Tahun 2004, diramalkan tetap positif.

CHAIRMAN'S STATEMENT (CONT'D) / PENYATA PENERUSI (SAMB.)



International Islamic University, Gombak



Tesco Hypermarket, Melaka

ACKNOWLEDGEMENTS

Throughout 2003, our people have shown exemplary dedication, commitment and professionalism to meet the challenges of a highly competitive environment. Working together in concert and with a sense of common enterprise, we accomplished all we set out to do in 2003. I thank all of you for being such great members of a formidable team.

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

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

Lembaga Pengarah percaya bahawa dengan wujudnya suasana ekonomi yang meyakinkan, Syarikat akan dapat mengekalkan prestasi kewangan mantap Kumpulan di tahun-tahun yang akan datang.

PEMBAYARAN DIVIDEN

Lembaga Pengarah telah mengesyorkan dividen pertama dan akhir kasar 12% sesaham biasa bagi tahun kewangan berakhir 31 Disember 2003, bersamaan nisbah pembayaran dividen kira-kira 44.4% dari keuntungan yang boleh diagih kepada para pemegang saham.

Lembaga Pengarah percaya bahawa sokongan padu dari pihak pelabur dan pemegang saham telah banyak menyumbang kepada kejayaan Kumpulan dan dengan itu, Kumpulan ingin menghargai sumbangan mereka menerusi pembayaran dividen.

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

PENGHARGAAN

Sepanjang tahun 2003, barisan tenaga kerja Kumpulan telah menunjukkan dedikasi, komitmen dan tahap profesionalisma yang tinggi untuk menghadapi pelbagai cabaran dalam suasana yang mencabar. Sambil berganding bahu dan berusaha sehati sejiwa untuk kejayaan bersama, segala yang direncanakan untuk tahun 2003 telah berjaya dilaksanakan. Terima kasih kerana menjadi anggota pasukan yang sungguh cemerlang.

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

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

Raja Dato' Seri Aman bin Raja Haji Ahmad

Chairman / Pengerusi

18 May 2004 / 18 Mei 2004

OPERATIONS REVIEW



Proton City Plant, Tanjung Malim, Perak



University Technology Petronas, Tronoh



Highway B15, Cyberjaya

CONSTRUCTION DIVISION

Our construction division remains, by far, the main area of AZRB's business operations. It has been the major contributor to the Group's performance both in terms of revenue and profits achieved. The main aspects of this division's operations as highlighted below show quite obviously why AZRB is today a key player in our country's expanding construction industry.

COMPLETED PROJECTS IN YEAR 2003

The following are two of the major projects completed during the year 2003.

a) Proton City Plant, Tanjong Malim, Perak

A major design & build project which AZRB finds tremendous pride in is the recently completed Proton Trim and Final Shop, an integral part of Proton's highly mechanized automotive assembly plant located in Tanjong Malim, Perak. An estimated 55,000 tonnes of steel structure were used in the construction of this single-storey steel structure building encompassing an enormous 10-acre mechanized assembly workspace.

b) University Technology Petronas (UTP) Campus

The UTP campus is situated on a 450-hectare site in Tronoh, Perak. Throughout the construction process of this particular project, we ensured that close attention was given to every engineering design and construction aspect of the project in order that the resultant product matches our client's high expectation of quality and good workmanship. We have successfully achieved that. Not only is the completed campus very pleasing to the eye in terms of its aesthetics, the massive canopy walkway and other superior facilities, together with state-of-the-art design concept makes UTP one of the most modern and classy university campus in the country.

Apart from the abovementioned projects completed in year 2003, the construction division was also responsible for the successful completion and delivery of a number of fairly significant works such as the Putrajaya Waterfront and P2 West roads and the University Islam Antarabangsa's Student Hostel.

ONGOING PROJECTS

Construction works currently in progress include the following:-

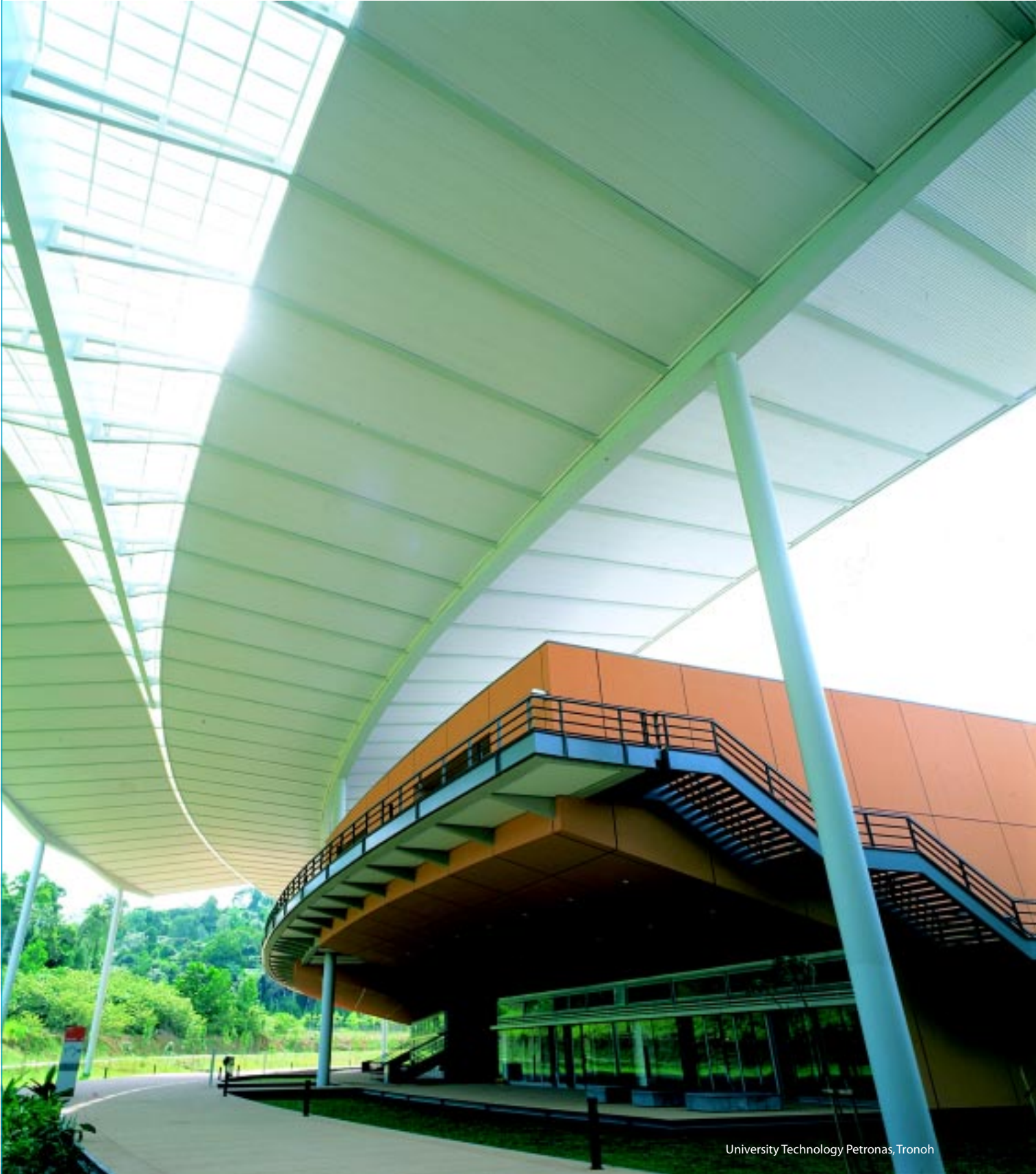
- **Highways**
 - the upgrading of Jalan Duta and other connecting roads
 - the construction of the new Subang-Kelana link in Petaling Jaya
- **Buildings**
 - the 562-bed Ampang Hospital
 - the Malaysia Design Technology Centre in Cyberjaya
 - Putrajaya Grand Mosque, Putrajaya
- **Infrastructure**
 - the Water Treatment Plant, in Kepong Terengganu scheduled for completion in June 2004 and member of the consortium undertaking the Civil Works Package for Bakun Dam Hydroelectric Project.

RANGE OF EXPERTISE

AZRB traditionally has been a key player in the construction of institutional buildings such as schools, universities, colleges and mosques. It also has strong capabilities in the construction of bridges, highways, sports complexes, drainage works and other infrastructure projects.

Over the years we have expanded our capabilities to include construction of steel structures such as the abovementioned Proton City Plant and The Tesco Hypermarket. Our acquired expertise also covers the construction of buildings requiring complex mechanical and electrical fittings and special equipments such as hospital buildings and modern assembly plants.

OPERATIONS REVIEW (CONT'D)



University Technology Petronas, Tronoh



KLIA Mosque, Sepang



International Islamic University, Gombak

Our experience in the construction of infrastructure projects also includes urban highway projects requiring not only top quality and efficient design solutions but which also demands careful and appropriate planning and execution of traffic management so that unwarranted disruption to existing traffic is avoided altogether or, at the very least, minimized.

We also have expertise in design & build solutions as evidenced by our successful handling of numerous such projects involving training centres, highways, hospitals and factories and the ongoing civil works construction of Bakun Dam Hydroelectric project.

AFFILIATION WITH GLOBAL PARTNERS

AZRB is now well into the process of establishing global affiliation with a member of suitably qualified partners with whom synergistic benefits are mutually available.

VOLUME OF PROJECTS TO SUSTAIN PROFITABILITY

We currently have RM700 million outstanding orders in our Order Book. We also anticipate to commence our share of the construction of the Bakun Dam soon. This new works together with our confirmed Order Book should adequately cushion us against any untoward shortfall occurring in the foreseeable future, at least over the next two to three years.

To replenish and in fact increase the size of our order book, we are actively bidding for jobs overseas as well, more particularly in India and the Middle East. We are currently negotiating with local joint venture arrangements and also setting up the required administrative offices in these two regions to better develop our intended business there. The rising cost on some of our more widely used raw materials, especially steel, is of some concern to us. Should this negative trend continue, we could expect to see some erosion in future profitability. We have

accordingly put in place a number of measures to minimize the impact of higher costs of raw materials. Such measures include the creation of more innovative design solutions and improving efficiency at all our work sites. We also hope that recent moves by the Government to curb speculation and to also allow importation into the country will put an end to the current acute shortages and price speculation of such raw materials.

SAFETY & QUALITY

"Safety" and "Quality" are two keywords used in our quest to more than meet the expectations of our clients. We would like to enunciate a little on what we at AZRB mean where these two concepts are concerned.

a) Safety

Only trained and qualified personnel are allowed on site.

Appropriate on-site Safety Training is provided to everyone involved, including our subcontractors.

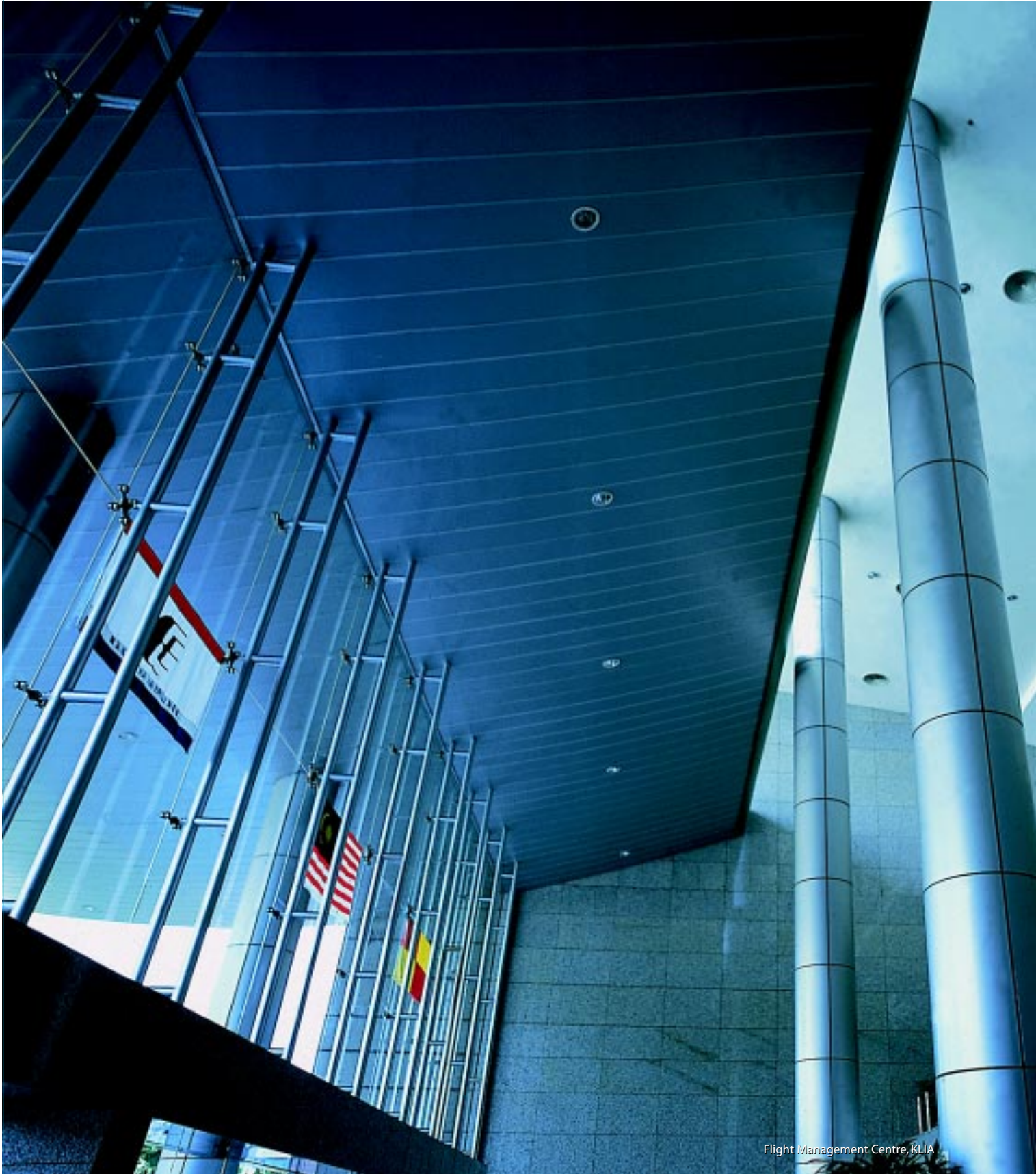
b) Quality

We provide Quality Manuals and Quality Procedures on all our sites. These manuals were designed and developed along strict ISO 9001 : 2000 requirements.

Quality will always be of paramount importance to us as it is the final judge on our ability to deliver competent products or services.

Ongoing in-house training programmes for all our staff members have been implemented. These are designed to generate maximum participation and also generate the required feedback from participants. AZRB's strong emphasis

OPERATIONS REVIEW (CONT'D)



Flight Management Centre, KLIA



Bunkering Activities, Kemaman



Completed Shoplots, Kerteh

on quality have resulted in our receiving the ISO 9001 : 2000 recognition, but we are not stopping here. We are working on receiving the ISO 14000 Environment Certificate in the near future.

PROSPECTS

AZRB's construction division has an important role as the construction industry is a catalyst impacting strongly upon the Nation's economic growth. We see that the current intense competition among contractors for construction contracts as a challenge for our team to be more efficient and competitive in carrying out our ongoing jobs and bidding for new tenders.

Building on our good reputation and excellent track records as well as concentrating on our core specialities and strength will give us the edge and the differentiator to rise to the challenge. Thus the opportunity for reputable construction companies that are able to maintain highest quality and value for money products will always be there. We at AZRB believe that we are in an advantageous position to capture this opportunity while maintaining our attractiveness to secure new Works.

OIL AND GAS DIVISION

The Group's oil and gas division has shown tremendous improvement for the past few years. The division has contributed a significant portion of the Group pre-tax profit despite only registering 9.2% or RM28.1 million of Group revenue. The division achieved a profit before tax of RM9.5 million or 50.3% of the Group profit before tax, a growth of 7.9% from the preceding year's result of RM8.8 million.

The division expects to continue to register growth in its revenue as a result of higher volume of fuel handling to cater for likely increase in offshore exploration activities. The Group

foresees that this division continues to play an important role for sustaining the Group's performance in years to come.

PROPERTY DEVELOPMENT DIVISION

As anticipated, the property division only registered a small contribution to the Group's results as no significant sales was recorded during the year under review. The market remains soft due to lack of new investment opportunities. The division is cautious over launching any new phase in light of uncertain market conditions and will concentrate on clearing its completed stock of RM1.8 million. Hence, as the economy improves, the division is hopeful to see higher take up rate for its completed stock in Year 2004.

QUARRY OPERATIONS DIVISION

The division, led by the Group's newly acquired subsidiary Tadok Granite Manufacturing Sdn Bhd has yet to commence operations in Year 2003. The company which owns sizable granite deposits for commercial exploration is expected to commence in Year 2004. Therefore, the Group anticipates that the division will contribute positively from Year 2004 onwards as the economic activities picks up.

OVERSEAS VENTURES DIVISION

On the overseas ventures, although the division is at infancy, the Group has aggressively committed to make its presence felt in India and Middle East by participating in trade exhibitions to showcase the Group's strength and capability and also to bid for tenders in these countries.

The Group is cautiously optimistic that the division will be able to successfully secure jobs in the coming years.

CALENDAR OF EVENTS



In house training on Project Supervision for site supervisors was held at Grand Season Hotel to enhance their supervision skills.

27 January 2003



AZRB sent a team of 100 staff members to participate in the National Labour Day gathering at Bukit Jalil Stadium organized by the Ministry of Human Resource to show our support to the national event held by the Government.

17 May 2003



AZRB's wholly owned subsidiary, Inter-Century Sdn Bhd held the signing ceremony at the Kuala Lumpur Golf and Country Club for its extension of five (5) years' throughput agreement with a five (5) year renewable options with Petronas Dagangan Berhad.

26 June 2003

GREAT HAPPENINGS

6 March 2003

In house training on Safety Management at Construction Site was held at Head Office for the 1st selected batch of site staff members in Year 2003. The Safety Management Course were organized throughout the year to benefit all site staff members on the safety requirement at site.



21 June 2003

Tan Sri Azizan Zainul Abidin, the Chairman of Petronas officiated the opening ceremony of Universiti Teknologi Petronas, Tronoh, Perak which was completed by AZRB's wholly owned subsidiary, Ahmad Zaki Sdn Bhd.



23 June 2003

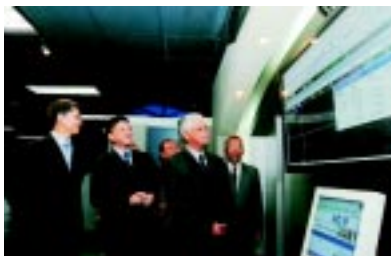
AZRB successfully held its 6th Annual General Meeting at Sheraton Imperial Hotel which followed by press interview.

7 August 2003

AZRB was shortlisted as finalist under the Construction & Property Category of the KPMG Shareholder Value Award 2002 for the public listed companies.



CALENDAR OF EVENTS (CONT'D)



The Board and senior staff members were present at the transfer listing ceremony of AZRB to the Main Board of Bursa Malaysia and to witness the first day trading of the Company's shares.

10 September 2003



AZRB participated in the OIC Trade Exhibition which was held at Putrajaya Convention Centre to showcase its on going construction activities and projects completed to date.

14 – 19 October 2003



AZRB officially formed a Sports & Recreational Club for its staff members for the purpose of coordinating and organizing various sports and recreation activities in order to foster better understanding and co-operation amongst staff members.

8 December 2003

... IN YEAR 2003

9 October 2003

Senior management team of AZRB attended workshop on Risk Management organized by the Company at the Awana Genting as part of the awareness programme implemented to identify and formulate strategies to manage and minimize risks for its core activities.



18 October 2003

The AZRB Sports Club held the staff bowling tournament at Ampang Super Bowl. This is one of the many activities organised to promote interaction amongst staff members.



29 November – 3 December 2003

AZRB took part at the Dubai Big 5 construction exhibition as the Group prepares its entry to the Middle East region.



DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services. During the financial year, the Company extended its principal activities as contractors of civil and structural construction works. The principal activities of subsidiaries are shown in note 4 to the financial statements. There have been no other significant changes in the activities of the Company and its subsidiaries during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	12,907,324	7,466,114

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final dividend of 15% less tax at 28% amounting to RM5,014,116/- in respect of the financial year ended 31st December, 2002.

The Directors recommend a first and final dividend of 12% less tax at 28% amounting to RM5,728,856/- in respect of the financial year ended 31st December, 2003.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their value 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 and 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 and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

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

DIRECTORS' REPORT (CONT'D)

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 RM1/-	18,712,400	Bonus issue via capitalisation of share premium and retained profits	To meet the minimum share capital requirement for companies listed on the Main Board of the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange)
Ordinary RM1/-	1,292,800	Cash	Exercise of options under Employees' Share Option Scheme

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

The salient features of the ESOS are:-

- eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;
- the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) for the five (5) Market Days immediately preceding the Date of Offer;
- the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend that may be declared by the Company in respect of financial year ended 31st December, 2002 and any other dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

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

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

	Number of Share Options	
	2003	2002
At 1st January	3,654,000	-
Adjustment / Granted	1,157,200	4,097,000
Exercised	(1,292,800)	(101,000)
Lapsed	(293,800)	(342,000)
At 31st December	3,224,600	3,654,000

Details of share options' adjustment / granted during the financial year:-

Exercise Period	Exercise Price RM	Number of Share Options	
		2003	2002
29.7.2002 - 25.7.2012	2.88	-	4,097,000
2.9.2003 - 25.7.2012	2.05	*1,157,200	-
		1,157,200	4,097,000

* This is an adjustment made due to bonus issue on 2nd September, 2003 which resulted in the exercise price to reduce from RM2.88 to RM2.05.

Details of share options exercised during the financial year:-

Exercise Period	Exercise Price RM	Number of Share Options		Consideration Received RM
		2003	2002	
29.7.2002 - 31.12.2002	2.88	-	101,000	290,880
1.1.2003 - 2.9.2003	2.88	480,000	-	1,382,400
3.9.2003 - 31.12.2003	2.05	812,800	-	1,666,240
		1,292,800	101,000	3,339,520

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

Expiry Date	Exercise Price RM	Number of Share Options Outstanding	
		2003	2002
25.7.2012	2.05	3,224,600	3,654,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

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

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA	
DATO' WAN ZAKARIAH BIN HAJI WAN MUDA	
DATO' ISMAIL @ MANSOR BIN SAID	
DATO' MOHAMED BIN AWANG	(Resigned on 31.12.2003)
DATO' HAJI MUSTAFFA BIN MOHAMAD	
W ZULKIFLI BIN HAJI W MUDA	
DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH	
RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD	(Appointed on 26.2.2004)

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

In accordance with Article 87 of the Articles of Association, Raja Dato' Seri Aman bin Raja Haji Ahmad retires and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS

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

	Number of Ordinary Shares of RM1/- Each				At 31.12.03
	At 1.1.03	Bonus Issue	Bought	Sold	
THE COMPANY					
AHMAD ZAKI RESOURCES BERHAD					
- Direct Interest					
Dato' Haji Wan Zaki bin Haji Wan Muda	427,636	171,054	-	-	598,690
Dato' Wan Zakariah bin Haji Wan Muda	106,910	42,764	-	-	149,674
W Zulkifli bin Haji W Muda	64,910	25,964	5,000	-	95,874
Dato' Haji Mustaffa bin Mohamad	997,794	379,118	-	(150,000)	1,226,912
Dato' Ismail @ Mansor bin Said	1	-	-	-	1
Datuk (Prof.) A Rahman @ Omar bin Abdullah	-	40,000	100,000	-	140,000
- Indirect Interest					
* Dato' Haji Wan Zaki bin Haji Wan Muda	27,866,007	11,146,403	-	-	39,012,410

DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS (Cont'd)

	Number of Ordinary Shares of RM1/- Each			
	At	Bought	Sold	At
	1.1.03			31.12.03
ULTIMATE HOLDING COMPANY				
ZAKI HOLDINGS (M) SDN. BHD.				
- Direct Interest				
Dato' Haji Wan Zaki bin Haji Wan Muda	50,001	-	-	50,001
Dato' Wan Zakariah bin Haji Wan Muda	10,000	-	-	10,000
W Zulkifli bin Haji W Muda	10,000	-	-	10,000

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

	Number of ESOS Options Over Ordinary Shares of RM1/- Each				
	At	*Adjustment	Exercised	Lapsed	At
	1.1.03				31.12.03
INTEREST IN SHARE OPTIONS PURSUANT TO THE ESOS					
- Direct Interest					
Dato' Haji Wan Zaki bin Haji Wan Muda	420,000	168,000	-	-	588,000
Dato' Wan Zakariah bin Haji Wan Muda	304,000	121,600	-	-	425,600
W Zulkifli bin Haji W Muda	290,000	116,000	-	-	406,000
Dato' Haji Mustaffa bin Mohamad	320,000	128,000	-	-	448,000

The adjustment is in respect of the bonus issue effected on 2nd September, 2003.

By virtue of Dato' Haji Wan Zaki bin Haji Wan Muda having an interest of more than fifteen percent (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 other directors held any shares or have any interest in the Company and its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors has received or become entitled to receive any benefit (other than those disclosed as directors' fees, emoluments and benefits-in-kind disclosed in note 30 (c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits that may have arisen out of ordinary course of business as disclosed in note 41 (a) and 41 (c) to the financial statements.

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

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS

- 1) On 14th February, 2003, the Company disposed of its entire investment of 1,000,000 ordinary shares in CIDB Inventures Sdn. Bhd. at par value for cash.
- 2) On 12th April, 2003, the Company incorporated a wholly owned subsidiary known as AZRB International Ventures Sdn. Bhd. with a paid-up share capital of RM2/-.
- 3) On 30th April, 2003, the Company made an offer to purchase the entire equity interest in Tadok Granite Manufacturing Sdn. Bhd. (formerly known as Tadok Granite Manufacturing Sdn. Bhd.) for a cash consideration of RM4,000,000/-. The acquisition was finally completed on 15th July, 2003.
- 4) On 30th July, 2003, the Company obtained approvals from the relevant authorities for the following corporate proposals:-
 - (a) a bonus issue of up to 20,372,440 new ordinary shares of RM1/- each on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1/- each in the Company;
 - (b) a transfer listing from the Second Board to the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange); and
 - (c) a private placement of up to 7,130,000 new ordinary shares of RM1/- each in the Company.
- 5) On 26th June, 2003, a wholly owned subsidiary, Inter-Century Sdn. Bhd. entered into an agreement to renew the Throughput Agreement with Petronas Dagangan Berhad for another five (5) years until 31st May 2008 with five (5) years renewable option.
- 6) On 2nd September, 2003, the bonus issue was effected by capitalising RM8,688,317/- from the share premium account and RM10,024,083/- from the retained profits of the Company. The Bonus Shares will rank pari passu in all respects with existing shares save and except that they will not be entitled to any dividends declared in respect of the financial year ended 2002 and any other dividends, rights, allotments and/or distributions, the entitlement date of which precedes the date of allotment of the Bonus Shares.
- 7) On 10th September, 2003, the Company transferred its listing status from the Second Board to the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange).
- 8) On 20th November, 2003, the Company obtained approval from Securities Commission to extend the deadline for its private placement from 5th November, 2003 to 5th May, 2004.

SUBSEQUENT EVENTS

- 1) On 6th January, 2004, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for Subang-Kelana Link project in Kuala Lumpur, Malaysia for RM182,347,000/-.
- 2) On 19th January, 2004, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd. acquired the entire issued share capital of Hidro Fokus Sdn. Bhd. for a purchase consideration of RM2/-.
- 3) On 16th March, 2004, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd. received a Letter of Award from Perbadanan Putrajaya for Mosque, Kiblat Walk project in Kuala Lumpur, Malaysia for RM208,843,691/-.

DIRECTORS' REPORT (CONT'D)

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

On Behalf of the Board

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

KUALA LUMPUR

29 April 2004

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 50 to 103, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2003 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

KUALA LUMPUR
29 April 2004

STATUTORY DECLARATION

I, Dato' Haji Wan Zaki bin Haji Wan Muda, NRIC No.: 490604-11-5357, being the Director primarily responsible for the financial management of the Company do solemnly and sincerely declare that the financial statements as set out on pages 50 to 103 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 Declaration Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on this 29 day of April 2004

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

Before me

HARON HASHIM
W128
Commissioner for Oaths

REPORT OF THE AUDITORS

To The Members Of Ahmad Zaki Resources Berhad (Incorporated In Malaysia)

We have audited the financial statements set out on pages 50 to 103.

The preparation of the financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion:-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31st December, 2003 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;
- and
- b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

The subsidiaries, all of which we have not acted as auditors, are indicated in note 4 to the financial statements. We have considered the financial statements of the subsidiaries and their auditors' reports thereon.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

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

MOORE STEPHENS
 CHARTERED ACCOUNTANTS
 (AF.0282)

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

KUALA LUMPUR
 29 April 2004

BALANCE SHEETS

As At 31st December, 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	2	21,699,390	13,708,784	683,907	672,845
Investment properties	3	24,200,000	24,200,000	-	-
Investment in subsidiaries	4	-	-	24,177,836	20,177,834
Interest in associated companies	5	88,370	113,191	-	-
Interest in joint ventures	6	185,868	3,542,603	-	-
Other investments	7	115,500	1,115,500	68,000	1,068,000
Deferred tax assets	8	159,613	-	-	-
Goodwill on consolidation	9	4,103,211	525,000	-	-
		50,551,952	43,205,078	24,929,743	21,918,679
CURRENT ASSETS					
Inventories	10	6,813,599	5,111,030	-	-
Amount due from customers for contract work	11	57,091,060	71,568,747	106,848	-
Property development expenditure	12	2,726,697	4,717,395	-	-
Trade receivables	13	54,300,368	54,074,856	-	-
Other receivables, deposits and prepayments	14	2,235,478	5,410,703	107,201	100,395
Tax assets	15	3,123,537	1,229,118	-	155,821
Amount owing by related companies	16	81,882	349,794	42,334,236	36,419,216
Amount owing by associated companies	17	823,775	1,073,775	-	-
Amount owing by joint ventures	18	1,932,169	2,493,594	-	-
Cash and cash deposits	19	100,682,134	70,948,185	21,573,610	14,666,297
		229,810,699	216,977,197	64,121,895	51,341,729
LESS: CURRENT LIABILITIES					
Amount due to customers for contract work	11	33,576,365	2,197,457	-	-
Trade payables	20	94,225,800	120,053,257	-	-
Other payables and accruals		2,839,116	3,221,825	195,977	178,283
Amount owing to related companies	21	34,999	-	-	-
Advance payments received	22	14,755,229	7,736,113	10,000,000	-
Amount owing to directors	23	1,600	13,301	-	-
Borrowings - secured	24	2,178,263	2,736,048	97,315	89,250
Bank overdrafts - secured	25	1,701,056	7,458,215	-	-
Tax liabilities		364,129	138,028	362,348	-
		149,676,557	143,554,244	10,655,640	267,533
NET CURRENT ASSETS		80,134,142	73,422,953	53,466,255	51,074,196
		130,686,094	116,628,031	78,395,998	72,992,875

BALANCE SHEETS (CONT'D)

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CAPITAL AND RESERVES					
Share capital	26	66,306,200	46,301,000	66,306,200	46,301,000
Reserves	27	55,810,466	64,873,818	11,827,882	26,332,444
SHAREHOLDERS' EQUITY		122,116,666	111,174,818	78,134,082	72,633,444
MINORITY INTEREST		1,504,393	1,479,693	-	-
NON-CURRENT LIABILITIES					
Borrowings - secured	24	6,460,395	3,204,550	258,416	355,731
Deferred tax liabilities	8	604,640	768,970	3,500	3,700
		7,065,035	3,973,520	261,916	359,431
		130,686,094	116,628,031	78,395,998	72,992,875

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

INCOME STATEMENTS

For The Year Ended 31st December, 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Operating revenue	28	306,014,048	439,029,961	32,526,901	25,300,106
Direct operating cost	29	(268,906,385)	(403,562,139)	(18,617,361)	–
Gross profit		37,107,663	35,467,822	13,909,540	25,300,106
Other operating revenue		3,616,030	2,777,747	501,923	360,221
Administrative costs		(15,847,028)	(14,667,870)	(3,111,708)	(2,460,626)
Other operating costs		(940,964)	(855,125)	(23,737)	(1,350)
		(16,787,992)	(15,522,995)	(3,135,445)	(2,461,976)
Profit from operations		23,935,701	22,722,574	11,276,018	23,198,351
Finance costs		(1,832,676)	(1,653,799)	(71,705)	(26,138)
Share of results in joint ventures		(3,106,735)	(1,350,028)	–	–
Share of results in associated companies		(21,408)	(89,040)	–	–
Profit before taxation	30	18,974,882	19,629,707	11,204,313	23,172,213
Taxation	31	(6,042,858)	(6,131,854)	(3,738,199)	(7,003,270)
Profit after taxation but before minority interest		12,932,024	13,497,853	7,466,114	16,168,943
Minority interest		(24,700)	(61,836)	–	–
Net profit for the year		12,907,324	13,436,017	7,466,114	16,168,943
Basic earnings per ordinary share (sen)	32	19.75	21.65		
Fully diluted earnings per ordinary share (sen)	32	19.55	21.61		
Proposed net dividend per ordinary share (sen)		8.64	10.80		

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

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31st December, 2003

	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Profits RM	Total Shareholders' Equity RM
GROUP					
At 1.1.02	30,000,000	4,688,749	–	46,458,415	81,147,164
Prior year adjustments (Note 33)	–	–	–	(160,570)	(160,570)
Restated balance	30,000,000	4,688,749	–	46,297,845	80,986,594
Revaluation surplus on investment properties	–	–	7,002,890	–	7,002,890
Issuance of share capital pursuant to:-					
- Bonus issue	12,000,000	(4,688,749)	–	(7,311,251)	–
- Private placement	4,200,000	8,610,000	–	–	12,810,000
- Employees' share option scheme	101,000	189,880	–	–	290,880
	16,301,000	4,111,131	–	(7,311,251)	13,100,880
* Private placement expenses	–	(111,563)	–	–	(111,563)
Net profit for the year	–	–	–	13,436,017	13,436,017
First and final dividend paid for year 2001 (15% per share less 28% income tax)	–	–	–	(3,240,000)	(3,240,000)
At 31.12.02	46,301,000	8,688,317	7,002,890	49,182,611	111,174,818
Issuance of share capital pursuant to:-					
- Bonus issue	18,712,400	(8,688,317)	–	(10,024,083)	–
- Employees' share option scheme	1,292,800	1,755,840	–	–	3,048,640
	20,005,200	(6,932,477)	–	(10,024,083)	3,048,640
Net profit for the year	–	–	–	12,907,324	12,907,324
First and final dividend paid for year 2002 (15% per share less 28% income tax)	–	–	–	(5,014,116)	(5,014,116)
At 31.12.03	66,306,200	1,755,840	7,002,890	47,051,736	122,116,666

* Expenses not recognised in income statements.

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Share Capital RM	Share Premium RM	Retained Profits RM	Total Shareholders' Equity RM
COMPANY				
At 1.1.02	30,000,000	4,688,749	12,026,435	46,715,184
Issuance of share capital pursuant to:-				
- Bonus issue	12,000,000	(4,688,749)	(7,311,251)	-
- Private placement	4,200,000	8,610,000	-	12,810,000
- Employees' share option scheme	101,000	189,880	-	290,880
	16,301,000	4,111,131	(7,311,251)	13,100,880
* Private placement expenses	-	(111,563)	-	(111,563)
Net profit for the year	-	-	16,168,943	16,168,943
First and final dividend paid for year 2001 (15% per share less 28% income tax)	-	-	(3,240,000)	(3,240,000)
At 31.12.02	46,301,000	8,688,317	17,644,127	72,633,444
Issuance of share capital pursuant to:-				
- Bonus issue	18,712,400	(8,688,317)	(10,024,083)	-
- Employees' share option scheme	1,292,800	1,755,840	-	3,048,640
	20,005,200	(6,932,477)	(10,024,083)	3,048,640
Net profit for the year	-	-	7,466,114	7,466,114
First and final dividend paid for year 2002 (15% per share less 28% income tax)	-	-	(5,014,116)	(5,014,116)
At 31.12.03	66,306,200	1,755,840	10,072,042	78,134,082

* Expenses not recognised in income statements

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

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st December, 2003

	Note	GROUP	
		2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		18,974,882	19,629,707
Adjustments for:-			
Allowance for doubtful debts		-	3,265
Loss on disposal of investment in subsidiary		-	152,013
Amortisation of goodwill on consolidation		284,461	91,529
Amortisation of leasehold land		18,905	15,430
Depreciation of property, plant and equipment		2,859,117	2,837,460
Dividend revenue		-	(3,979)
Property, plant and equipment written off		115,010	3,796
Interest expenses		1,477,779	940,490
Interest revenue		(1,970,971)	(1,817,569)
Loss on disposal of other investment		-	15,566
Gain on disposal of property, plant and equipment		(815,982)	(317,976)
Share of loss of joint ventures		3,106,735	1,350,028
Share of loss of associated companies		17,379	85,011
Operating profit before working capital changes		24,067,315	22,984,771
Decrease / (increase) in inventories		166,072	(1,807,847)
Decrease / (increase) in amount due from customers for contract work		14,477,687	(47,836,141)
Decrease / (increase) in property development expenditure		122,057	(141,121)
Increase / (decrease) in amount due to customers for contract work		31,378,908	(27,302,378)
Decrease / (increase) in trade and other receivables		2,891,810	(14,084,126)
(Decrease) / increase in trade and other payables		(19,210,801)	70,209,754
Decrease / (increase) in amount owing by joint ventures		561,425	(518,278)
Cash generated from operations		54,454,473	1,504,634
Tax paid		(8,031,706)	(9,448,866)
Interest paid		(1,477,779)	(940,490)
Net cash generated from / (used in) operating activities carried forward		44,944,988	(8,884,722)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Note	GROUP	
		2003 RM	2002 RM
Net cash generated from / (used in) operating activities brought forward		44,944,988	(8,884,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
Effect of acquisition of subsidiary, net of cash acquired	34	(3,999,921)	-
Effect of disposal of subsidiary, net of cash disposed	35	-	107,846
Distribution received from joint ventures		250,000	8,000,000
Acquisition of investment in unquoted shares		-	(747,500)
Proceeds from disposal of other investment		1,000,000	9,434
Proceeds from disposal of property, plant and equipment		896,862	371,364
Purchase of property, plant and equipment	36	(7,734,170)	(1,386,892)
Dividend received		-	3,979
Interest received		2,028,874	1,791,475
Repayments from related companies		267,912	187,753
Repayments from associated companies		250,000	-
Net cash (used in) / generated from investing activities		(7,040,443)	8,337,459
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related companies		34,999	-
Dividend paid		(5,014,116)	(3,240,000)
Proceeds from trust receipts		9,669,517	10,426,000
Repayments of trust receipts		(11,294,995)	(9,003,022)
Payments to hire purchase payables		(1,565,429)	(1,525,578)
Repayments of term loans		(592,053)	(91,473)
Term loan received		3,300,000	-
Expenses incurred for private placement of shares		-	(111,563)
Proceeds from issuance of shares		3,048,640	13,100,880
Net cash (used in) / generated from financing activities		(2,413,437)	9,555,244
Net increase in cash and cash equivalents		35,491,108	9,007,981
Cash and cash equivalents at beginning of the year		63,489,970	54,481,989
Cash and cash equivalents at end of the year	37	98,981,078	63,489,970

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

CASH FLOW STATEMENT

For The Year Ended 31st December, 2003

	Note	COMPANY	
		2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,204,313	23,172,213
Adjustments for:-			
Depreciation of property, plant and equipment		188,938	119,440
Interest expenses		70,779	25,317
Dividend revenue		(11,500,053)	(25,000,106)
Interest revenue		(501,923)	(359,917)
Operating loss before working capital changes		(537,946)	(2,043,053)
Increase in amount due from customers for contract work		(106,848)	-
Increase in trade and other receivables		(3,409)	(4,396)
Increase in trade and other payables		10,017,694	34,304
Cash generated from / (used in) operations		9,369,491	(2,013,145)
Tax paid		(215)	(160)
Interest paid		(70,779)	(25,317)
Net cash generated from / (used in) operating activities		9,298,497	(2,038,622)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment in subsidiaries		(4,000,002)	-
Acquisition of investment in unquoted shares		-	(747,500)
Purchase of property, plant and equipment	36	(200,000)	(290,000)
Dividend received		18,000,076	12,240,061
Interest received		498,526	353,938
Proceeds from disposal of other investment		1,000,000	-
Advances to related companies		(17,080,061)	(16,100,000)
Repayments from related companies		1,445,003	1,386,448
Net cash used in investing activities		(336,458)	(3,157,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Expenses incurred for private placement of shares		-	(111,563)
Proceeds from issuance of shares		3,048,640	13,100,880
Dividend paid		(5,014,116)	(3,240,000)
Payments to hire purchase payables		(89,250)	(55,019)
Net cash (used in) / generated from financing activities		(2,054,726)	9,694,298
Net increase in cash and cash equivalents		6,907,313	4,498,623
Cash and cash equivalents at beginning of the year		14,666,297	10,167,674
Cash and cash equivalents at end of the year	37	21,573,610	14,666,297

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

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2003

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

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous years except for the adoption of new applicable accounting standards as follows:-

Retrospective application

(i) MASB 25, Income Taxes

The retrospective effects of adopting MASB 25 are summarised in the statement of changes in equity and further information is disclosed in note 33 to the financial statements. There is no impact on the current year's results.

Arising from adoption of this new standard, the accounting policy on taxation as disclosed in note 1 (q) has been amended accordingly and a new disclosure format presented in note 31 to the financial statements.

(ii) MASB 27, Borrowing Costs

The adoption of MASB 27 does not affect any changes in accounting policy as the Group and the Company were already applying the principles in the standard.

(iii) MASB 29, Employee Benefits

Comparative figures have not been restated and no prior year adjustment is recognised as there is no material impact on the financial statements.

Prospective application from 1st July, 2002

MASB 26, Interim Financial Reporting

MASB 26 has no impact on the financial statements of the Group and of the Company.

Prospective application from 1st January, 2003

(i) MASB 28, Discontinuing Operations

(ii) MASB 30, Accounting and Reporting by Retirement Benefit Plans

Both MASB 28 and MASB 30 have no impact on the financial statements of the Group and of the Company.

(a) Basis of Accounting

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(b) Basis of Consolidation**

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, which are listed in note 4 to the financial statements, made up to 31st December, 2003. All significant intragroup balances, transactions and resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions only.

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

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

(c) Goodwill or Reserve on Consolidation

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

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

(d) Subsidiary

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

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

(e) Associated Company

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(f) Joint Venture**

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

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

Investment in joint venture which involves an establishment of a separate entity is stated at cost less accumulated impairment losses, if any, in the financial statements. Where consolidated financial statements are prepared, the interest in the joint venture entity is accounted for using the equity method based on the audited financial statements of the entity. The consolidated income statement includes the Group's share of the entity's results of the operation. In the consolidated balance sheet, the Group's interest is stated at cost and adjusted for the Group's share of changes in the net assets of the entity.

(g) Property, Plant and Equipment and Depreciation

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

Depreciation of property, plant and equipment is calculated to write off their costs on a straight line basis over their estimated useful lives.

The principal annual rates used for this purpose are:-

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

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

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

(h) Impairment of Assets

The carrying amounts of assets other than inventories, assets arising from construction contracts, deferred tax assets and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(h) Impairment of Assets (Cont'd)**

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

Reversal of impairment loss due to a subsequent increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

(i) Investment Properties

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

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

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

(j) Inventories

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

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

(k) Construction Contracts

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(k) Construction Contracts (Cont'd)**

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 Expenditure

Property development expenditure consists of cost of land which is under active development and is expected to be completed within the normal operating cycle, development expenditure incurred to date including borrowing costs and a proportion of estimated profit attributable to development work performed to date, less progress payments received and receivable. Where foreseeable losses on development projects are anticipated, full provision for these losses is made in the financial statements.

(m) Capitalisation of Borrowing Costs

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

(n) Hire Purchase

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

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

(o) Lease

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(o) Lease (Cont'd)**

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

(p) Foreign Currencies

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

(q) Taxation

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

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

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

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

(r) Revenue Recognition

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

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

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

Sales of goods are recognised when goods are delivered.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(s) Cash and Cash Equivalents**

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

(t) Employee Benefits**(i) Short Term Employee Benefits**

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity Compensation Benefits

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

(u) Financial Instruments

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(u) Financial Instruments (Cont'd)**

i) Receivables

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

ii) Payables

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

iii) Other Non-Current Investments

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

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

iv) Interest Bearing Bank Borrowings

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

v) Equity Instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Freehold land	Buildings & renovation	Plant & machinery	Motor vehicles	Furniture, fittings & office equipment	Total
GROUP	RM	RM	RM	RM	RM	RM	RM
COST							
At 1.1.03	1,188,180	729,840	5,870,603	9,898,386	12,119,832	2,375,833	32,182,674
Additions	-	4,640,000	1,160,096	828,600	4,190,451	96,043	10,915,190
Disposals	-	-	-	(12,500)	(2,563,829)	(3,257)	(2,579,586)
Written off	-	-	-	-	(258,845)	-	(258,845)
In respect of subsidiary acquired	159,745	-	-	-	-	-	159,745
At 31.12.03	1,347,925	5,369,840	7,030,699	10,714,486	13,487,609	2,468,619	40,419,178
ACCUMULATED DEPRECIATION							
At 1.1.03	30,861	-	440,714	8,464,474	8,237,110	1,300,731	18,473,890
Charge for the year	18,905	-	130,063	616,411	1,801,459	311,184	2,878,022
Disposals	-	-	-	(5,208)	(2,492,141)	(1,357)	(2,498,706)
Written off	-	-	-	-	(143,835)	-	(143,835)
In respect of subsidiary acquired	10,417	-	-	-	-	-	10,417
At 31.12.03	60,183	-	570,777	9,075,677	7,402,593	1,610,558	18,719,788
NET BOOK VALUE							
At 31.12.03	1,287,742	5,369,840	6,459,922	1,638,809	6,085,016	858,061	21,699,390
At 31.12.02	1,157,319	729,840	5,429,889	1,433,912	3,882,722	1,075,102	13,708,784
Depreciation charge for the year ended 31.12.02	15,430	-	130,131	803,211	1,573,759	330,359	2,852,890

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

	Furniture, fittings & office equipment	Motor vehicles	Total
COMPANY	RM	RM	RM
COST			
At 1.1.03	4,728	790,000	794,728
Addition	-	200,000	200,000
At 31.12.03	4,728	990,000	994,728
ACCUMULATED DEPRECIATION			
At 1.1.03	3,389	118,494	121,883
Charge for the year	946	187,992	188,938
At 31.12.03	4,335	306,486	310,821
NET BOOK VALUE			
At 31.12.03	393	683,514	683,907
At 31.12.02	1,339	671,506	672,845
Depreciation charge for the year ended 31.12.02	946	118,494	119,440

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

- (i) Analysis of leasehold land as follow:-

	Long term leasehold land	Short term leasehold land	Total
	RM	RM	RM
2003			
COST	1,188,180	159,745	1,347,925
NET BOOK VALUE	1,141,888	145,854	1,287,742
2002			
COST	1,188,180	-	1,188,180
NET BOOK VALUE	1,157,319	-	1,157,319

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(ii) Property, plant and equipment acquired under hire purchase instalment plans are as follows:-

		Motor vehicles
GROUP	RM	
At 31.12.03		
COST	9,474,164	
NET BOOK VALUE	5,817,520	
At 31.12.02		
COST	6,486,216	
NET BOOK VALUE	3,644,829	
COMPANY		
At 31.12.03		
COST	790,000	
NET BOOK VALUE	513,513	
At 31.12.02		
COST	790,000	
NET BOOK VALUE	671,506	

(iii) Freehold and leasehold land and buildings with a total net book value of RM11,625,412/- (2002 : RM5,950,138/-) charged to financial institutions as security for banking facilities of a subsidiary, Ahmad Zaki Sdn. Bhd. ("AZSB"), as disclosed in note 25 and note 39 to the financial statements.

3. INVESTMENT PROPERTIES

		GROUP	
		2003 RM	2002 RM
At valuation:			
Freehold land		4,950,000	4,950,000
Hotel properties			
- Freehold land		543,912	543,912
- Hotel buildings		18,706,088	18,706,088
		19,250,000	19,250,000
		24,200,000	24,200,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. INVESTMENT PROPERTIES (Cont'd)

The hotel properties are charged to financial institution as security for facilities of a subsidiary, AZSB, as disclosed in note 25 to the financial statements.

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

4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares, at cost		
At beginning of the year	20,177,834	20,177,834
Addition	4,000,002	–
At end of the year	24,177,836	20,177,834

The subsidiaries, all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2003	2002	
Held by the Company			
# Ahmad Zaki Sdn. Bhd.	100%	100%	Contractors of civil and structural contract works
# Inter-Century Sdn. Bhd.	100%	100%	Dealer of marine fuels and lubricants
# Tadok Granite Manufacturing Sdn. Bhd. (Formerly known as Tadok Granite Manufacturing Sdn. Bhd.)	100%	–	Dormant
# AZRB International Ventures Sdn. Bhd.	100%	–	Dormant
Held through Ahmad Zaki Sdn. Bhd.			
* Kemaman Technology & Industrial Park Sdn. Bhd. ("KTIP")	60%	60%	Property development
Held through Inter-Century Sdn. Bhd.			
# Astral Far East Sdn. Bhd.	100%	100%	Dealer of lubricants and petroleum-based products

Audited by associated firm of the auditors of the Company.

* Audited by another professional firm of chartered accountants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTEREST IN ASSOCIATED COMPANIES

	GROUP	
	2003 RM	2002 RM
Unquoted shares, at cost	110,000	110,000
Share of (loss) / profits of associated companies	(21,630)	3,191
	88,370	113,191
Represented by:-		
Group's share of net tangible assets	72,256	93,048
Goodwill on consolidation	40,288	40,288
Less: Accumulated amortisation	(24,174)	(20,145)
	16,114	20,143
	88,370	113,191

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

Name of Company	Effective Equity Interest		Principal Activities
	2003	2002	
Held through Ahmad Zaki Sdn. Bhd.			
* Fasatimur Sdn. Bhd.	50%	50%	Project management
* Maxi Heritage Sdn. Bhd.	20%	20%	General contractor

* Audited by another professional firm of chartered accountants.

6. INTEREST IN JOINT VENTURES

	GROUP	
	2003 RM	2002 RM
Share of post-acquisition results in joint ventures:-		
At beginning of the year	3,542,603	12,892,631
Add: Share of results for the year	(3,106,735)	(1,350,028)
Less: Distribution from joint ventures	(250,000)	(8,000,000)
At end of the year	185,868	3,542,603

6. INTEREST IN JOINT VENTURES (Cont'd)

The Group has a 50% interest in the following jointly controlled entities:-

- (i) Bumi Hiway - Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor.
 - (ii) Johawaki - Ahmad Zaki Joint Venture which undertakes the contract to design, construct and complete the Masjid Wilayah Persekutuan, Jalan Duta, Kuala Lumpur, and for renewal of junction and increasing the quality of road at Kompleks Matrade, Kuala Lumpur.
- (a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows:-

	GROUP	
	2003	2002
	RM	RM
(i) Share of the assets and liabilities:-		
CURRENT ASSETS		
Trade receivables	-	4,319,983
Other receivables, deposits and prepayments	333,575	232,180
Cash and cash deposits	1,961,689	2,614,971
	2,295,264	7,167,134
LESS: CURRENT LIABILITIES		
Trade payables	1,754,842	3,287,836
Other payables and accruals	117,541	108,989
Amount owing to associated company	237,013	227,706
	(2,109,396)	(3,624,531)
Share of net tangible assets of the joint ventures	185,868	3,542,603
(ii) Share of the revenue and expenses		
Attributable contract revenue	(16,433)	297,967
Attributable contract costs	(3,088,387)	(1,626,913)
Gross loss	(3,104,820)	(1,328,946)
Other operating revenue	4,841	43,043
	(3,099,979)	(1,285,903)
Other operating costs	-	(1,250)
Administrative costs	(6,729)	(56,296)
Finance costs	(27)	(6,579)
	(6,756)	(64,125)
Share of loss for the year	(3,106,735)	(1,350,028)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. OTHER INVESTMENTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Unquoted shares in Malaysia				
At beginning of the year	1,047,500	325,000	1,000,000	252,500
Addition	-	747,500	-	747,500
Disposal	(1,000,000)	(25,000)	(1,000,000)	-
At end of the year	47,500	1,047,500	-	1,000,000
Club membership	68,000	68,000	68,000	68,000
	115,500	1,115,500	68,000	1,068,000

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

8. DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At beginning of the year	(768,970)	(901,600)	(3,700)	(460)
Transfer from / (to) income statements (Note 31)	323,943	132,630	200	(3,240)
At end of the year	(445,027)	(768,970)	(3,500)	(3,700)
Presented after appropriate offsetting as follows:-				
Deferred tax assets	159,613	-	-	-
Deferred tax liabilities	(604,640)	(768,970)	(3,500)	(3,700)
	(445,027)	(768,970)	(3,500)	(3,700)

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

Deferred Tax Assets

	GROUP	
	2003 RM	2002 RM
Difference between the carrying amount of property, plant and equipment and its tax base	159,613	-

8. DEFERRED TAX ASSETS / (LIABILITIES) (Cont'd)**Deferred Tax Liabilities**

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Difference between the carrying amount of property, plant and equipment and its tax base	(75,500)	(239,830)	(3,500)	(3,700)
Surplus arising from revaluation of investment property	(529,140)	(529,140)	–	–
At end of the year	(604,640)	(768,970)	(3,500)	(3,700)

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

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Revenue from a joint venture recognised in the accounting revenue later than they are included in the chargeable revenue	262,094	–	262,094	–

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2003 RM	2002 RM
Goodwill on consolidation, at cost		
At beginning of the year	875,000	875,000
In respect of subsidiary acquired (Note 34)	3,858,643	–
	4,733,643	875,000
Less: Accumulated amortisation	(630,432)	(350,000)
At end of the year	4,103,211	525,000

10. INVENTORIES

	GROUP	
	2003 RM	2002 RM
At cost		
Completed development properties (Note 12)	1,868,641	–
Marine fuels and lubricants	4,944,958	5,111,030
	6,813,599	5,111,030

There were no inventories carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Aggregate costs incurred to date	955,348,584	936,173,440	18,617,361	–
Attributable profits	68,085,282	75,821,584	909,487	–
	1,023,433,866	1,011,995,024	19,526,848	–
Progress billings	(999,919,171)	(942,623,734)	(19,420,000)	–
	23,514,695	69,371,290	106,848	–
Represented by:				
Amount due from customers for contract work	57,091,060	71,568,747	106,848	–
Amount due to customers for contract work	(33,576,365)	(2,197,457)	–	–

Included in the above progress billings of the Group are retention sums totalling RM34,119,629/- (2002 : RM31,358,405/-).

12. PROPERTY DEVELOPMENT EXPENDITURE

	GROUP	
	2003 RM	2002 RM
Development expenditure, at cost		
At beginning of the year	5,142,445	4,576,274
Additions	302,275	566,171
	5,444,720	5,142,445
Transfer of completed unsold properties to inventory (Note 10)	(1,868,641)	–
Adjustment for completed projects	(849,382)	–
At end of the year	2,726,697	5,142,445
Add: Attributable profits		
At beginning of the year	379,350	–
Additions	217,768	379,350
	597,118	379,350
Adjustment for completed projects	(597,118)	–
At end of the year	–	379,350
Less: Progress billings		
At beginning of the year	(804,400)	–
Additions	(642,100)	(804,400)
	(1,446,500)	(804,400)
Adjustment for completed projects	1,446,500	–
	–	(804,400)
At end of the year	2,726,697	4,717,395

13. TRADE RECEIVABLES

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

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Other receivables	1,145,989	4,202,873	88,351	86,545
Sundry deposits	1,013,269	1,134,310	18,850	13,850
Prepayments	76,220	73,520	-	-
	2,235,478	5,410,703	107,201	100,395

15. TAX ASSETS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax paid in advance	3,123,537	1,229,118	-	815
Tax recoverable	-	-	-	155,006
	3,123,537	1,229,118	-	155,821

16. AMOUNT OWING BY RELATED COMPANIES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Amount owing by:-				
Holding company				
- Zaki Holdings (M) Sdn. Bhd.	-	246,821	78,455	90,941
Subsidiaries				
- Tadok Granite Manufacturing Sdn. Bhd.	-	-	10,500	-
- AZRB International Ventures Sdn. Bhd.	-	-	10,334	-
- Ahmad Zaki Sdn. Bhd.	-	-	39,131,803	28,285,258
- Inter-Century Sdn. Bhd.	-	-	3,103,055	8,043,017
- Kemaman Technology & Industrial Park Sdn. Bhd.	-	-	89	-
Related company				
- Residence Inn & Motels Sdn. Bhd.	81,882	102,973	-	-
	81,882	349,794	42,334,236	36,419,216

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. AMOUNT OWING BY ASSOCIATED COMPANIES

	GROUP	
	2003 RM	2002 RM
Amount owing by:-		
Fasatimur Sdn. Bhd.	803,775	1,053,775
Maxi Heritage Sdn. Bhd.	20,000	20,000
	823,775	1,073,775

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

18. AMOUNT OWING BY JOINT VENTURES

	GROUP	
	2003 RM	2002 RM
Trade		
- Bumi Hiway - Ahmad Zaki Joint Venture	1,656,041	1,656,041
- Johawaki - Ahmad Zaki Joint Venture	(180,743)	359,466
Non-trade		
- Bumi Hiway - Ahmad Zaki Joint Venture	46,917	46,917
- Johawaki - Ahmad Zaki Joint Venture	409,954	431,170
	1,932,169	2,493,594

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

19. CASH AND CASH DEPOSITS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances	29,024,465	5,146,286	1,943,867	429,664
Cash deposits with licensed banks	71,657,669	65,801,899	19,629,743	14,236,633
	100,682,134	70,948,185	21,573,610	14,666,297

Included in cash deposits with licensed banks of the Group are deposits totalling RM34,941,574/- (2002 : RM25,163,071/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group.

Included in cash deposits with licensed banks of the Company are deposits totalling RM2,224,201/- (2002 : RM2,155,682/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary, AZSB.

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

20. TRADE PAYABLES

	GROUP	
	2003 RM	2002 RM
Included in trade payables of the Group are amounts owing to:- Chuan Huat Industrial Marketing Sdn. Bhd., a subsidiary of Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	147,264	418,220
QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	1,317	1,650

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

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

21. AMOUNT OWING TO RELATED COMPANIES

	GROUP	
	2003 RM	2002 RM
Amount owing to:- Holding Company Zaki Holdings (M) Sdn. Bhd.	34,999	-

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

22. 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.

23. AMOUNT OWING TO DIRECTORS

	GROUP	
	2003 RM	2002 RM
Dato' Hamzah bin Hasan (Resigned on 1.3.2003)	-	1,900
Dato' Haji Mustaffa bin Mohamad	1,600	11,401
	1,600	13,301

These amounts are in respect of accrued directors' emoluments and are unsecured, interest-free and have no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. BORROWINGS - SECURED

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Short Term Borrowings				
Hire purchase payables (Note 38)	1,470,338	1,010,015	97,315	89,250
Trust receipts	–	1,625,478	–	–
Term loans (Note 39)	707,925	100,555	–	–
	2,178,263	2,736,048	97,315	89,250
Long Term Borrowings				
Hire purchase payables (Note 38)	3,351,336	2,196,068	258,416	355,731
Term loans (Note 39)	3,109,059	1,008,482	–	–
	6,460,395	3,204,550	258,416	355,731
Total Borrowings				
Hire purchase payables (Note 38)	4,821,674	3,206,083	355,731	444,981
Trust receipts	–	1,625,478	–	–
Term loans (Note 39)	3,816,984	1,109,037	–	–
	8,638,658	5,940,598	355,731	444,981

The trust receipt facilities are payable on demand and bear interest at rates ranging from 7.25% to 7.65% (2002 : 7.40% to 7.65%) per annum. These facilities are secured and supported by:-

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

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

25. BANK OVERDRAFTS - SECURED

The bank overdrafts facilities are payable on demand and bear interest at rates ranging from 7.00% to 8.15% (2002 : 7.40% to 8.40%) per annum. These facilities are secured and supported by:-

- (i) cash deposits and freehold land and buildings of a subsidiary, AZSB, as disclosed in note 2 and note 3 to the financial statements;
- (ii) cash deposits of the Company; and
- (iii) corporate guarantee from the Company.

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

26. SHARE CAPITAL

	GROUP / COMPANY	
	2003 RM	2002 RM
Ordinary shares of RM1/- each		
Authorised:		
100,000,000 shares	100,000,000	100,000,000
Issued and fully paid:		
At beginning of the year	46,301,000	30,000,000
Issued pursuant to:		
- Bonus issue	18,712,400	12,000,000
- Private placement	-	4,200,000
- Employees' share option scheme	1,292,800	101,000
At end of the year	66,306,200	46,301,000

27. RESERVES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
NON-DISTRIBUTABLE				
Share premium	1,755,840	8,688,317	1,755,840	8,688,317
Revaluation reserve	7,002,890	7,002,890	-	-
	8,758,730	15,691,207	1,755,840	8,688,317
DISTRIBUTABLE				
Retained profits	47,051,736	49,182,611	10,072,042	17,644,127
	55,810,466	64,873,818	11,827,882	26,332,444

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

The Directors proposed a first and final dividend of 12% (2002 : 15%) per ordinary share in respect of the current financial year. The retained profits appropriated for this proposed dividend less tax at 28% amounted to RM5,728,856/- (2002 : RM5,014,116/-).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. OPERATING REVENUE

The amount of each of the revenue is as follows:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Management fees	-	-	1,500,000	300,000
Dividend revenue	-	-	11,500,053	25,000,106
Sales of goods	28,057,378	24,822,481	-	-
Attributable contract revenue	277,407,026	413,310,625	19,526,848	-
Attributable development revenue	549,644	896,855	-	-
	306,014,048	439,029,961	32,526,901	25,300,106

29. DIRECT OPERATING COST

Direct operating cost comprises the following:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Costs of goods sold	16,654,748	14,825,033	-	-
Attributable contract costs	251,919,760	388,219,601	18,617,361	-
Attributable development costs	331,877	517,505	-	-
	268,906,385	403,562,139	18,617,361	-

30. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:-				
Amortisation of leasehold land	18,905	15,430	-	-
Allowance for doubtful debts	-	3,265	-	-
Amortisation of goodwill on consolidation	284,461	91,529	-	-
Auditors' remuneration				
- statutory audit	42,700	35,200	8,000	3,000
- under provision in prior year	8,000	6,000	5,000	-
Depreciation of property, plant and equipment	2,859,117	2,837,460	188,938	119,440
Directors' remuneration				
- fees	337,000	156,000	192,000	36,000
- other emoluments	1,603,303	1,852,049	871,240	850,330

30. PROFIT BEFORE TAXATION (Cont'd)

(a) Profit before taxation is arrived at:- (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Property, plant and equipment written off	115,010	3,796	-	-
Rental of machinery	4,458,500	8,709,293	-	-
Interest expense				
- bank overdrafts	769,248	187,107	-	-
- term loans	138,661	97,112	-	-
- others	569,870	656,271	70,779	25,317
Rental of motor vehicles	26,154	10,297	-	-
Rental of premises	1,894,447	706,801	182,000	180,000
Loss on disposal of other investment	-	15,566	-	-
Loss on disposal of investment in subsidiary	-	152,013	-	-
After crediting:-				
Dividend revenue				
- unquoted shares	-	(3,979)	-	-
Gain on disposal of property, plant and equipment	(815,982)	(317,976)	-	-
Interest revenue	(1,970,971)	(1,817,569)	(501,923)	(359,917)
Rental revenue				
- premises	(109,200)	(76,000)	-	-
- cylinders	-	(29,768)	-	-

(b) Employees Information

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs	15,485,195	15,352,332	1,644,535	1,471,367

The number of employees (included full time directors) of the Group and of the Company as at financial year end were 293 and 10 (2002 : 304 and 7) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. PROFIT BEFORE TAXATION (Cont'd)

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
<u>Executive Directors</u>				
Fees	127,000	120,000	-	-
Other emoluments	1,597,503	1,848,449	865,440	846,730
Benefits-in-kind	493,600	571,890	203,700	237,950
	2,218,103	2,540,339	1,069,140	1,084,680
<u>Non-Executive Directors</u>				
Fees	210,000	36,000	192,000	36,000
Other emoluments	5,800	3,600	5,800	3,600
Benefits-in-kind	15,967	-	-	-
	231,767	39,600	197,800	39,600

The Executive Directors are as follows:-

2003

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

2002

Dato' Haji Wan Zaki bin Haji Wan Muda
 Dato' Hamzah bin Hasan (Resigned on 1.3.2003)
 Dato' Wan Zakariah bin Haji Wan Muda
 W Zulkifli bin Haji W Muda
 Dato' Haji Mustaffa bin Mohamad

The Non-Executive Directors are as follows:-

2003

Dato' Ismail @ Mansor bin Said
 Dato' Hamzah bin Hasan (Resigned on 1.3.2003)
 Dato' Mohamed bin Awang (Resigned on 31.12.2003)
 Datuk (Prof.) A Rahman @ Omar bin Abdullah

2002

Dato' Ismail @ Mansor bin Said
 Dato' Mohamed bin Awang (Resigned on 31.12.2003)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Malaysian Income Tax				
- based on results for the year	6,248,507	6,822,030	3,622,647	7,000,030
Deferred tax expense relating to the reversal of temporary differences (Note 8)	(323,943)	(132,630)	(200)	3,240
Share of taxation of associated companies	3,413	-	-	-
	5,927,977	6,689,400	3,622,447	7,003,270
Under / (over) provision in prior years	114,881	(557,546)	115,752	-
Tax expense	6,042,858	6,131,854	3,738,199	7,003,270

Effective from Year of Assessment 2003, the Malaysian government enacted a change in the statutory tax rate from 28% to 20%, for companies with paid-up share capital of RM2.5 million and below at the beginning of the basis period, for chargeable income of up to RM100,000/-. For chargeable income in excess of RM100,000/-, statutory tax at the rate of 28% is still applicable.

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accounting profit before taxation	18,974,882	19,629,707	11,204,313	23,172,213
Tax at the statutory income tax rate of:				
- 20%	66,709	-	-	-
- 28%	5,219,575	5,496,318	3,137,208	6,488,220
	5,286,284	5,496,318	3,137,208	6,488,220
Tax effects arising from:-				
Tax effects of non-deductible expenses	417,404	1,194,281	223,145	515,135
Tax effects of non-taxable revenue	-	(1,199)	-	(85)
Deferred tax assets not recognised in the financial statements	262,094	-	262,094	-
Under / (over) provision of taxation in prior years	114,881	(557,546)	115,752	-
Effect of changes in deferred tax rate	(37,805)	-	-	-
Tax expense	6,042,858	6,131,854	3,738,199	7,003,270

Subject to agreement by the Inland Revenue Board:-

- (i) the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank payment of dividends out of its entire retained profits as at 31st December, 2003, without incurring additional tax liability; and
- (ii) the Company has tax exempt income account available for distribution by way of tax exempt dividends amounted to RM297,002/- (2002 : RM297,002/-). This is in respect of chargeable income of which the income tax has been waived.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group is calculated based on the profit after taxation and minority interest of RM12,907,324/- divided by the weighted average number of ordinary shares of RM1/- each in issue of 65,347,450.

Previous year's basic earnings per ordinary share is restated due to bonus issue in current financial year. It is calculated based on the profit after taxation and minority interest of RM13,436,017/- divided by the weighted average number of ordinary shares of RM1/- each in issue of 62,066,726.

The fully diluted earnings per ordinary share for the current financial year has been calculated using an enlarged weighted average number of shares of 66,009,137 after the inclusion of the number of unexercised options outstanding as at 31st December, 2003 of 3,224,600 shares.

Previous year's fully diluted earnings per ordinary share is restated using an enlarged weighted average number of shares of 62,180,826 after the inclusion of the number of unexercised options outstanding as at 31st December, 2002 of 3,654,000 shares.

The share options were calculated based on the number of shares which could have been acquired at the market price (the average twelve months price of the Company's share) based on the monetary value of the subscription rights attached to the outstanding share options. No adjustment is made to the net profit attributable to the shareholders for the share options calculations.

	No. of shares of RM1/- each
Weighted average number of shares as at 31.12.2003	65,347,450
Add : Adjustment for assumed exercised of ESOS options	661,687
Adjusted weighted average number of shares	66,009,137

33. PRIOR YEAR ADJUSTMENTS

In previous years, deferred tax was provided for using the partial basis of the balance sheet liability method. Under the partial basis, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and that there were no indications the temporary differences would reverse thereafter. In addition, deferred tax assets were only recognised when there was a reasonable expectation of realisation in the near future.

Upon adoption of MASB 25 : Income Taxes, the Group changed its accounting policy to the comprehensive basis of the balance sheet liability method. Under this method, deferred tax liabilities are recognised for all material temporary differences. 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 deferred tax asset can be utilised.

33. PRIOR YEAR ADJUSTMENTS (Cont'd)

The change in accounting policy has been applied retrospectively and the effects on the financial statements for the year ended 31st December, 2002 are as follows:-

	As Previously Reported RM	Effect of Change in Policy RM	As Restated RM
GROUP			
At 1st January, 2002			
<u>Statements of Changes in Equity</u>			
Retained profits	46,458,415	(160,570)	46,297,845
At 31st December, 2002			
<u>Statements of Changes in Equity</u>			
Revaluation reserve	7,371,460	(368,570)	7,002,890
<u>Balance Sheets</u>			
Reserves	65,402,958	(529,140)	64,873,818
Deferred tax liabilities	239,830	529,140	768,970

34. ACQUISITION OF SUBSIDIARY

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

- i) Effect of Acquisition of Subsidiary, Net of Cash Acquired

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. ACQUISITION OF SUBSIDIARY (Cont'd)

ii) Effect on Consolidated Income Statement

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

	GROUP
	2003
	RM
Operating revenue	-
Direct operating cost	-
Gross profit	-
Administrative costs	(16,751)
Other operating costs	(500)
	(17,251)
	(17,251)
Finance costs	(27)
Net loss for the year	(17,278)

iii) Effect on Consolidated Financial Position

The effect on the Consolidated Balance Sheet as at financial year end are as follows:-

	GROUP
	2003
	RM
Property, plant and equipment	145,854
Cash at bank	52
Other payables	(11,175)
Amount owing to related companies	(10,652)
	124,079

35. DISPOSAL OF SUBSIDIARY

On 31st December, 2002, AZSB's entire equity interest in a wholly owned subsidiary, Aimgas Sdn. Bhd. (formerly known as AZSB Industrial Marketing Sdn. Bhd.) was disposed of for a cash consideration of RM182,000/-.

i) Effect on Consolidated Financial Position

The effect on the consolidated financial position of the Group as at the effective date of disposal were as follows:-

	GROUP	
	2003 RM	2002 RM
Property, plant and equipment	-	18,281
Inventories	-	158,668
Trade receivables	-	186,964
Other receivables, deposits and prepayments	-	174,368
Cash and cash deposits	-	74,154
Trade payables	-	(149,300)
Other payables and accruals	-	(126,645)
Amount owing to directors	-	(2,477)
Total net assets	-	334,013
Loss on disposal of investment in subsidiary	-	(152,013)
Total disposal consideration	-	182,000
Less : Cash and cash deposits	-	(74,154)
Effect of disposal of subsidiary, net of cash disposed	-	107,846

ii) Effect on Consolidated Income Statement

The effect on the consolidated results of the Group up to the effective date of disposal were as follows:-

	GROUP	
	2003 RM	2002 RM
Operating revenue	-	301,723
Direct operating cost	-	(188,401)
Gross profit	-	113,322
Other operating revenue	-	44,882
Administrative costs	-	(240,031)
Other operating costs	-	(8,688)
	-	(248,719)
Loss from operations	-	(90,515)
Finance costs	-	(239)
Net loss for the year	-	(90,754)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM10,915,190/- (2002 : RM2,762,783/-) of which RM3,181,020/- (2002 : RM1,375,891/-) was financed by means of hire purchase. Cash payments of RM7,734,170/- (2002 : RM1,386,892/-) were made to purchase property, plant and equipment.

During the financial year, the Company acquired property, plant and equipment with aggregate cost of RM200,000/- (2002 : RM790,000/-) of which RM NIL (2002 : RM500,000/-) was financed by means of hire purchase. Cash payments of RM200,000/- (2002 : RM290,000/-) were made to purchase property, plant and equipment.

37. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances	29,024,465	5,146,286	1,943,867	429,664
Cash deposits with licensed banks	71,657,669	65,801,899	19,629,743	14,236,633
Bank overdrafts	(1,701,056)	(7,458,215)	-	-
	98,981,078	63,489,970	21,573,610	14,666,297

Included in cash deposits with licensed banks of the Group are deposits totalling RM34,941,574/- (2002 : RM25,163,071/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group and are only available to be utilised for repayment of the said facilities.

Included in cash deposits with licensed banks of the Company are deposits totalling RM2,224,201/- (2002 : RM2,155,682/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of a subsidiary, AZSB, and are only available to be utilised for repayment of the said facilities.

38. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Total instalment payments	5,466,939	3,722,044	401,660	522,164
Less : Future finance charges	(645,265)	(515,961)	(45,929)	(77,183)
Present value of hire purchase payables	4,821,674	3,206,083	355,731	444,981

38. HIRE PURCHASE PAYABLES (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Payable within one year				
Total instalment payments	1,782,107	1,261,972	120,504	120,504
Less : Future finance charges	(311,769)	(251,957)	(23,189)	(31,254)
Present value of hire purchase payables (Note 24)	1,470,338	1,010,015	97,315	89,250
Payable after one year but not later than five years				
Total instalment payments	3,684,832	2,460,072	281,156	401,660
Less : Future finance charges	(333,496)	(264,004)	(22,740)	(45,929)
Present value of hire purchase payables (Note 24)	3,351,336	2,196,068	258,416	355,731
	4,821,674	3,206,083	355,731	444,981

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

39. TERM LOANS - SECURED

	GROUP	
	2003 RM	2002 RM
Current Liabilities		
Repayable within one year (Note 24)	707,925	100,555
Non-Current Liabilities		
- Repayable after one year but not later than five years	2,075,981	498,020
- Repayable after five years but not later than ten years	1,033,078	510,462
Long term borrowings (Note 24)	3,109,059	1,008,482
	3,816,984	1,109,037

Term loan I which bears interest at rates ranging from 8.00% to 8.40% (2002 : 8.40%) per annum is repayable in equal monthly instalments over 10 years commencing in April 2001. This term loan is secured and supported as follows:-

- (a) first legal charge over leasehold land and building of a subsidiary, AZSB, as disclosed in note 2 to the financial statements; and
- (b) a corporate guarantee from the Company.

Term loan II which bears interest at a rate of 2.25% for the first year and subsequently at a rate of BLR + 0.6% (2002 : NIL) per annum is repayable in equal monthly instalments over 5 years commencing in April 2003. This term loan is secured by a first legal charge over freehold land and building of a subsidiary, AZSB, as disclosed in note 2 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. EQUITY COMPENSATION BENEFITS

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

The salient features of the ESOS are:-

- a) eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
 - b) the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;
 - c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
 - d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) for the five (5) Market Days immediately preceeding the Date of Offer;
 - e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
 - f) new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend that may be declared by the Company in respect of financial year ended 31st December, 2002 and any other dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.
- ii. During the financial year, the number of ESOS options granted, exercised and lapsed are as follows:-

	Number of Share Options	
	2003	2002
At 1st January	3,654,000	-
Adjustment / Granted	1,157,200	4,097,000
Exercised	(1,292,800)	(101,000)
Lapsed	(293,800)	(342,000)
At 31st December	3,224,600	3,654,000

40. EQUITY COMPENSATION BENEFITS (Cont'd)

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

Details of share options' adjustment / granted during the financial year:-

Exercise Period	Exercise Price	Number of Share Options	
	RM	2003	2002
29.7.2002 - 25.7.2012	2.88	-	4,097,000
2.9.2003 - 25.7.2012	2.05	*1,157,200	-
		1,157,200	4,097,000

* This is an adjustment made due to bonus issue on 2nd September, 2003 which resulted in the exercise price to reduce from RM2.88 to RM2.05.

Details of share options exercised during the financial year:-

Exercise Period	Exercise Price RM	Number of Share Options		Consideration Received
		2003	2002	RM
29.7.2002 - 31.12.2002	2.88	-	101,000	290,880
1.1.2003 - 2.9.2003	2.88	480,000	-	1,382,400
3.9.2003 - 31.12.2003	2.05	812,800	-	1,666,240
		1,292,800	101,000	3,339,520

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

Expiry Date	Exercise Price RM	Number of Share Options Outstanding	
		2003	2002
25.7.2012	2.05	3,224,600	3,654,000

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

	Number of ESOS Options Over Ordinary Shares of RM1/- Each				
	At 1.1.03	* Adjustment	Exercised	Lapsed	At 31.12.03
INTEREST IN SHARE OPTIONS PURSUANT TO THE ESOS					
Dato' Haji Wan Zaki bin Haji Wan Muda	420,000	168,000	-	-	588,000
Dato' Wan Zakariah bin Haji Wan Muda	304,000	121,600	-	-	425,600
W Zulkifli bin Haji W Muda	290,000	116,000	-	-	406,000
Dato' Haji Mustaffa bin Mohamad	320,000	128,000	-	-	448,000

* The adjustment is in respect of the bonus issue effected on 2nd September, 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-Trade				
Accommodation charged by				
Residence Inn & Motels Sdn. Bhd	-	3,732	-	-
Management fee charged to Ahmad Zaki Sdn. Bhd.	-	-	(1,200,000)	(240,000)
Management fee charged to Inter-Century Sdn. Bhd.	-	-	(300,000)	(60,000)
Dividend revenue from:-				
(i) Ahmad Zaki Sdn. Bhd.	-	-	(7,500,045)	(14,000,084)
(ii) Inter-Century Sdn. Bhd.	-	-	(4,000,008)	(11,000,022)
Administrative service charged by Zaki Holdings (M) Sdn. Bhd.	122,400	122,400	-	-
Rental paid and payable to Zaki Holdings (M) Sdn. Bhd.	420,000	420,000	180,000	180,000
Insurance premium paid and payable to Zaki Holdings (M) Sdn. Bhd.	294,288	192,554	-	-

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade				
Contract revenue received and receivable from Johawaki - Ahmad Zaki Joint Venture	-	(315,861)	-	-
Contract revenue received and receivable from Bumi Hiway - Ahmad Zaki Joint Venture	(6,610,917)	-	-	-

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade				
Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:-				
(i) Chuan Huat Industrial Marketing Sdn. Bhd.	4,002,775	12,633,348	-	-
(ii) Chuan Huat Hardware Sdn. Bhd.	626,793	807,215	-	-
Purchases from QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	25,341	162,917	-	-

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-Trade				
Management fee paid and payable to Aztech Corporation Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan (Resigned on 1.3.2003), Dato' Wan Zakariah bin Haji Wan Muda, Dato' Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors	-	88,620	-	-
Rental of premises paid to Dato' Haji Wan Zaki bin Haji Wan Muda	36,000	36,000	-	-
Professional fee paid to a director, Dato' Ismail @ Mansor bin Said	-	18,000	-	-
Purchase of share from Dato' Abdul Rahman bin Nasir, a director of Tadok Granite Manufacturing Sdn. Bhd.	2,000,000	-	2,000,000	-

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

42. CONTINGENT LIABILITIES**UNSECURED**

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Corporate guarantees given to financial institutions in respect of credit facilities granted to an associated company, Fasadimur Sdn. Bhd.	20,000,000	20,000,000	-	-
(b) Legal claims by suppliers of joint ventures of AZSB	3,677,234	3,677,234	-	-
(c) Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to AZSB	-	-	54,709,859	83,329,268

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

42. CONTINGENT LIABILITIES (Cont'd)**PARTIALLY SECURED**

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,000,000/- to a financial institution in respect of credit facilities granted to AZSB	-	-	1,708,724	15,267,851
	23,677,234	23,677,234	56,418,583	98,597,119

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

43. SEGMENTAL ANALYSIS - BY ACTIVITY

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets and liabilities do not include tax assets and tax liabilities respectively.

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

Business Segments

The Group comprises the following three major business segments:-

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

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

	Construction	Trading in oil and gas and other related services	Other operations	Eliminations	Consolidated
2003	RM	RM	RM	RM	RM
GROUP REVENUE					
External revenue	277,407,026	28,057,378	549,644	–	306,014,048
Inter-segment revenue	16,967,538	1,198,149	1,500,000	(19,665,687)	–
Total revenue	294,374,564	29,255,527	2,049,644	(19,665,687)	306,014,048
RESULT					
Segment result	14,181,510	9,304,578	(1,876,255)		21,609,833
Interest revenue					1,970,971
Interest expenses					(1,477,779)
Share of results in joint ventures	(3,106,735)				(3,106,735)
Share of results in associated companies	(21,408)				(21,408)
Income taxes					(6,042,858)
Profit after taxation but before minority interest					12,932,024
Minority interest					(24,700)
Net profit for the year					12,907,324
OTHER INFORMATION					
Segment assets	154,381,191	14,589,474	11,861,429		180,832,094
Investment properties					24,200,000
Tax assets					3,123,537
Deferred tax assets					159,613
Cash deposits with licensed banks					71,657,669
Other investments					115,500
Interest in joint ventures	185,868				185,868
Interest in associated companies	88,370				88,370
Consolidated total assets					280,362,651
Segment liabilities	132,344,100	2,310,147	10,778,862		145,433,109
Interest bearing borrowings					10,339,714
Tax liabilities					364,129
Deferred tax liabilities					604,640
Consolidated total liabilities					156,741,592
Capital expenditure	8,680,370	2,215,247	219,573	(200,000)	10,915,190
Depreciation	2,285,250	394,469	228,303	(30,000)	2,878,022

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Construction	Trading in oil and gas and other related services	Other operations	Eliminations	Consolidated
2002	RM	RM	RM	RM	RM
GROUP REVENUE					
External revenue	413,310,625	24,822,481	896,855	–	439,029,961
Inter-segment revenue	–	1,323,332	300,000	(1,623,332)	–
Total revenue	413,310,625	26,145,813	1,196,855	(1,623,332)	439,029,961
RESULT					
Segment result	13,973,451	8,326,500	(2,096,668)		20,203,283
Dividend revenue					3,979
Interest revenue					1,817,569
Interest expenses					(940,490)
Loss on disposal of other investment					(15,566)
Share of results in joint ventures	(1,350,028)				(1,350,028)
Share of results in associated companies	(89,040)				(89,040)
Income taxes					(6,131,854)
Profit after taxation but before minority interest					13,497,853
Minority interest					(61,836)
Net profit for the year					13,436,017
OTHER INFORMATION					
Segment assets	144,646,990	12,192,388	7,340,586		164,179,964
Investment properties					24,200,000
Tax assets					1,229,118
Cash deposits with licensed banks					65,801,899
Other investments					1,115,500
Interest in joint ventures	3,542,603				3,542,603
Interest in associated companies	113,191				113,191
Consolidated total assets					260,182,275
Segment liabilities	127,991,827	3,823,034	1,407,092		133,221,953
Interest bearing borrowings					13,398,813
Tax liabilities					138,028
Deferred tax liabilities					768,970
Consolidated total liabilities					147,527,764
Capital expenditure	1,498,548	473,840	790,395		2,762,783
Depreciation	2,587,721	111,266	153,903		2,852,890

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

44. CAPITAL COMMITMENT

	2003 RM	2002 RM
Approved and contracted but not provided for	-	4,950,000

Capital commitment in previous year was in respect of purchase of freehold land and building from third party.

45. SIGNIFICANT EVENTS

- 1) On 14th February, 2003, the Company disposed of its entire investment of 1,000,000 ordinary shares in CIDB Inventures Sdn. Bhd. at par value for cash.
- 2) On 12th April, 2003, the Company incorporated a wholly owned subsidiary known as AZRB International Ventures Sdn. Bhd. with a paid-up share capital of RM2/-.
- 3) On 30th April, 2003, the Company made an offer to purchase the entire equity interest in Tadok Granite Manufacturing Sdn. Bhd. (formerly known as Tadok Granite Manufacturing Sdn. Bhd.) for a cash consideration of RM4,000,000/-. The acquisition was finally completed on 15th July, 2003.
- 4) On 30th July, 2003, the Company obtained approvals from the relevant authorities for the following corporate proposals:-
 - (a) a bonus issue of up to 20,372,440 new ordinary shares of RM1/- each on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1/- each in the Company;
 - (b) a transfer listing from the Second Board to the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange); and
 - (c) a private placement of up to 7,130,000 new ordinary shares of RM1/- each in the Company.
- 5) On 26th June, 2003, a wholly owned subsidiary, Inter-Century Sdn. Bhd., entered into an agreement to renew the Throughput Agreement with Petronas Dagangan Berhad for another five (5) years until 31st May, 2008 with five (5) years renewable option.
- 6) On 2nd September, 2003, the bonus issue was effected by capitalising RM8,688,317/- from the share premium account and RM10,024,083/- from the retained profits of the Company. The Bonus Shares will rank pari passu in all respects with existing shares save and except that they will not be entitled to any dividends declared in respect of the financial year ended 2002 and any other dividends, rights, allotments and/or distributions, the entitlement date of which precedes the date of allotment of the Bonus Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

45. SIGNIFICANT EVENTS (Cont'd)

- 7) On 10th September, 2003, the Company transferred its listing status from the Second Board to the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange).
- 8) On 20th November, 2003, the Company obtained approval from Securities Commission to extend the deadline for its private placement from 5th November, 2003 to 5th May, 2004.

46. SUBSEQUENT EVENTS

- 1) On 6th January, 2004, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for Subang-Kelana Link project in Kuala Lumpur, Malaysia for RM182,347,000/-.
- 2) On 19th January, 2004, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd. acquired the entire issued share capital of Hidro Fokus Sdn. Bhd. for a purchase consideration of RM2/-.
- 3) On 16th March, 2004, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd. received a Letter of Award from Perbadanan Putrajaya for Mosque, Kiblat Walk project in Kuala Lumpur, Malaysia for RM208,843,691/-.

47. FINANCIAL INSTRUMENTS

- a) Financial Risk Management Policies

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

- i) Interest Rate Risk

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

47. FINANCIAL INSTRUMENTS (Cont'd)

a) Financial Risk Management Policies (Cont'd)

i) Interest Rate Risk (Cont'd)

The effective interest rate and the periods in which the financial assets and liabilities reprice or mature, whichever is earlier, are as follows:-

GROUP	Effective Interest Rate	Total	Maturity		
			Within 1 year	More than 1 but less than 5 years	After 5 years
	%	RM	RM	RM	RM
2003					
Financial Assets					
Cash deposits	2.60 to 4.00	71,657,669	71,657,669	-	-
Financial Liabilities					
Bank overdrafts	7.00 to 8.15	1,701,056	1,701,056	-	-
Term loans	2.25 to 8.40	3,816,984	707,925	2,075,981	1,033,078
Hire purchase payables	6.36 to 15.80	4,821,674	1,470,338	3,351,336	-
2002					
Financial Assets					
Cash deposits	2.60 to 4.25	65,801,899	65,801,899	-	-
Financial Liabilities					
Bank overdrafts	7.40 to 8.40	7,458,215	7,458,215	-	-
Trust receipts	7.40 to 7.65	1,625,478	1,625,478	-	-
Term loans	8.40	1,109,037	100,555	498,020	510,462
Hire purchase payables	7.86 to 17.27	3,206,083	1,010,015	2,196,068	-

ii) 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 exposure to any individual customer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. FINANCIAL INSTRUMENTS (Cont'd)

a) Financial Risk Management Policies (Cont'd)

iii) 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 values of the following classes of financial assets and liabilities are as follows:-

i) Cash and cash deposits, trade and other receivables and payables

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

ii) Borrowings

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

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

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

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

	Note	GROUP		COMPANY	
		Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
2003		RM	RM	RM	RM
Financial Assets					
Unquoted investments	7	115,500	* –	68,000	* –
Financial Liabilities					
Hire purchase payables	38	4,821,674	4,791,308	355,731	354,896
2002					
Financial Assets					
Unquoted investments	7	1,115,500	* –	1,068,000	* –
Financial Liabilities					
Hire purchase payables	38	3,206,083	3,280,584	444,981	446,427

* 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)

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Fair Values (Cont'd)

ii) Borrowings (Cont'd)

The nominal / notional amount and net fair value of financial instruments not recognised in the balance sheet of the Group and of the Company are:-

	2003	Note	GROUP		COMPANY	
			Nominal / Notional Amount RM	Net Fair Value RM	Nominal / Notional Amount RM	Net Fair Value RM
Contingent liabilities in respect of:-						
Corporate guarantees given to financial institutions of Fasatimur Sdn. Bhd.		42 (a)	20,000,000	20,000,000	-	-
Legal claims by suppliers of joint ventures of AZSB		42 (b)	3,677,234	* -	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB		42 (c)	-	-	54,709,859	54,632,087
Corporate guarantees given to a financial institution of AZSB		42 (partially secured)	-	-	1,708,724	1,708,724
			23,677,234	20,000,000	56,418,583	56,340,811
Contingent liabilities in respect of:-						
Corporate guarantees given to financial institutions of Fasatimur Sdn. Bhd.		42 (a)	20,000,000	20,000,000	-	-
Legal claims by suppliers of joint ventures of AZSB		42 (b)	3,677,234	* -	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB		42 (c)	-	-	83,329,268	83,365,115
Corporate guarantees given to a financial institution of AZSB		42 (partially secured)	-	-	15,267,851	15,267,851
			23,677,234	20,000,000	98,597,119	98,632,966

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

48. COMPARATIVE FIGURES

- i) Certain comparative figures have been restated to reflect the prior year adjustments as disclosed in note 33 to the financial statements.
- ii) The following comparative figures of balance sheets, consolidated cash flow statement and notes to the financial statements have been reclassified to conform with current year's presentation of other receivables, trade payables and other payables.

	As Previously Reported	Effects	As Reclassified
GROUP	RM	RM	RM
BALANCE SHEETS			
Other receivables, deposits and prepayments	8,033,633	(2,622,930)	5,410,703
Trade payables	(122,450,875)	2,397,618	(120,053,257)
Other payables	(3,447,137)	225,312	(3,221,825)

- iii) The following comparative figures of income statements have been reclassified to better reflects the nature of the costs.

	As Previously Reported	Effects	As Reclassified
GROUP	RM	RM	RM
INCOME STATEMENTS			
Distribution costs	(768,304)	768,304	-
Administrative costs	(13,899,566)	(768,304)	(14,667,870)

- iv) The following comparative figures of cash flow statements have been reclassified to better reflects its nature of activity which involved the reclassification of advances to related companies and repayments from related companies from financing activities to investing activities.

	As Previously Reported	Effects	As Reclassified
GROUP	RM	RM	RM
CONSOLIDATED CASH FLOW STATEMENT			
Net cash generated from investing activities	8,149,706	187,753	8,337,459
Net cash generated from financing activities	9,742,997	(187,753)	9,555,244
COMPANY			
CASH FLOW STATEMENT			
Net cash used in investing activities	11,556,499	(14,713,552)	(3,157,053)
Net cash generated from financing activities	(5,019,254)	14,713,552	9,694,298

48. COMPARATIVE FIGURES (Cont'd)

- v) The following notes to the financial statements have been restated to better reflect the activity of the segment.

NOTES TO THE FINANCIAL STATEMENTS
SEGMENTAL ANALYSIS - BY ACTIVITY (Note 43)

GROUP	As Previously Reported	Effects	As Restated
	RM	RM	RM
<u>REVENUE</u>			
Inter-segment revenue			
- Other operations	25,300,106	(25,000,106)	300,000
- Eliminations	(26,623,438)	25,000,106	(1,623,332)
<u>RESULT</u>			
Segment result			
- Other operations	22,903,438	(25,000,106)	(2,096,668)
- Eliminations	(25,000,106)	25,000,106	-

49. GENERAL INFORMATION

- (a) Principal Activities

The Company is principally engaged in investment holding and provision of management services. During the financial year, the Company extended its principal activities as contractors of civil and structural construction works. The principal activities of the subsidiaries are shown in note 4 to the financial statements. There have been no other significant changes in the activities of the Company and its subsidiaries during the financial year.

- (b) Registered Office

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

- (c) Principal Place of Business

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

- (d) Holding Company

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

- (e) Date of Authorisation for Issue

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 29th April, 2004.

ANALYSIS OF SHAREHOLDINGS

As At 5 May, 2004

Authorised Share Capital : RM100,000,000
 Issued and Fully Paid-up Share Capital : RM66,566,000

Class of Shares : Ordinary Share of RM1.00 each
 Voting Rights : One vote per RM1.00 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
THE COMPANY				
AHMAD ZAKI RESOURCES BERHAD				
Raja Dato' Seri Aman Bin Raja Haji Ahmad	-	-	-	-
Dato' Haji Wan Zaki Bin Haji Wan Muda	598,690	0.90	39,012,410	58.61*
Dato' Wan Zakariah Bin Haji Wan Muda	149,674	0.22	-	-
Datuk (Prof.) A Rahman Bin Abdullah	140,000	0.21	-	-
Dato' Haji Mustaffa Bin Mohamad	1,226,912	1.84	-	-
Dato' Ismail @ Mansor Bin Said	1	-	-	-
W Zulkifli Bin Haji W Muda	95,874	0.14	-	-
ULTIMATE HOLDING COMPANY				
ZAKI HOLDINGS (M) SDN. BHD.				
Dato' Haji Wan Zaki Bin Haji Wan Muda	50,001	50.00	-	-
Dato' Wan Zakariah Bin Haji Wan Muda	10,000	10.00	-	-
W Zulkifli Bin Haji W Muda	10,000	10.00	-	-

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

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

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 5 May 2004.

DISTRIBUTION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Shareholding	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	53	0	2,645	0	0.00	0.00
100 to 1,000	374	2	308,220	1,800	0.46	0.00
1,001 to 10,000	1,437	16	5,045,180	82,880	7.58	0.12
10,001 to 100,000	185	4	5,096,268	82,360	7.66	0.12
100,001 to less than 5% of Issued Shares	29	0	16,934,237	0	25.44	0.00
5% and above of Issued Shares	1	0	39,012,410	0	58.61	0.00
Total	2,079	22	66,398,960	167,040	99.75	0.24

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

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
1 Zaki Holdings (M) Sdn. Bhd.	39,012,410	58.61	-	-
2 Dato' Haji Wan Zaki Bin Haji Wan Muda	598,690	0.90	39,012,410	58.61*

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

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	Shares Held	%
1	Zaki Holdings (M) Sdn. Bhd.	39,012,410	58.61
2	OSK Nominees (Tempatan) Sdn. Bhd. - Idris Bin Mohammad	2,479,445	3.72
3	Employees Provident Fund Board	1,927,740	2.90
4	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,354,700	2.03
5	Universal Trustee (Malaysia) Berhad - SBB Dana Al-Azam	1,116,200	1.68
6	AMMB Nominees (Tempatan) Sdn. Bhd. - Amtrustee Berhad for SBB Dana Al-Ihsan (5-2-7)	820,300	1.23
7	Nik Mahani Binti Nik Mohd Rashid	814,127	1.22
8	Qutronics Sdn. Bhd.	784,000	1.18
9	Betanaz Corporation Sdn. Bhd.	784,000	1.18
10	Al Wakalah Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Dato' Haji Mustaffa Bin Mohamad (CKT)	784,000	1.18
11	BHLB Trustee Berhad - TA Small Cap Fund	762,900	1.15
12	Mohd Najib Bin Mashhor	680,000	1.02
13	Dato' Haji Wan Zaki Bin Haji Wan Muda	598,690	0.90
14	M & A Securities Sdn. Bhd. - IVT (B)	467,500	0.70
15	Dato' Haji Mustaffa Bin Mohamad	442,912	0.67
16	OSK Nominees (Tempatan) Sdn. Bhd. - Nordin Bin Abu Bakar	423,429	0.64
17	Rosmini Azah Binti Abdul Rahman	323,800	0.49
18	BHLB Trustee Berhad - Prusmall - Cap Fund	288,000	0.43
19	Dato' Hamzah Bin Hasan	277,200	0.42
20	Geosakti Sdn. Bhd.	276,800	0.41
21	Mayban Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Lee Keng Hong	216,860	0.33
22	Ruziah Azdi Binti Abdul Rahman	209,000	0.31
23	Tengku Ab Malek Bin Tengku Mohamed	178,360	0.27
24	Dato' Wan Zakariah Bin Haji Wan Muda	149,674	0.22
25	Hong Leong Finance Berhad - Pledged Securities Account For Lam Kim Chiap	140,600	0.21
26	Datuk (Prof) A Rahman & Omar Bin Abdullah	140,000	0.21
27	Razana Azian Binti Abdul Rahman	132,400	0.20
28	Sbbam Nominees (Tempatan) Sdn. Bhd. - Amal Assurance Bhd (Non-Par)	125,000	0.19
29	Raiha Azni Binti Abd Rahman	122,000	0.18
30	Goonchen Investment Trust Sdn. Bhd.	114,600	0.17
Total		55,946,647	84.05

LIST OF PROPERTIES

As At 31 December, 2003

Title & location of property	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV RM'000
GM372, Lot 981 and GM 4708, Lot 985 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 981 and Lot 985")	Vacant land	Freehold	54,967 sq. ft.	4,950
EMR 873, Lot 826 Mukim Sungai Karang, Kuantan Pahang ("Lot 826")	Land and 1- storey and 3- storey buildings held for rental	Freehold/ (10 years)	202,815/ (64,670) sq. ft.	19,250
HS (M) 1038, Lot PT 4782 and HS (M) 1039, Lot PT 4783 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 4782 and Lot PT 4783")	Adjoining 4- storey buildings for own use	Freehold (8 years)	3,498/ (20,728) sq. ft.	4,186
HS (M) 994, Lot PT 16360 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16360")	4-storey building for own use	Freehold (18 years)	1,581/ (8,000) sq. ft.	1,371
HS (D) 15563, Lot 4910 PT 1921 Mukim Hulu Klang District Gombak Negeri Selangor ("Lot PT 4970")	Double storey bungalow	Leasehold expired 17.06.2078/ (19 years)	10,332/ (2,457) sq. ft.	1,631
GM 1821, Lot No 5413 Mukim Kuala Lumpur District of Negeri Wilayah Persekutuan ("Lot PT 5419")	Double storey bungalow	Freehold (26 years)	42,738/ (9,640) sq. ft.	5,784
Lot PT 2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu ("Lot PT 2100")	Vacant Land	Leasehold expired 18.10.2025	20 hectares	146

*I/We,

of

being a *member/members of AHMAD ZAKI RESOURCES BERHAD

hereby appoint

of

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company, to be held at East VIP Lounge of Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 23 June 2004 at 10.00 a.m. and, at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

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

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

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

No.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		

No.	RESOLUTIONS	FOR	AGAINST
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		

(Please indicate with an "X" in the appropriate spaces provided above as to how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).

As Witness my hand this day of 2004.

.....
Signature of member(s)/seal

Number of Shares Held:	
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NOTES:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
5. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. The proposed ordinary resolution No. 8, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a General Meeting will expire at the next Annual General Meeting of the Company.
8. The proposed ordinary resolutions No. 9 & 10, if passed, will allow the AZRB Group to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandate").

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

Further information on the Proposed Shareholders' Mandate is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2003.