

BUILDING
THE FUTURE

annual report

'07

Value Statement

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



Cover Rationale

The cover design depicts AZRB's vision in enhancing its position as a leading construction group in both the domestic and international markets through focusing on consolidating its operations and growing its core business.

The Group is now poised to take on the next level of excellence, a level that will create new opportunities in a vast and dynamic environment.

Our global reach is matched by global calibre. In all our operations, AZRB practise international standards of best practices and performance.

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Achieved in 2007

RM526 million

Total Revenue

RM42 million

Profit Before Tax

RM27 million

Profit After Tax

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, SIME Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 17 June 2008 at 10.00 am for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a first and final dividend of 5 sen gross per share less 26% tax for the year ended 31 December 2007. **(Resolution 2)**
3. To approve the payment of Directors' fees for the year ended 31 December 2007. **(Resolution 3)**
4. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-
 - (i) Raja Dato' Seri Aman bin Raja Haji Ahmad **(Resolution 4)**
 - (ii) Dato' W Zulkifli bin Haji W Muda **(Resolution 5)**
5. To appoint Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed on page 137 of the Annual Report has been received by the Company for the nomination of Messrs Moore Stephens AC who have given their consent to act for appointment as Auditors and of the intention to proposed the following Ordinary Resolution:-

"THAT Messrs Moore Stephens AC be and is hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Moore Stephens, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

As Special Business:

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

6. ORDINARY RESOLUTION:

AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

(Resolution 7)

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

7. ORDINARY RESOLUTION:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE (Resolution 8)

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia ("Listing Requirements"), approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 21 May 2008 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arms' length to the minority shareholders of the Company;

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 12th 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 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 12th 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 Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

Notice of Annual General Meeting (Cont'd)

8. ORDINARY RESOLUTION:

PROPOSED SHARE BUY-BACK

(Resolution 9)

"THAT, subject to compliance with the applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to purchase and / or hold up to ten percent (10%) of the issued and paid-up share capital of Ahmad Zaki Resources Berhad ("AZRB") ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company.

AND THAT the amount of the funds to be allocated for the buy-back of the Company's own shares shall not exceed the retained profits and share premium accounts of the Company and upon completion of the buy-back by the Company of its own shares, the Directors of the Company are authorised to deal with the ordinary shares of RM0.50 each in AZRB ("AZRB Shares") so purchase in any of the following matters:-

- (i) cancel the AZRB Shares so purchased; or
- (ii) retain the AZRB Shares so purchased as treasury shares which may be distributed as dividend to shareholders or resold on the market of Bursa Securities or subsequently cancelled; or
- (iii) retain part of the AZRB Shares so purchased as treasury shares and cancel the remainder; and/or
- (iv) deal with the AZRB Shares in any other manner as may be allowed or prescribed by the Companies Act, 1965, Companies Regulations, 1966 and Listing Requirements of Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and other requirements issued by the relevant authorities.

AND THAT such authority shall commence immediately upon passing this resolution until the conclusion of the next Annual General Meeting ("AGM") of AZRB at which time the authority shall lapse unless by ordinary resolution passed at that meeting the authority is renewed either unconditionally or subject to conditions, the expiration of the period within which the next AGM is required by law to be held or unless earlier revoked or varied by ordinary resolution of the shareholders in a general meeting, whichever occurs first.

AND THAT the Directors of AZRB be and are hereby authorised with the full powers to assent to any modifications and/or amendments as may be required by any relevant authorities as they may deem fit and to enter into all such transactions, arrangements, or agreements as may be necessary or expedient in order to give full effect to the Proposed Share Buy-Back."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the first and final dividend of 5 sen gross per share less 26% tax for the financial year ended 31 December 2007, if approved, will be paid on 16 July 2008 to depositors registered in the Record of Depositors at the close of business on 9 July 2008.

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

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 9 July 2008 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 (LS 0008773)
LIM MING TOONG (MAICSA 7000281)
SEUHAILEY BINTI SHAMSUDIN (MAICSA 7046575)
Secretaries

Kuala Lumpur
24 May 2008

NOTES:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
5. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. **Resolution 7**
The proposed ordinary resolution No. 7, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a General Meeting will expire at the next Annual General Meeting of the Company.
8. **Resolution 8**
Please refer to the Circular to Shareholders dated 21 May 2008 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2007.
9. **Resolution 9**
Please refer to the Circular to Shareholders dated 21 May 2008 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2007.

Statement Accompanying

Notice of Annual General Meeting

1. Board Meetings held in the financial year ended 31 December 2007

There were six (6) Board Meetings held during the financial year ended 31 December 2007. Details of the attendance of the Directors are as follows:-

Executive Directors	Total Meeting Attended	% of Attendance
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	6/6	100%
Dato' Wan Zakariah bin Haji Wan Muda	6/6	100%
Dato' Haji Mustaffa bin Mohamad	6/6	100%
Dato' W Zulkifli bin Haji W Muda	6/6	100%
Non-Executive Directors		
Raja Dato' Seri Aman bin Raja Haji Ahmad	6/6	100%
Datuk (Prof) A Rahman @ Omar bin Abdullah	6/6	100%
Dato' Ismail @ Mansor bin Said	5/6	83%

2. Place, date and time of Meeting

The Eleventh Annual General Meeting of the Company will be held at Dillenia & Eugenia Room, Ground Floor, SIME Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 17 June 2008 at 10.00 am.

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

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

- (i) Raja Dato' Seri Aman bin Raja Haji Ahmad
- (ii) Dato' W Zulkifli bin Haji W Muda

Details of Directors are set out on pages 12 to 15 of this Annual Report and their securities holdings in the Company are set out in the Analysis of shareholdings on page 138.



Corporate Information



From left to right (front row):
Raja Dato' Seri Aman Bin Raja Haji Ahmad & Dato' Sri Haji Wan Zaki Bin Haji Wan Muda

From left to right (back row):
Dato' Haji Mustaffa Bin Mohamad, Dato' Ismail @ Mansor Bin Said, Dato' W Zulkifli Bin Haji W Muda,
Datuk (Prof.) A Rahman @ Omar Bin Abdullah & Dato' Wan Zakariah Bin Haji Wan Muda

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

1. Raja Dato' Seri Aman Bin Raja Haji Ahmad (Chairman, Independent Non-Executive Chairman)
2. Dato' Ismail @ Mansor Bin Said (Member, Independent Non-Executive Director)
3. Datuk (Prof.) A Rahman @ Omar Bin Abdullah (Independent, Non-Executive Director)

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

REGISTRAR

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

PRINCIPAL BANKERS

AmBank Berhad
AmInvestment Bank Berhad
CIMB Bank Berhad
Kuwait Finance House (Malaysia) Berhad
OCBC Bank (Malaysia) 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 Securities Berhad

Corporate Structure

Construction & Properties

Ahmad Zaki Sdn Bhd	100%
AZRB Properties Sdn Bhd	100%
AZSB Machinerics Sdn Bhd	100%
EKVE Sdn Bhd	100%
Trend Vista Development Sdn Bhd	100%
Kemaman Technology & Industrial Park Sdn Bhd	60%
Fasa Timur Sdn Bhd	50%
Maxi Heritage Sdn Bhd	20%

Overseas Investment

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

Oil & Gas

Inter-Century Sdn Bhd	100%
Astral Far East Sdn Bhd	100%
Eastern Pacific Industrial Corporation Berhad	21%

Plantation

PT Ichtiar Gusti Pudi	95%
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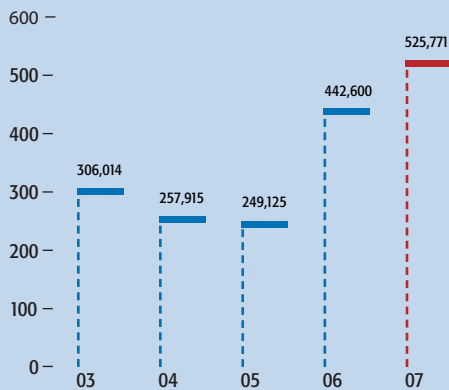
Quarry Operation

Tadok Granite Manufacturing Sdn Bhd	100%
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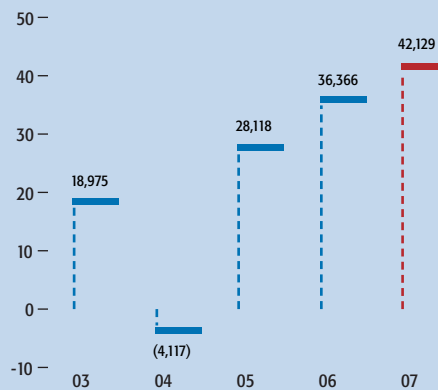


Financial Highlights

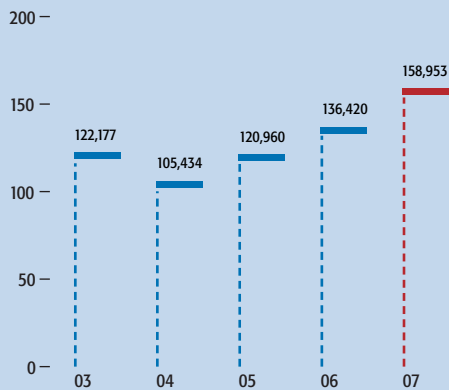
Revenue RM'000



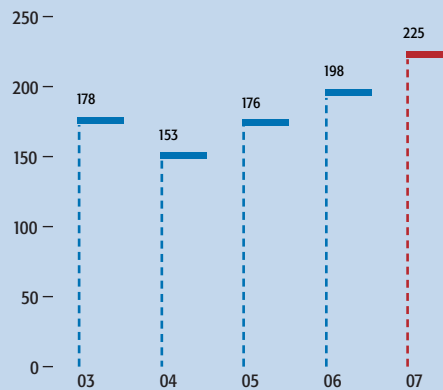
Profit/(Loss) before Taxation RM'000



Shareholders' Funds RM'000



Net Tangible per Share Sen



Group Five Year Summary	Year Ended 31 December				
	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	306,014	257,915	249,125	442,600	525,771
Profit/Loss before taxation	18,975	(4,117)	28,118	36,366	42,129
Profit/Loss after taxation & minority interest	12,907	(11,747)	18,899	24,154	26,295
Paid up Capital	66,306	66,710	66,710	66,710	69,133
Shareholder's funds	122,177	105,434	120,960	136,420	158,953
Net tangible assets per share (sen)	178	153	176	198	225

Directors' Profile



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



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



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



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



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



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



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

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

A Malaysian, aged 62, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26th February 2004 and subsequently assumed the Chairman of Audit Committee on 8th April 2004. He is also the Chairman of Risk Management Committee and sits on the Remuneration and Nomination Committee as an ordinary member.

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

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

During the financial year ended 31 December 2007, he attended six out of six Board meetings held.

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

A Malaysian, aged 59, was appointed the Executive Vice Chairman of AZRB on 24 March 1999. He subsequently held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of AZRB on 26 February 2004. He is presently the Chairman of Remuneration Committee and an ordinary member of the Risk Management Committee.

He is the founding member of AZSB. Dato' Sri Haji Wan Zaki began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd, a Pahang state-owned company. In 1973, he joined 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' Sri Haji Wan Zaki is also a Director of Chuan Huat Resources Bhd and sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2007, he attended six out of six Board meetings held.

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA DSSA

A Malaysian, aged 48, was appointed an Executive Director of AZRB on 24 March 1999 and subsequently assumed the post of Managing Director of AZRB with effect from 1 January 2003. He is presently the post of 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.

On 20 November 2007, Dato' Wan Zakariah was appointed as a Non-Executive and Non-Independent Director of Eastern Pacific Industrial Corporation Berhad. He also sits on the boards of directors of several private limited companies. He is also currently the Vice President of the Master Builders Association Malaysia.

During the financial year ended 31 December 2007, he attended six out of six Board meetings held.

Directors' Profile (Cont'd)

DATO' HAJI MUSTAFFA BIN MOHAMAD DPMT, PIK

A Malaysian, aged 57, was appointed an Executive Director of AZRB on 24 March 1999 and is an ordinary member of the Establishment Committee.

He obtained his Bachelor of Law (Honours) degree from the University of London, England in 1976, and was called to the English Bar at Lincolns Inn in 1981. In 1985 he obtained a Post Graduate Diploma in Port and Shipping Administration from the University of Wales, Institute of Science and Technology, Cardiff. He is also a member of the Chartered Institute of Logistic and 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 a Director of AZSB, AFE and also a Managing Director of ICSB.

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

During the financial year ended 31 December 2007, he attended six out of six Board meetings held.

DATO' W ZULKIFLI BIN HAJI W MUDA DIMP

A Malaysian, aged 46, was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee as an ordinary member.

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

Dato' W Zulkifli 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 2007, he attended six out of six Board meetings held.

DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH

PJM, DPMT, JSM, SMT, AMN

A Malaysian, aged 62, was appointed an Independent Non-Executive Director on 1 January 2003. Effective from 29 November 2007, he was appointed as an ordinary member of the Audit Committee. He also sits on the Remuneration and Nomination Committee as an ordinary member.

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

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

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

During the financial year ended 31 December 2007, he attended six out of six Board meetings held.

DATO' ISMAIL @ MANSOR BIN SAID DPMT, AMN

A Malaysian, aged 59, was appointed a Non-Executive Director on 26 May 1997 and subsequently assumed the responsibility as an Independent Director. He presently sits on the Audit Committee, Risk Management Committee and Remuneration Committee as an ordinary member and is the Chairman of the Nomination Committee.

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

During the financial year ended 31 December 2007, he attended five out of six Board meetings held.

Notes:**Family Relationship**

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

Conflict of Interest

Save as disclosed in the related party transactions on pages 109 to 110 (note 44) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

Convictions for Offences

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

Statement of Internal Control

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

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

RISK MANAGEMENT

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

The following are the key principles of the ERM framework:

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

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

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

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

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

CONTROL ACTIVITIES AND PROCEDURES

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

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

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

INFORMATION AND COMMUNICATION

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

MONITORING

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

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

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

This statement of internal control is made in accordance with the resolution of the Board of Directors dated 25 April 2008.

Corporate Governance Statement

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

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

SECTION 1: DIRECTORS

(a) Composition of the Board

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

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

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

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

(b) Board Responsibilities and Supply of Information

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

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

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

b) Board Responsibilities and Supply of Information (Cont'd)

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

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

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

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

NOMINATION COMMITTEE

Primary function

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

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

Member

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

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

The Company Secretary is the secretary of the Nomination Committee.

(b) Board Responsibilities and Supply of Information (Cont'd)

REMUNERATION COMMITTEE

Primary function

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

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

Member

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

- i. Dato' Sri Haji Wan Zaki bin Haji Wan Muda (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 Employee Share Option Scheme ("ESOS") under the direction of the Board, in accordance with the rules and regulations determined by the authorities.

Member

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

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

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

The Establishment Committee hold four meetings during the financial year ended 31 December 2007.

(b) Board Responsibilities and Supply of Information (Cont'd)**RISK MANAGEMENT COMMITTEE (BOARD)****Primary Function**

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

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

The members of the Committee are as follows:

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

(c) Board Meetings

During the financial year ended 31 December 2007, six (6) meetings were held. The date and details of attendance of each Board meeting held are as follows:-

Date of meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non Independent
27 February 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
25 May 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
19 June 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	2 (67%)	4 (100%)

Corporate Governance Statement (Cont'd)

(c) Board Meetings (Cont'd)

Date of meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non-Independent
22 June 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
27 August 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)
28 November 2007	4th Floor, Meeting Room Ahmad Zaki Resources Berhad No 88, Jalan Gombak 53100 Kuala Lumpur	7	3 (100%)	4 (100%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2007 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.

(e) Directors' Remuneration (Cont'd)

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

	Salaries* RM	Allowances RM	Fees RM	Bonuses RM	Benefits- in-kind RM	Total RM
Executive Directors	1,917,377	8,700	822,953	232,008	635,020	3,616,058
Non-Executive Directors	–	–	390,000	–	49,450	439,450

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

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	–	1
RM50,001 – RM150,000	–	–
RM150,001 – RM200,000	–	1
RM200,001 – RM250,000	–	1
RM250,001 – RM600,000	–	–
RM600,001 – RM650,000	1	–
RM650,001 – RM800,000	–	–
RM800,001 – RM850,000	1	–
RM850,001 – RM900,000	1	–
RM900,001 – RM1,300,000	–	–
RM1,300,001 – RM1,350,000	1	–

(f) Directors' Training

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training program as prescribed by the BMSB 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 BMSB and have been attaining CEP prescribed by the BMSB from time to time.

Corporate Governance Statement (Cont'd)

(g) Re-election of Directors

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

SECTION 2: RELATIONSHIP WITH SHAREHOLDERS

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

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

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 BMSB, which includes announcement on quarterly results; and
- iii. The Company website at <http://www.azrb.com>.

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

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

SECTION 3: ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

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

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

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

(b) Internal Control and Risk Management

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

(c) Relationship with the External Auditors

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

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors dated 25 April 2008.

Statement of Directors' Responsibilities In Preparing the Financial Statements

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

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

- adopted suitable accounting policies and apply them consistently;
- made 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 25 April 2008.

Report of the Audit Committee

COMPOSITION OF THE AUDIT COMMITTEE / MEMBERSHIP

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

- i. Raja Dato' Seri Aman bin Raja Haji Ahmad (Independent Non Executive Chairman, Chairman)
- ii. Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Member)
- iii. Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Non-Independent Executive Vice Chairman) (*resigned effective on 29th November 2007*)
- iv. Datuk (Prof.) A. Rahman @ Omar bin Abdullah (Independent, Non-Executive Member) (*appointed effective on 29th November 2007*)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Terms of Membership

- i. The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three members, of whom majority are Independent Directors.
- ii. The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- iii. In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three months.
- iv. The Board of Directors shall review the term of office and the performance of the Committee and each of its members at least once in every three years.
- v. No alternate Director shall be appointed as a member of the Committee.

Meetings and Quorum of the Audit Committee

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

Report of the Audit Committee (Cont'd)

Functions of the Audit Committee

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

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

Review of the Audit Committee

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

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2007 are as follows:-

Date of meeting	Total Committee Members	Attendance by Committee Members (Percentage Attendance)	
		Independent	Non-Independent
27 February 2007	3	2 (100%)	1 (100%)
13 March 2007	3	2 (100%)	1 (100%)
24 April 2007	3	2 (100%)	1 (100%)
24 May 2007	3	2 (100%)	1 (100%)
27 August 2007	3	2 (100%)	1 (100%)
31 October 2007	3	2 (100%)	1 (100%)
28 November 2007	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 2007 are as follows:-

Name of Audit Committee member	Total meetings attended by Audit Committee member	% of Attendance
Raja Dato' Seri Aman bin Raja Haji Ahmad	7/7	100%
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	7/7	100%
Dato' Ismail @ Mansor bin Said	7/7	100%
Datuk (Prof.) A Rahman @ Omar bin Abdullah*	-	-

* No meeting was held subsequent to his appointment

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2007 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 of Bursa Malaysia

SHARE BUY BACK

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

OPTION, WARRANTS OR CONVENTIONAL SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 45 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2007.

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

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

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

SANCTIONS AND/PENALTIES

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

PROFIT GUARANTEE

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2007.

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties held for long term investment purpose.

NON AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2007.

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 2007.

MATERIALS CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered by the Company and its subsidiaries involved Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2007 or entered into since the end of previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of the transactions with related party	Entered by	Period covered from 1 January to 30 June of Year 2007 RM'000	Period covered from 1 July to 31 December of Year 2007 RM'000
a) Purchase of building materials from following:-			
i. Chuan Huat Industrial marketing Sdn Bhd	AZSB	10,442	5,056
ii. Chuan Huat Hardware Sdn Bhd	AZSB	-	75
b) Insurance premium paid/payable to ZHSB	AZSB, ICSB and AZRB	268	345
c) Administrative charges paid/payable to ZHSB	AZSB and ICSB	60	62
d) Rental of premises paid to			
- Dato' Sri Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
- ZHSB	AZSB	210	210
e) Accommodation charges paid/payable to RIM	AZSB	3	7
f) Rental received/receivable from RIM	AZSB	18	18

Relationship of the related parties:

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

Environmental Management Activities



ENVIRONMENT

In line with the Group's policy of not only becoming a leader in the industry locally but also venturing internationally, the need for the company to obtain the certification of ISO 14001:2004 Environmental Management Systems as a value-add services is very critical. The securing of international contracts is also largely depending on the proven track records of the company in implementing projects while minimizing significant environmental impacts effectively.

In view of the importance of having the certification of ISO 14001:2004 Environmental Management Systems, beginning July 2007, the company has started working with an independent consultant in formulating and documenting a system which suits well with the current business activities of the Group. The fully certified ISO 14001:2004 of the company is targeted to be obtained in July 2008.

The highlight of activities conducted towards achieving the ISO 14001:2004 certification are as follows:-

- Setting-up of Steering and Implementation Committee (represented by all level of positions and backgrounds in the company).
- Awareness training to all Steering and Implementation Committee members on environmental aspect/Impact, legal requirements etc.
- Compilation of company's activities, aspect and impact on the environment.
- Conducting environmental awareness trainings to all project sites.
- Formulating environmental policy.
- Documenting environmental management manual and procedures.
- Setting objectives and targets.
- Implementing the system at all project sites.
- Conduct trainings to selected internal auditors.
- Carry out internal audits.
- Perform necessary corrective action for continual improvements.

The objectives of our policy are as defined below:-

We strive for the following

- To identify activities that potentially can cause significant adverse environmental impact in the location we work.
- To eliminate where practicable, or minimize the actual and potential adverse significant impacts.



We are also committed to

- Prevent the pollution of the environment from our activities.
- Continually improve our environmental performance.
- Set measurable objectives and targets based on our significant impacts related to our environmental aspects.
- Comply with and exceed, where practicable, relevant Malaysian legislation related to our environmental aspects and other requirements that we may subscribe.

The implementation of environmental management systems throughout all projects was satisfactorily being carried out with major improvements need to be emphasized on the understanding and effective control of mitigation measures to minimize significant impacts on the environment. Strict monitoring with dedicated personnel to oversee the effectiveness of the mitigation measures is always given top priority.

The primary concerns with the construction of east coast highway projects (LPT 5A, LPT 6 and LPT 9C), Kuantan-Pekan Road Upgrading Project, Jitra-Kodiang Road Upgrading Project, Subang-Kelana Link Project, Kompleks Mahkamah Petaling Jaya, Putrajaya Mosque and Sekolah Menengah Sains Hulu Terengganu which are currently undertaken by our company are as listed below:-

- Storm drainage, soil/slope stabilization, and general erosion and sediment control (especially during monsoon season from November to January).
- Spill prevention and secondary containment.
- Waste management practices at camps.
- Prevention and management of offsite damages.

In order to improve the efficiency of the project monitoring, the provision of onsite supervision and where necessary, increase the numbers of workers dedicated for environmental pollution control, as well as providing them with better training on the above subject are given serious attention by the company.

Quality, Safety and Health Policy



QUALITY

We believe Quality is never an accidental but the result of intelligent efforts. With that in mind, AZRB is continuously and tirelessly strive to provide quality and value added services to our customer's satisfaction through our five main objectives.

The objectives of our Quality Policy are:-

- Meeting the expectations of the Client and to comply with statutory and regulatory requirements.
- Instill value of doing things right the first time, every time.
- Promote Quality within AZSB, Suppliers and Sub-contractors.
- Continuously improve our processes to meet and exceed MS ISO 9001:2000 Quality Management System.
- Work in responsible manner in harmony with the natural and cultural environment.

Being ISO 9001:2000 certified since year 2000, testifies the Group's commitment towards its mission of being a trusted leader in delivering commitment with excellence and value.

In AZRB, being the best is not enough, we always strive for excellence. We aim not only to achieve the quality of our product, but also to our customer's satisfaction. Thus we always treat our Client - Consultant - Sub-contractors relationship as smart partnering to everyone's advantage, the win-win situation.

In gauging the level of our customer's satisfaction towards our services, customer's satisfaction survey is conducted annually to analyze and used as a measurement to improve the quality of our services.

Project management, administration skills, technical know-how, and quality of our product are among the measurement index used and evaluated by clients on all our projects.

It is our tireless effort to create a Total Quality Culture by cultivating a working system based on quality awareness not only within our staff, but extended to those involved in our Group's activities. The training and promotions are continuously conducted in achieving the goals. In line with our company's policy of undertaking overseas projects, the project management system and products delivered are geared to meet the international standards.

Periodical internal and external quality audits are being carried out throughout the year on all projects and departments to ensure effective implementation and compliance with the system. Performance of the system is constantly being measured, monitored and where applicable, improvements are made through corrective and preventive actions.

SAFETY AND HEALTH

The right to a safe and healthy environment is firmly established within the Group. We can no longer accept injuries and illness as a routine cost in doing business. Neither, can we expect anyone to accept a shorter life span in exchange for a pay cheque. Work cultures are changing.

Being a responsible corporate citizen, the Group is always committed to ensure that all employees are working in a safe and healthy environment. Therefore safety and health considerations will not be compromised in all company's activities. Building a strong safety minded culture among all staff, workers, subcontractors and suppliers is integral to the company's construction activities.



Paying attention to occupational safety and health is about proper treatment of people while reaping the rewards. Some of the rewards are in financial returns however other rewards are difficult to put in a monetary value. It can be seen in higher employer morale, lower job turnover rates, improve productivity, greater employee's job satisfaction and positive reputation as a good place to work.

The Group believe that human resources are an asset to the company, thus development of their safety and health aspects and awareness are the top priority. Staffs are sent for training and awareness programmes continuously including inductions, occupational safety and health practices, fire fighting, first aid and emergency response trainings and drills.

Since the Group's certification of OHSAS 18001 in September 2004, the commitment of every one in the company has been enhanced with concerted efforts towards achieving the Safety and Health objectives.

The objectives of our Safety and Health Policy are:-

- To achieve zero occupational injury and illness.
- To develop an effective and efficient emergency response system.
- To improve plant and machinery system.
- To enhance site safety and health management.

Periodical safety and health audits are being carried out by internal and external auditors to ensure compliance with the system. The company's approach by introducing the partnering concept among all staff, workers, sub-contractors and suppliers not only in project management but also in safety and health aspects has ensured the successful implementation of the safety and health policy.

The following activities are conducted regularly:-

- Enhancement of safety and health requirements in sub-contract agreement.
- Establishment of Project Safety and Health Committee at all Project Sites with active participation of all key personnel involving of representatives from sub-contractors and workers through monthly meetings.
- In-house safety and health awareness training.
- Induction courses for all new site personnel, sub-contractors and workers.
- Weekly tool-box meeting.
- Internal and external audits.
- Trainings on safety and health practices for staff.
- Safety and health campaigns/slogan contest.

The concerted efforts by all have been recognized by the Government when in February 2007, the company was named as the Gold Winner in the construction sector category of National Occupational Safety and Health Excellence Award organized by the Malaysian Human Resource Ministry.

Chairman's Statement / Penyata Pengerusi

Dear Shareholders, on behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Ahmad Zaki Resources Berhad ("AZRB") for the financial year ended 31st December 2007.

When reviewing the performance of the past financial year, it is clear that we are progressing on the right path towards excellence and greater success. I am delighted to highlight the various achievements we have made throughout the year.

Para Pemegang Saham yang dihormati, bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Ahmad Zaki Resources Berhad ("AZRB") bagi tahun kewangan berakhir 31 Disember 2007.

Berdasarkan prestasi yang dicatat sepanjang tahun kewangan yang lalu, ternyata syarikat ini berada di landasan yang tepat menuju kecemerlangan dan kejayaan yang lebih terserlah lagi. Sukacita juga saya membentangkan perincian tentang pelbagai pencapaian yang dicatat oleh Syarikat sepanjang tahun lalu.





Chairman's Statement (Cont'd) Penyata Pengerusi (Samb)



Financial Performance

For the fourth consecutive years, AZRB achieved a record turnover as well as profits. This year, the Group recorded profit before tax of RM42 million on the back of a revenue of RM526 million. Compared to the previous financial year's results, they represent an increment of 17% and 19% in profit before tax and revenue respectively. The Group, spearheaded by the construction activity, has been able to significantly improve the net profit through efficiency improvement and better cost control despite increase in major material prices during the year. For the year under review, the Construction Division has secured several new projects totalling RM460 million.

AZRB's oil and gas segment under Inter Century Sdn Bhd ("ICSB") continued to perform well with revenue of RM64 million, a jump of 20% against RM53 million in 2006. Profit before tax climbed 20% to RM12 million compared with RM10 million last year.

Our Success

Year 2007 has seen AZRB been in the limelight by winning numerous awards. Our corporate quality glimmers and outshines our peers by winning the Brand Laurette Award in January 2007 under the Corporate Branding for the Construction category. We were also the Gold Winner in the Construction sector for the National Occupational Safety and Health Excellence Award organized by the Malaysian Human Resource Ministry. AZRB is a concrete example of corporate success after three decades of delivering unwavering commitment with excellence and value. Retrospectively, AZRB has vastly metamorphosed through time and has successfully transformed itself to become a trusted industry leader. Being recognized and acknowledged by our peers for our contributions in the construction industry is a great honour for the Group.

Prestasi Kewangan

Buat tahun keempat berturut-turut, AZRB mencapai jumlah dagangan serta keuntungan yang amat membanggakan. Pada tahun ini, Kumpulan mencatat keuntungan sebelum cukai sebanyak RM42 juta berdasarkan hasil pendapatan RM526 juta. Berbanding keputusan tahun kewangan sebelumnya, ini mewakili penambahan 17% dan 19% masing-masingnya dalam keuntungan sebelum cukai dan hasil pendapatan. Operasi Kumpulan, yang diterajui kegiatan pembinaan, telah berjaya merangsang tahap keuntungan bersih menerusi penambahbaikan kecekapan dan kawalan kos yang lebih baik meskipun berlaku kenaikan harga bahan yang mendadak pada tahun kewangan. Bagi tahun yang sedang dipertimbangkan, Bahagian Pembinaan berjaya meraih beberapa projek baru bernilai RM460 juta.

Segmen minyak dan gas AZRB di bawah Inter Century Sdn Bhd ("ICSB") terus menyaksikan kejayaan dengan catatan hasil pendapatan RM64 juta, satu lonjakan 20% berbanding RM53 juta pada tahun 2006. Keuntungan sebelum cukai telah meningkat 20% ke angka RM12 juta berbanding RM10 juta pada tahun lepas.

Kejayaan Kami

Sesungguhnya, tahun 2007 telah menyaksikan penyerlahan AZRB dengan kejayaan memenangi pelbagai anugerah. Kualiti korporat Syarikat ternyata menyinar dan berjaya memenangi Anugerah Jenama Laurette pada bulan Januari 2007 di bawah kategori Penjenamaan Korporat bagi kategori Pembinaan. Syarikat juga bertindak cemerlang dengan memenangi Anugerah Emas dalam sektor Pembinaan bagi Anugerah Kecemerlangan Keselamatan dan Kesihatan Pekerjaan Kebangsaan yang dianjurkan oleh Kementerian Sumber Manusia Malaysia. AZRB merupakan satu teladan mantap bagi kejayaan korporat selepas tiga dekad memberi komitmen yang tidak berbelah-bahagi dan bermutu. Secara retrospektif, AZRB telah mengalami metamorfosis hebat dari semasa ke semasa dan berjaya berubah menjadi teraju industri yang berwibawa. Pengiktirafan yang diberi oleh pihak perintis bagi sumbangan yang diberi kepada industri pembinaan adalah penghormatan yang amat dihayati oleh Kumpulan.



We take great pride in reporting the successful handing-over of the upgrading of road infrastructure along Jalan Duta-Jalan Kuching. The upgrading of Jalan Duta-Jalan Kuching was completed with an efficiently planned execution which encompassed excellent engineering solution, good traffic management and careful coordination, executed with sound project management. For our efforts, we have been honoured with the highest distinction award by the Malaysian Construction Industry Development Board (CIDB) for Malaysian Construction Industry Excellence Awards 2007 under the project above RM100 million category. Such excellent track record enhances our reputation as being capable of delivering projects above the industry's quality benchmark and is a true testimony to AZRB's ability to take existing core competencies to the highest level and consistently setting the highest standards for each of our project.

These recognition and honour would not have been possible had our people not been true in delivering the job with sheer determination, passion, expertise, integrity and commitment. Transforming AZRB into a global organization, we recognize the need for human resource development. It is AZRB's intention to empower every employee within the Group with a greater sense of ownership, accountability and responsibility. Its human capital management remains an important cornerstone in its operations and will continue to shape AZRB's present and future success. I congratulate our people for their hard work, honesty, and diligence in ensuring best practices and good governance are common commitment within the Group.

Our Contribution to the Society

Corporate Social Responsibility programme is always close to our heart. We take seriously our obligations to all our stakeholders as we believe that excellence in corporate responsibility delivers competitive advantage and long-term success in the development of the healthy communal relationship with the community. AZRB has been quite a household name to certain and various charitable organisations and underprivileged children and citizen.

AZRB juga dengan bangganya melaporkan kejayaan serah-siap projek penaiktarafan infrastruktur jalan raya di Jalan Duta-Jalan Kuching. Kerja menaiktaraf Jalan Duta-Jalan Kuching telah disiapkan mengikut pelaksanaan terancang berkecekapan tinggi yang merangkumi penyelesaian kejuruteraan yang cemerlang, pengurusan lalulintas yang baik serta perencanaan penyelarasan yang rapi, yang dilaksanakan berdasarkan pengurusan projek yang mantap. Berkat usaha-usaha tersebut, ARZB telah menerima anugerah penghargaan tertinggi daripada Lembaga Kemajuan Industri Pembinaan Malaysia (CIDB) bagi Anugerah Kecemerlangan Industri Pembinaan Malaysia 2007 di bawah kategori projek bernilai lebih RM100 juta. Rekod pencapaian yang sebegini cemerlang ternyata merangsang kewibawaan AZRB dari segi keupayaannya menyiapkan projek melebihi penanda kualiti yang ditetapkan bagi industri dan menjadi bukti sebenar berhubung kemampuan AZRB menyerlahkan tahap kecekapan teras sedia ada ke tahap tertinggi dan secara konsisten menetapkan piawaian tertinggi bagi setiap projek yang diusahakan.

Sesungguhnya, pengiktirafan dan penghargaan ini tidak mungkin dikecapi oleh AZRB tanpa komitmen dan kecekalan anggota tenaga kerja yang menggembeng daya usaha yang tidak berbelah-bahagi, kepakaran, integriti dan kesungguhan sejati. Sambil mengubah AZRB menjadi sebuah organisasi global, aspek pembangunan dan kemajuan sumber manusia sentiasa dititikberatkan dan diberi penekanan yang sewajarnya. Adalah menjadi hasrat AZRB untuk menyemaisuburkan perasaan kekitaan, bertanggung jawab dan akauntibiliti di sanubari setiap kakitangan Kumpulan. Pengurusan modal insan tetap menjadi perjuangan penting dalam operasinya dan akan terus merencana kejayaan semasa dan masa depan AZRB. Tahniah saya ucapkan kepada segenap anggota tenaga kerja di atas sumbangan yang diberikan secara penuh setia, bersungguh-sungguh dan cecal dalam usaha menentukan bahawa amalan terunggul dan tadbir urus yang mantap menjadi komitmen bersama semua pihak dalam lingkungan Kumpulan.

Sumbangan Kemasyarakatan

AZRB sentiasa prihatin dengan Program Tanggungjawab Sosial Korporat. Segala obligasi kepada para pemegang kepentingan

Chairman's Statement (Cont'd) Penyata Pengerusi (Samb)



We must admit that one of the most memorable event for AZRB was the Hari Raya Celebration specially organised for the orphanages aged between 7-15 years old from the Rumah Anak-anak Yatim Ulu Kelang. The Group also provided financial assistance for a heart surgery operated on a newborn diagnosed with a heart complication.

Future Outlook

The year under review has been challenging for AZRB but we believe that new opportunities have started to develop on the local front, with the unveiling of the RM220 billion development budget in the 9MP. With our excellent performance and track records, AZRB will be in good stead to bid and undertake relevant Private Finance Initiative (PFIs) which are important cornerstone of the 9MP's thrust and also for infrastructure projects designated under the new national growth corridors especially the Eastern Corridor Economic Region.

Buoyant energy prices is expected to play a pivotal role to drive infrastructure spending in oil producing Gulf States. This translates into positive market outlook for the international construction market and bodes well for AZRB as we have built a strong presence in the Kingdom of Saudi Arabia with the current undertaking of two major projects.

With our strong track record of achievements which have propelled us to the forefront of the local and overseas infrastructure spheres, we are confident that we have the capability to continue to extend our lead in our business endeavours.

Based on continuous strong global demand for Crude Palm Oil (CPO) especially from China and European Union countries (EU27) which is expected to persist for years to come, AZRB is confident that our investment in oil palm plantation in West Kalimantan, Indonesia will contribute positive revenue streams in the near future.

sentiasa diberi pertimbangan serius kerana kami percaya bahawa kecemerlangan dalam tanggungjawab korporat menghasilkan kelebihan daya saing dan kejayaan jangka panjang dalam rangka menjalin perhubungan kemasyarakatan yang disegani. Nama AZRB ternyata sudah tidak asing lagi di kalangan pelbagai badan amal kebajikan serta warga kurang upaya.

Perlulah diakui bahawa salah satu acara terunggul bagi AZRB ialah Majlis Sambutan Hari Raya yang dianjurkan khas untuk anak-anak yatim berusia di antara 7-15 tahun dari Rumah Anak-anak Yatim Ulu Kelang. Kumpulan juga menghulurkan sumbangan kewangan bagi satu kes pembedahan jantung yang melibatkan seorang bayi yang baru lahir yang mengalami komplikasi jantung.

Tinjauan Masa Depan

Tahun yang sedang dipertimbangkan ternyata satu tahun yang cukup mencabar bagi AZRB tetapi pelbagai peluang kini sudah mula wujud di arena tempatan berikutan pengumuman bajet pembangunan sebanyak M220 bilion dalam 9MP. Berdasarkan prestasi gemilang dan rekod pencapaian yang terbukti hebat, AZRB berada di kedudukan yang cukup utuh untuk membida dan menangani Inisiatif Pembiayaan Persendirian (PFI) yang berkenaan yang juga menjadi penanda penting dalam penjujukan pelaksanaan 9MP dan juga projek-projek infrastruktur yang dikenalpasti di bawah koridor pertumbuhan negara yang baru khususnya Rantau Ekonomi Koridor Timur.

Harga bahan tenaga yang meningkat dijangka memainkan peranan penting dalam perbelanjaan di sektor infrastruktur di negara-negara pengeluar minyak di rantau Teluk. Ini ternyata menjurus kepada tinjauan pasaran yang positif bagi pasaran pembinaan antarabangsa, sekaligus mendatangkan manfaat kepada AZRB kerana mempunyai penglibatan yang cukup mantap di Arab Saudi dan kini sedang mengusahakan dua buah projek utama di sana.

Berkat rekod pencapaian yang kukuh yang telah mengemudi AZRB ke ambang penerajuan sektor infrastruktur tempatan dan seberang laut, Syarikat yakin bahawa ianya berkemampuan untuk terus mengembangkan ketrampilannya dalam usaha niaga yang diceburi.



Investment in the oil and gas industry is anticipated to remain sizeable given the expected increase in upstream exploration and production activities led by foreign private oil companies operating in Malaysia through joint ventures with Petronas. AZRB is confident, given the assured exclusivity enjoyed by Eastern Pacific Industrial Corporation Berhad ("EPIC") for the petroleum supply base operations and its strategic position in ECER and also the bunkering activities of ICSB, AZRB will stand to gain from this sector supporting both upstream and downstream activities in the petroleum industry.

In December 2007, AZRB's equity shares have been successfully divided, quoted and listed on Bursa Malaysia Exchange. Apart from the Subdivision of Shares, Rights Issue were also issued and offered to our shareholders. The Subdivision of Shares has provided more liquidity to the shares of AZRB and thus has encouraged a wider spread of shareholders while the Rights Issue has enabled AZRB to increase its capital base to a level which better reflect the current scale of its operations. It has also provided greater opportunity for the existing shareholders to further participate in the equity and the continuing growth of the Group in the future.

Dividend

The Board has recommended that the full year gross dividend be declared and paid at 5 sen per share, less 26% tax. The Board would like to request support from shareholders with our dividend pay out proposal. The 5 sen dividend is issued based on the enlarged issued and paid up capital which has resulted from the Subdivision of Shares and offer of Rights Issue. Although the Board feels that AZRB should generously award its shareholders, the Board is also obliged to exercise prudence as several other commitments and investments are still at early stages and thus require diligent financial management.

Berlandaskan permintaan global yang terus kukuh bagi Minyak Kelapa Sawit Mentah (CPO) terutamanya dari China dan negara-negara Kesatuan Eropah (EU27) yang dijangka berkekalan sepanjang tahun-tahun yang akan datang, AZRB yakin bahawa pelaburannya dalam perladangan kelapa sawit di Kalimantan Barat, Indonesia akan menyumbang secara positif dalam aliran masuk hasil pendapatan di masa depan yang terdekat.

Pelaburan dalam industri minyak dan gas dijangka terus kukuh berdasarkan peningkatan terjangka dalam kegiatan carigali dan pengeluaran hulu yang diterajui syarikat-syarikat minyak asing yang beroperasi di Malaysia menerusi usahasama dengan Petronas. AZRB yakin bahawa berkat keeksklusifan terjamin yang dinikmati oleh EPIC bagi operasi pangkalan bekalan petroleum dan kedudukannya yang strategik di ECER serta kegiatan bunk ICSB, AZRB berpeluang meraih manfaat dari sektor ini dengan menyokong kegiatan hulu dan hiliran dalam industri petroleum.

Pada bulan Disember 2007, saham ekuiti AZRB telah berjaya dibahagi, disembahagikan dan disenaraikan di Bursa Malaysia Exchange. Selain sub-pembahagian saham, saham Terbitan Hak juga diterbitkan ditawarkan kepada para pemegang saham. Sub-pembahagian saham tersebut telah menambah kecairan kepada saham-saham AZRB, sekaligus menggalakkan rebek pemegang saham yang lebih luas sementara Terbitan Hak pula telah membolehkan AZRB menambah asas modalnya ke satu tahap yang mencerminkan skala operasi semasa yang lebih jelas. Ini juga memberi lebih peluang kepada para pemegang saham semasa untuk menyertai secara lebih cergas lagi dalam ekuiti dan kesinambungan pertumbuhan masa depan Kumpulan.

Dividen

Lembaga Pengarah mengesyorkan bahawa dividen kasar tahun penuh diisytiharkan dan dibayar pada kadar 5 sen sesaham, tolak cukai 26%. Lembaga Pengarah juga memohon sokongan daripada para pemegang saham berhubung cadangan pembayaran dividen tersebut. Dividen 5 sen itu diterbitkan berdasarkan modal terbitan dan berbayar

Chairman's Statement (Cont'd) Penyata Pengerusi (Samb)



Appreciation

Throughout 2007, our people have shown professionalism, commitment and dedication to meet the challenges of an increasingly competitive environment. I wish to express my gratitude to the management and Staff for their dedication and commitment to the cause of the Group, in particular those members of our staff who chose to accept challenging overseas postings as well as those who had to travel frequently to our various business locations.

On behalf of the Board, I would like to extend and express my sincere gratitude and appreciation to the shareholders, various government agencies, clients, consultants, contractors, suppliers and business partners who have contributed to our success and for their continuous support and confidence in AZRB.

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

diperbesar yang terhasil dari Sub-pembahagian Saham dan tawaran Terbitan Hak. Sungguhpun Lembaga Pengarah merasakan bahawa memang wajar AZRB memberi ganjaran kepada para pemegang sahamnya, namun Lembaga Pengarah ternyata perlu mengamalkan langkah-langkah perancangan bijak disebabkan wujudnya beberapa komitmen dan pelaburan lain yang masih berada di peringkat awal dan memerlukan pengurusan kewangan yang bijaksana.

Penghargaan

Sepanjang tahun 2007, barisan tenaga kerja Kumpulan telah memaparkan dedikasi, komitmen dan tahap profesionalisme yang disegani demi menangani pelbagai cabaran dalam suasana yang semakin bersaing hebat. Izinkan saya untuk merakamkan setinggi-tinggi penghargaan kepada pihak pengurusan dan Kakitangan di atas dedikasi dan komitmen mereka kepada Kumpulan, khususnya anggota kakitangan yang telah memilih untuk menerima tugas yang serba mencabar di seberang laut serta mereka yang terpaksa kerap mengembara ke pelbagai lokasi perniagaan ARZB.

Bagi pihak Lembaga Pengarah, saya juga merakamkan ucapan setinggi-tinggi penghargaan kepada para pemegang saham, pelbagai agensi kerajaan, pelanggan, juruperunding, kontraktor, pembekal dan rakan-rakan kongsi perniagaan yang telah menyumbang ke arah kejayaan Kumpulan dan juga di atas sokongan padu dan keyakinan yang diberi kepada AZRB.

Akhirkata, penghargaan tulus ikhlas juga saya tujukan kepada seluruh anggota Lembaga Pengarah di atas tunjuk ajar, panduan dan sumbangan mereka yang tidak ternilai kepada Kumpulan.

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

Review of Operations

The year under review has been a productive and rewarding period for the Group. It has been an eventful and successful period for AZRB as several key milestones were achieved, and one of it was the completion of Jalan Duta which had won us an accolade and a reference benchmark for other civil engineering works from the Construction Industry Development Board (CIDB).



If in previous years our strategic business direction was emphasised on construction industry, year 2006-2007 has seen intense strategic investment diversifications into non-civil engineering domain. This year, we began to achieve considerable results from our diversification efforts, in particular the progress of palm oil plantation in Pontianak, West Kalimantan, Indonesia. Our ongoing investment in plantation has recorded excellent progress in which 4,252 hectares out of 28,000 hectares of land in Kalimantan have been planted with oil palm by the end of December 2007. Additionally, year 2007 has also seen our strategic expansion in the Oil and Gas industry through successful acquisition of 34.4 million of equity in Eastern Pacific Industrial Corporation Berhad in Oct 2007. On the whole, the performance of our business units has placed the Group on the right path towards greater growth and success.





Construction Division

Construction Division is operationally the mainstay of the Group which provides a consistent and growing earnings base. Despite a significant increase in fuel prices during the year and slowdown in the local construction activity, the Construction Division has performed commendably through efficiency improvements and better cost controls.

Notably, our Construction Division has recorded healthy order books as well as created increased visibility and interest for the AZRB brand name. Year 2007 has proven rewarding for the Construction Division with a consistent growth contribution of yet another RM70 million (18%) increases to the Group's revenues.

Reviewing our projects in Malaysia, we are pleased to report the smooth delivery of the upgrading of road infrastructure along Jalan Duta, Jalan Kuching. The upgrading of Jalan Duta-Jalan Kuching, Kuala Lumpur was completed with a prudent execution and sound project management which encompasses accurate precision, detailed technical designs and careful coordination; executed over careful planning and preparation. AZRB took great care in ensuring a systematic Traffic Management and Safety Precautions Systems which help eased the traffic congestion and ensured accident-free environment at project sites respectively. It is encouraging to note that our effort has been rewarded with the Malaysian Construction Industry Excellence Awards 2007 under the project value of RM100 million and above category. This excellent performance will place us in good stead to bid competitively for other civil engineering jobs in Malaysia.

For the year 2007, the construction division has secured several new projects totalling RM460 million. Among these new projects, the securing of the subcontracting works at King Abdullah University project in the Kingdom of Saudi Arabia has further strengthened our good reputation in the Gulf States market for building and civil engineering works. These together with our ongoing projects are as follows:

Approximate Contract No.	Project Name	Expected Project Value (RM Million)	Completion Date
1.	Construction of Al-Faisal University, Riyadh, Saudi Arabia (Phase 1&2)	385	Dec 2008
2.	Improvement and Maintenance of IT Expressway in Chennai, India	186	June 2008
3.	Proposed Construction and Completion of an Indoor Sports Complex Gong Badak, Terengganu	116	April 2008
4.	Construction of Kiblat Walk, Putrajaya Mosque, Putrajaya	212	Aug 2008
5.	Design and Build for Jitra Kodiang, from Kedah to Arau , Perlis	110	Aug 2008
6.	Design and Build for Subang-Kelana Link (Phase 1 & 2)	316	Dec 2008
7.	Upgrading of Federal Road 3 from Kuantan to Pekan	384	May 2010
8.	Petaling Jaya Court Complex, Selangor	26	Dec 2008
9.	Lebuh Raya Pantai Timur - Package 5A	148	Oct 2009
10.	Lebuh Raya Pantai Timur - Package 6	86	Nov 2009
11.	Lebuh Raya Pantai Timur - Package 9C	90	Aug 2009
12.	Sekolah Menengah Sains Hulu Terengganu	46	Aug 2009
13.	King Abdullah University, Jeddah - Construction of Block 5 and block 20	91	June 2008

* During the year, the construction division has won the Malaysian Construction Industry Excellence Awards 2007: Contractor Award, Grade G7 (Project value RM100million and above), presented by The Construction Industry Development Board (CIDB).



Review of Operations (Cont'd)



Oil and Gas Division

Our oil and gas subsidiaries, ICSB and Astral Far East Sdn Bhd has charted a remarkable growth of RM11 million (20%) in its revenues to RM65 million from RM54 million in 2006. The increase in demand and consumption of oil and oil related products such as fuel, diesel, lubricants etc is expected to continue its revenue growth and deliver a better performance next year.

Although our investment is still in its early investment cycle, the Group has benefited through interim dividend payout by EPIC during the year under review. In addition, being an associated company, EPIC has contributed positively to the Group's profitability. We expect the potential synergistic relationship between AZRB and EPIC will give us a strong competitive edge to jointly bid for lucrative construction works involving expansion in upstream exploration and production activities in oil and gas industry, 9MP and Eastern Corridor Economic Region ("ECER") Programme. We expect the strategic investment in EPIC will positively contribute to the Group's operating earnings in 2008 onwards.

Plantation

PT IGP had been granted the permission to cultivate (Izin Lokasi) oil palm with a total area of 28,000 hectares this year which is inclusive of the rights for cultivation (Hak Guna Kuasa) of 8,297 hectares of palm oil in Kalimantan Barat, Indonesia. By the end of December 2007, we have planted the 4,252 hectares oil palm. It is encouraging to note that we have successfully achieved this impressive feat. Earnings from this division are expected to kick-in in year 2010/2011 onwards.

Property Development

In light of the soft market conditions, no major development was undertaken throughout the year under review for the Group's only property development project, namely the Taman Industri Paka at Dungun, Terengganu. Our subsidiary Kemaman Technology and Industrial Park Sdn Bhd ("KTIP") is planning to develop an industrial lots and residential, to the undeveloped area nearby. Notwithstanding the above, we shall continue to look into the possibilities in line with the potential development of the land. We are still confident that the land will benefit the Group in the long run especially with the recent launching of the 9MP and the ECER in East Coast of Malaysia.

Calendar of Events



8 January 2007

AZRB won the Brand Laurette Award under the Corporate Branding for the Construction Category.

2 February 2007

Dato' Sri Hj Wan Zaki Hj Wan Muda, the Executive Vice Chairman of AZRB with the Prime Minister, YAB Dato' Seri Abdullah Hj Ahmad Badawi at the Ministry of Higher Education's Community College Rebranding Launching Ceremony, Kepala Batas, Pulau Pinang.



6 February 2007

Dato' Wan Zakariah Hj Wan Muda, the Managing Director of AZRB received the trophy from the Prime Minister, YB Dato' Abdullah Badawi as the Gold Winner in the construction sector in the National Occupational Safety and Health Excellence Award organized by the Human Resource Ministry.

25 February 2007

Opening Ceremony of Jalan Duta - Segambut Flyover by YB Dato' Seri Samy Vellu, Minister of Works Malaysia.



3-5 March 2007

AZRB participated in Career Fair organised by Universiti Teknologi Malaysia (UTM), Skudai, Johor.

6-8 March 2007

AZRB participated in Career & Industrial Relation Expo (CaiREX 2007) organised by Universiti Teknologi MARA, Shah Alam, Selangor.



Calendar of Events (Cont'd)

14 April 2007

In-house training programme on Traffic Management Road Safety Audit by Ir. Shafiee from Mirage Consultancy.

21 June 2007

10th Annual General Meeting (AGM) for AZRB at Sime Darby Convention Centre, Bukit Kiara, Kuala Lumpur.



5 May 2007

AZRB staff participated in the National Labour Day at Stadium Putra Bukit Jalil, Kuala Lumpur organised by the Ministry of Human Resource of Malaysia.

7-9 July 2007

7th Malaysian Road Conference at Sunway Convention Centre.

25 July 2007

In-house training programme - Occupational First Aid by Mr Yusnizam from Persatuan Bulan Sabit Merah Malaysia.





11 August 2007

In-house training programme MSWords conducted by the IT Manager.

8 September 2007

Bowling Tournament 2007 organised by AZRB Sports and Recreational Club held at Ampang Superbowl, Ampang Point.

25 September 2007

Berbuka Puasa gathering for the Staff at Dewan Felda, Jalan Semarak, Kuala Lumpur.

4 November 2007

AZRB Hari Raya Open House Celebration with special guest the children from "Rumah Bakti", Ulu Kelang Selangor.



23 November 2007

Mr Sakdon Kayon, AGM of HR & Admin handing over the donation to Mr. Noorby Ghazali.

16 December 2007

Dato' W Zulkifili Hj W Muda, Executive Director of AZRB received the trophy from YB Dato' Seri Samy Vellu, Minister of Works for the Malaysian Construction Industry Excellence Award 2007-Contractor Award G7 (Project Value RM100 million and above).



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Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit of the year	27,137,787	20,736,859
Profit attributable to shareholders:-		
Equity holders of the Company	26,294,994	
Monitory interest	842,793	
	27,137,787	

DIVIDEND

Since the end of the financial year, the Company paid a first and final dividend of 15 sen per ordinary share of RM1/- each less tax at 27% amounting to RM7,324,039/- in respect of the financial year ended 31 December 2006.

The Directors recommend a first and final dividend of 5 sen per ordinary share of RM0.50 each less tax at 26% in respect of the current financial year amounting to RM5,115,835/-, based on 138,265,800 ordinary shares as at financial year end, subject to the approval of the shareholders at the Annual General Meeting.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

Directors' Report (Cont'd)

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

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

ISSUE OF SHARES

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

Class	Number	Terms of Issue	Purpose of Issue
Ordinary shares of RM1/- each	2,422,500	Cash	Exercised of Employees' Share Option Scheme

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

The salient features of the ESOS are:-

- (a) eligible persons are full time employees with confirmed employment within the Group (including executive directors of the Group and non-executive directors of the Company) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- (b) the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;
- (c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed fifteen percent (15%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- (d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately preceding the Date of Offer;
- (e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and

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

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

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

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

	Number of Share Options	
	2007	2006
At 1 January	2,668,400	2,707,600
Exercised	(2,422,500)	–
Lapsed	(34,600)	(39,200)
	211,300	2,668,400
Adjusted for sub-division of every 1 existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	211,300	–
At 31 December	422,600	2,668,400

ESOS options lapsed due to resignations of employees.

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

	2007		2006
	Before Share Split	After Share Split	
Expiry Date 25.7.2012			
Exercise Price	RM2.05	RM1.025	RM2.05
Number of Share Options Outstanding	211,300	422,600	2,668,400

Directors' Report (Cont'd)

DIRECTORS OF THE COMPANY

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

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

In accordance with Article 80 of the Articles of Association, Dato' W Zulkifli Bin Haji W Muda and Raja Dato' Seri Aman Bin Raja Haji Ahmad retire, and being eligible offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS

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

(a) Shareholdings in the Company and Ultimate Holding Company

Before sub-division of ordinary shares made on 14 December 2007

	Number of Ordinary Shares of RM1/- each			At 13.12.07
	At 1.1.07	Bought	Sold	
The Company				
Direct Interest				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	498,690	588,000	-	1,086,690
Dato' Wan Zakariah bin Haji Wan Muda	149,674	425,600	-	575,274
Dato' Haji Mustaffa bin Mohamad	1,350,912	324,000	(500,000)	1,174,912
Dato' W Zulkifli bin Haji W Muda	264,674	420,500	-	685,174
Datuk (Prof.) A Rahman @ Omar bin Abdullah	300,000	-	-	300,000
Dato' Ismail @ Mansor bin Said	1	-	-	1
Indirect Interest				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda *	40,765,284	-	-	40,765,284
Dato' Haji Mustaffa bin Mohamad **	-	230,000	(30,000)	200,000

DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS (cont'd)**(a) Shareholdings in the Company and Ultimate Holding Company (cont'd)**

After sub-division of ordinary shares made on 14 December 2007

	Number of Ordinary Shares of RM0.50 each			
	At 14.05.07	Bought	Sold	At 31.12.07
The Company				
Direct Interest				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	2,173,380	–	–	2,173,380
Dato' Wan Zakariah bin Haji Wan Muda	1,150,548	–	–	1,150,548
Dato' Haji Mustaffa bin Mohamad	2,349,824	–	–	2,349,824
Dato' W Zulkifli bin Haji W Muda	1,370,348	–	–	1,370,348
Datuk (Prof.) A Rahman @ Omar bin Abdullah	600,000	–	–	600,000
Dato' Ismail @ Mansor bin Said	2	–	–	2
Indirect Interest				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda *	81,530,568	–	–	81,530,568
Dato' Haji Mustaffa bin Mohamad **	400,000	–	–	400,000

	Number of Ordinary Shares of RM1/- each			
	At 1.1.07	Bought	Sold	At 31.12.07
Ultimate Holding Company				
- Zaki Holdings (M) Sdn. Bhd.				
Direct Interest				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	50,001	450,000	–	500,001
Dato' Wan Zakariah bin Haji Wan Muda	10,000	90,000	–	100,000
Dato' W Zulkifli bin Haji W Muda	10,000	90,000	–	100,000

(b) Share Options Pursuant to ESOS

	Number of Ordinary Shares of RM1/- each			
	At 1.1.07	Exercised	Lapsed	At 31.12.07
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	588,000	(588,000)	–	–
Dato' Wan Zakariah bin Haji Wan Muda	425,600	(425,600)	–	–
Dato' Haji Mustaffa bin Mohamad	324,000	(324,000)	–	–
Dato' W Zulkifli bin Haji W Muda	406,000	(406,000)	–	–

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

** Share held through person connected to the Director

Directors' Report (Cont'd)

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year no director's of the Company has received or become entitled to receive any benefit (other than those disclosed as directors fees, other emoluments and benefits-in-kind disclosed in note 26(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 46(b) to the financial statements.

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

SIGNIFICANT EVENTS DURING THE YEAR

Significant events arising subsequent to the financial year are disclosed in note 50 to the financial statements.

SUBSEQUENT EVENTS

Significant events arising subsequent to the financial year are disclosed in note 51 to the financial statements.

ULTIMATE HOLDING COMPANY

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

AUDITORS

The auditors Messrs Moore Stephens was one of the firms involved in a merger on 1 January 2008. The merged firm is now practicing under the name of Moore Stephens AC. In view of this merger, Messrs Moore Stephens retires and do not seek reappointment. A resolution to appoint Messrs Moore Stephens AC will be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

Kuala Lumpur
Date : 25 April 2008

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 62 to 136, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

Kuala Lumpur
Date : 25 April 2008

Statutory Declaration

I, Mohd Zaki Bin Hamdan, NRIC No.:630823-01-5841, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 62 to 136 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
On 25 April 2008

MOHD ZAKI BIN HAMDAN

Before me

MANMOHAN SINGH A/L CHANAN SINGH (W 186)
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 62 to 136.

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

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

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

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia for entities other than private entities so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2007 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year on that date;

and

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

The names of the subsidiary companies of which we have not acted as auditors are disclosed in note 7 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

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

MOORE STEPHENS
Chartered Accountants
(AF 0282)

Kuala Lumpur
Date : 25 April 2008

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

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 RM	2006 RM (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	41,644,699	37,748,620
Prepaid land lease payments	5	8,582,009	10,017,557
Investment properties	6	25,000,000	24,550,000
Interest in associated companies	8	84,762,385	59,875
Interest in joint ventures	9	(28,873,164)	(28,601,943)
New planting expenditure	10	31,954,480	12,862,724
Other investments	11	8,615,500	4,615,500
Goodwill	13	3,744,605	3,744,605
		175,430,514	64,996,938
Current assets			
Inventories	14	12,142,953	10,521,722
Property development costs	15	2,531,332	1,784,567
Receivables	16	289,351,747	246,063,818
Tax assets	17	2,514,749	737,035
Cash and cash deposits	18	207,990,592	145,004,720
		514,531,373	404,111,862
TOTAL ASSETS		689,961,887	469,108,800

Consolidated Balance Sheet (Cont'd)

	Note	2007 RM	2006 RM (Restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	19	69,132,900	66,710,400
Reserves	20	89,819,619	69,710,468
Total equity attributable to shareholders of the Company		158,952,519	136,420,868
Minority interest		3,603,457	2,760,664
Total Equity		162,555,976	139,181,532
Liabilities			
Non-current liabilities			
Other borrowings	21	161,001,406	51,350,526
Deferred tax liabilities	12	5,091,419	5,039,510
		166,092,825	56,390,036
Current Liabilities			
Payables	22	300,207,725	254,826,555
Other borrowings	21	53,039,168	12,640,669
Bank overdrafts - secured	23	3,497,348	3,687,933
Tax liabilities		4,568,845	2,382,075
		361,313,086	273,537,232
Total Liabilities		527,405,911	329,927,268
TOTAL EQUITY AND LIABILITIES		689,961,887	469,108,800

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

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 RM	2006 RM
Operating revenue	24	525,770,666	442,600,300
Direct operating costs	25	(443,688,570)	(378,671,527)
Gross profit		82,082,096	63,928,773
Other operating revenue		5,770,502	5,018,843
Administrative costs		(32,183,205)	(22,609,156)
Other operating costs		(5,690,637)	(5,022,555)
		(37,873,842)	(27,631,711)
Profit from operations		49,978,756	41,315,905
Finance costs		(9,248,152)	(4,751,830)
Share of results of joint ventures		(271,221)	(194,126)
Share of result of associated companies		1,669,879	(3,245)
Profit before taxation	26	42,129,262	36,366,704
Taxation	27	(14,991,475)	(11,975,443)
Profit for the year		27,137,787	24,391,261
Attributable to :			
Equity holders of the Company		26,294,994	24,154,951
Minority interest		842,793	236,310
		27,137,787	24,391,261
Earning per share attributable to equity holder of the Company (sen)			
Basic, earnings per ordinary shares (Sen)	28	10.80	10.03
Fully diluted earnings per ordinary shares (Sen)	28	10.79	–
Proposed net dividend per ordinary shares of RM0.50/RM1/- (Sen)		3.70	10.95

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Note	← Attributable to Equity Holders of the Company →								
	← Non Distributable →				Foreign Exchange	Retained	Sub Total	Minority	Total
	Share Capital RM	Share Premium RM	Capital Reserve RM	Translation Reserve RM	Reserve RM	Profits RM	RM	Interest RM	Equity RM
At 1.1.06	66,710,400	2,180,250	–	(10,461)	50,532,098	119,412,287	2,524,354	121,936,641	
Profit for the year	–	–	–	–	24,154,951	24,154,951	236,310	24,391,261	
Foreign exchange translation difference from foreign branches and subsidiary companies *	–	–	–	58,353	–	58,353	–	58,353	
Total income and expenses recognised for the year	–	–	–	58,353	24,154,951	24,213,304	236,310	24,449,614	
First and final dividend paid for year 2005 (15 sen per share of RM1/- each less 28% income tax)	29	–	–	–	(7,204,723)	(7,204,723)	–	(7,204,723)	
At 31.12.06	66,710,400	2,180,250	–	47,892	67,482,326	136,420,868	2,760,664	139,181,532	

Consolidated Statement of Changes in Equity (Cont'd)

	Note	← Attributable to Equity Holders of the Company →					Sub Total RM	Minority Interest RM	Total Equity RM
		Share Capital RM	Share Premium RM	Capital Reserve RM	Foreign Exchange Translation Reserve RM	Retained Profits RM			
At 31.12.06		66,710,400	2,180,250	–	47,892	67,482,326	136,420,868	2,760,664	139,181,532
Allotment of shares pursuant to ESOS		2,422,500	2,543,625	–	–	–	4,966,125	–	4,966,125
Profit for the year		–	–	–	–	26,294,994	26,294,994	842,793	27,137,787
Share of associated company's reserve		–	–	67,951	–	–	67,951	–	67,951
Foreign exchange translation difference from foreign branches and subsidiary companies *		–	–	–	(1,473,380)	–	(1,473,380)	–	(1,473,380)
Total income and expenses recognised for the year		–	–	67,951	(1,473,380)	26,294,994	24,889,565	842,793	25,732,358
First and final dividend paid for year 2006 (15 sen per share of RM1/- each less 27% income tax)	29	–	–	–	–	(7,324,039)	(7,324,039)	–	(7,324,039)
At 31.12.07		69,132,900	4,723,875	67,951	(1,425,488)	86,453,281	158,952,519	3,603,457	162,555,976

* Income and expenses recognised directly in equity

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

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 RM	2006 RM
Cash Flows from Operating Activities			
Profit before taxation		42,129,262	36,366,704
Adjustments for:-			
Amortisation of prepaid land lease payments		9,517	22,376
Depreciation of property, plant and equipment		7,296,272	5,459,571
Interest expenses		10,018,327	4,481,301
Inventories written off		76,739	-
Loss on foreign exchange - unrealised		4,303,063	794,444
Property, plant and equipment written off		21,766	277,102
Dividend revenue		(326)	(2,609)
Gain on disposal of property, plant and equipment		(592,948)	(356,019)
Gain on disposal of leasehold land		(10,287)	-
Changes in fair value of investment properties		(450,000)	(350,000)
Interest revenue		(4,679,841)	(3,190,472)
Share of results of associated companies		(1,669,879)	3,245
Share of results in joint ventures		271,221	194,126
Operating profit before working capital changes		56,722,886	43,699,769
(Increase)/Decrease in inventories		(1,697,970)	4,991,759
Decrease/(Increase) in amount due from customers for contract works		33,746,360	(82,175,440)
Increase in property development costs		(746,765)	(142,075)
Increase/(Decrease) in amount due to customers for contract works		19,620,442	(178,695)
Increase in trade and other receivables		(81,276,168)	(8,484,132)
Increase in trade and other payables		24,301,997	69,530,344
Cash generated from operations		50,670,782	27,241,530
Interest paid		(8,697,237)	(4,481,301)
Tax paid		(14,530,494)	(8,398,343)
Net cash generated from operating activities carried down		27,443,051	14,361,886

Consolidated Cash Flow Statement (Cont'd)

	Note	2007 RM	2006 RM
Net cash generated from operating activities carried down		27,443,051	14,361,886
Cash Flows from Investing Activities			
Dividend received		326	2,609
Interest received		4,679,841	3,190,472
New planting expenditure incurred		(18,028,638)	(9,935,163)
Acquisition of other investments		(4,000,000)	-
Acquisition of investment in associated company		(82,964,680)	-
Proceeds from disposal of property, plant and equipment		898,015	725,598
Proceeds from disposal of leasehold land		1,103,311	-
Purchase of property, plant and equipment	31	(5,222,929)	(14,430,436)
Net cash used in investing activities		(103,534,754)	(20,446,920)
Cash Flows from Financing Activities			
Advances from/(Repayment to) ultimate holding company		137,641	(528)
(Repayment to)/Advances from related companies		(61,184)	1,784
Dividend paid		(7,324,039)	(7,204,723)
Payments to hire purchase payables		(3,193,581)	(2,586,970)
Proceeds from borrowings		176,418,499	10,260,378
Repayments of borrowings		(30,831,777)	(1,880,813)
Proceeds from issuance of shares		4,966,125	-
Net cash generated from/(used in) financing activities		140,111,684	(1,410,872)
Effects of exchange rate changes		64,019,981	(7,495,906)
		(300,524)	8,860,623
Net increase in cash and cash equivalents		63,719,457	1,364,717
Cash and cash equivalents at beginning of the year			
As previously reported		141,316,787	148,734,687
Effects of exchange rate changes on cash and cash equivalents		(543,000)	(8,782,617)
		140,773,787	139,952,070
Cash and cash equivalents at end of the year	32	204,493,244	141,316,787

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

Balance Sheet

As at 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,289,254	1,518,487
Investments in subsidiary companies	7	43,687,429	43,711,997
Interest in associated company	8	82,964,680	–
Other investments	11	8,568,000	4,568,000
		137,509,363	49,798,484
Current assets			
Receivables	16	199,716,170	118,834,418
Tax assets	17	2,505,439	1,653,851
Cash and cash deposits	18	25,588,590	20,756,821
		227,810,199	141,245,090
TOTAL ASSETS		365,319,562	191,043,574
EQUITY AND LIABILITIES			
Equity			
Share capital	19	69,132,900	66,710,400
Reserves	20	39,587,343	23,636,210
Total Equity		108,720,243	90,346,610
Liabilities			
Non-current liabilities			
Other borrowings	21	153,159,109	45,593,775
Deferred tax liabilities	12	5,090,218	4,459,052
		158,249,327	50,052,827
Current liabilities			
Payables	22	52,890,218	47,506,804
Other borrowings	21	45,459,774	3,137,333
		98,349,992	50,644,137
Total Liabilities		256,599,319	100,696,964
TOTAL EQUITY AND LIABILITIES		365,319,562	191,043,574

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

Income Statement

For the year ended 31 December 2007

	Note	2007 RM	2006 RM
Operating revenue	24	145,845,532	189,611,794
Direct operating costs	25	(107,297,739)	(165,318,808)
Gross profit		38,547,793	24,292,986
Other operating revenue		5,375,221	1,634,449
Administrative costs		6,023,270	5,344,557
Other operating costs		65,125	578,248
		(6,088,395)	(5,922,805)
Profit from operations		37,834,619	20,004,630
Finance costs		(8,220,410)	(3,372,131)
Profit before taxation	26	29,614,209	16,632,499
Taxation	27	(8,877,350)	(6,482,368)
Profit for the year		20,736,859	10,150,131

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

Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Total Equity RM
At 1.1.06		66,710,400	2,180,250	(6,475)	18,511,084	87,395,259
First and final dividend paid for year 2005 (15 sen per share of RM1/- each less 28% income tax)	29	-	-	-	(7,204,723)	(7,204,723)
Foreign exchange translation difference *		-	-	5,943	-	5,943
Net profit for the year		-	-	-	10,150,131	10,150,131
Total income recognised for the year		-	-	5,943	10,150,131	10,156,074
At 31.12.06		66,710,400	2,180,250	(532)	21,456,492	90,346,610
Allotment of shares pursuant to - ESOS		2,422,500	2,543,625	-	-	4,966,125
First and final dividend paid for year 2006 (15 sen per share of RM1/- each less 27% income tax)	29	-	-	-	(7,324,039)	(7,324,039)
Foreign exchange translation difference *		-	-	(5,312)	-	(5,312)
Net profit for the year		-	-	-	20,736,859	20,736,859
Total (expenses)/income recognised for the year		-	-	(5,312)	20,736,859	20,731,547
At 31.12.07		69,132,900	4,723,875	(5,844)	34,869,312	108,720,243

* Income and expenses recognised directly in equity

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

Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 RM	2006 RM
Cash Flows from Operating Activities			
Profit before taxation		29,614,209	16,632,499
Adjustments for:-			
Depreciation of property, plant and equipment		579,682	911,967
Dividend revenue		(27,500,115)	(10,000,040)
Gain on disposal of property, plant and equipment		(253,667)	-
Interest expenses		7,394,682	3,351,028
Interest revenue		(5,115,299)	(1,634,449)
(Gain)/Loss on foreign exchange - unrealised		(6,207)	294,415
Property, plant and equipment written off		20,016	5,519
Operating profit before working capital changes		4,733,301	9,560,939
Decrease/(Increase) in amount due from customers for contract works		20,996,770	(21,338,382)
Decrease in amount due to customers for contract works		-	(347,510)
(Increase)/Decrease in trade and other receivables		(31,994,925)	26,276,418
Increase/(Decrease) in trade and other payables		4,062,324	(16,277,059)
Cash generated from/(used in) operations		(2,202,530)	(2,125,594)
Interest paid		(6,073,592)	(3,351,028)
Tax paid		(1,877,052)	(1,260,581)
Net cash used in operating activities carried down		(10,153,174)	(6,737,203)

Cash Flow Statement (Cont'd)

	Note	2007 RM	2006 RM
Net cash used in operating activities brought down		(10,153,174)	(6,737,203)
Cash Flows from Investing Activities			
Acquisition of investment in subsidiary companies		(4)	(491,444)
Proceeds from disposal of investment in subsidiary		24,572	-
Dividend received		5,475,026	7,300,030
Interest received		5,115,299	1,634,449
Acquisition of investment in associated company		(82,964,680)	-
Acquisition of other investment		(4,000,000)	-
Proceeds from disposal of property, plant and equipment		262,000	-
Purchase of property, plant and equipment	31	(291,625)	(534,845)
Repayments from related companies		(55,077,331)	(28,629,266)
Net cash used in investing activities		(131,456,743)	(20,721,076)
Cash Flows from Financing Activities			
Dividend paid		(7,324,039)	(7,204,723)
Payments to hire purchase payables		(338,781)	(347,703)
Drawdown of Murabahah facility		43,230,000	1,770,000
(Repayments)/Drawdown of trust receipts		(1,080,444)	1,080,444
Drawdown of term loan		107,000,000	-
Proceeds from issuance of shares		4,966,125	-
Net cash generated from/(used in) financing activities		146,452,861	(4,701,982)
		4,842,944	(32,160,261)
Effects of exchange rate changes		(28,913)	4,896,153
Net increase/(decrease) in cash and cash equivalents		4,814,031	(27,264,108)
Cash and cash equivalents at beginning of the year			
As previously reported		20,756,821	52,910,271
Effects of exchange rate changes on cash and cash equivalents		17,738	(4,889,342)
		20,774,559	48,020,929
Cash and cash equivalents at end of the year	32	25,588,590	20,756,821

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

Notes to the Financial Statements

31 December 2007

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 25 April 2008.

2. BASIS OF PREPARATION

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

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

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

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

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

- i. Fair value of investment properties (note 6) - the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.
- ii. Annual testing for impairment of goodwill (note 13) and property, plant and equipment (note 4) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management.

2. BASIS OF PREPARATION (Cont'd)

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

- iii. Construction contracts (note 33) - significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making judgments, the Group evaluates based on past experience and work of specialists.
- iv. Property development costs (note 15) - significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and cost, as well as the recoverability of the development projects. In making judgements, the Group evaluates based on past experience and work of specialists.

3. SIGNIFICANT ACCOUNTING POLICIES

New and revised FRSs adopted

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous years except for the adoption of the following new and revised Financial Reporting Standards ("FRS") issued by MASB mandatory for accounting periods beginning on or after 1 October 2006 and 1 January 2007.

FRS 6	Exploration for and Evaluation of Mineral Resource
FRS 117	Leases
FRS 124	Related Party Disclosures

FRS 6 is not relevant to the Group's and the Company's operations.

The adoption of these FRS Standards does not have any material financial impact on the Group and the Company or any significant changes in accounting policies of the Group and the Company except as disclosed in note 53 to the financial statements.

New and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations not adopted

		For financial periods beginning on or after
Amendment to FRS 121	The effects of Changes in Foreign Exchange Rates - net investment in foreign operation	1 July 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 119	Employee Benefits	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure - Government Assistance	1 July 2007
FRS 126	Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provision, Contingent Liabilities and Contingent Assets	1 July 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations not adopted (Cont'd)

		For financial periods beginning on or after
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007
FRS 139	Financial Instruments : Recognition and Measurement	Yet to be determined

The adoption of FRS 107, 112, 118, 119, 134, 137 and amendment to FRS 121 does not have any significant financial impact on the results and the financial position of the Group and the Company when these standards become effective to the Group and the Company.

IC Interpretation 1, 2, 5, 6, 7, 8 and FRS 111, 120, 126 and 129 are not relevant to the Group's operations.

The Group and the Company have not early adopted FRS 139 - Financial Instruments : Recognition and Measurement, for which MASB has yet to announce the effective date.

The impact of applying this standard on these financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemption provided under paragraph 103AB of FRS139.

(a) Basis of Consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Consolidation (Cont'd)

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

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

(b) Goodwill

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

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

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

(c) Subsidiary Company

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

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

(d) Associated Company

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Associated Company (Cont'd)

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

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

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

(e) Joint Venture

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

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

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

(f) Property, Plant and Equipment and Depreciation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Property, Plant and Equipment and Depreciation (Cont'd)

The principal annual rates used for this purpose are:-

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

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

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

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

(g) Impairment of Assets

The carrying amounts of assets other than investment property that is measured at fair value, construction contract assets, property development costs, inventories, deferred tax assets and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of sales and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flow that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Investment Properties

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

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

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

(i) New Planting Expenditure

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

(j) Inventories

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

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

(k) Construction Contracts

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Property Development Costs

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

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

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

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

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

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

(m) Capitalisation of Borrowing Costs

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

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

(n) Lease

i. Finance lease

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Lease (Cont'd)

ii. Operating lease

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

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

(o) Foreign Currencies

i. Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period.

ii. Translation of foreign currency financial statements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Taxation

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

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

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

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

(q) Revenue Recognition

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

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

Sales of goods are recognised when goods are delivered.

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

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

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

(r) Employee Benefits

i. Short Term Employee Benefits

Wages, salaries, social security contributions, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Employee Benefits (cont'd)

ii. Defined Contribution Plans

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

iii. Share -Based Compensation

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

(s) Murabahah Facility

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

(t) Financial Instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Financial Instruments (Cont'd)

i. Cash and Cash Equivalents

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

ii. Receivables

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

iii. Payables

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

iv. Other Non-Current Investments

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

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

v. Interest Bearing Bank Borrowings

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

vi. Equity Instruments

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
Group						
Cost						
At 1.1.07	5,531,840	7,825,007	27,584,504	19,512,631	4,217,483	64,671,465
Additions	1,447,961	64,097	3,863,959	7,134,397	368,753	12,879,167
Disposals	-	(211,820)	(244,831)	(1,950,517)	-	(2,407,168)
Written off	-	-	-	(99,098)	(28,688)	(127,786)
Translation differences	-	(211)	(752,896)	(55,918)	(40,249)	(849,274)
At 31.12.07	6,979,801	7,677,073	30,450,736	24,541,495	4,517,299	74,166,404
Accumulated Depreciation						
At 1.1.07	-	982,028	11,728,196	11,705,888	2,506,733	26,922,845
Charge for the year	-	886,250	3,359,983	3,317,167	416,186	7,979,586
Disposals	-	(26,124)	(179,676)	(1,896,301)	-	(2,102,101)
Written off	-	-	-	(52,301)	(6,922)	(59,223)
Translation differences	-	(114)	(181,731)	(29,307)	(8,250)	(219,402)
At 31.12.07	-	1,842,040	14,726,772	13,045,146	2,907,747	32,521,705
Net Book Value						
At 31.12.07	6,979,801	5,835,033	15,723,964	11,496,349	1,609,552	41,644,699

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

	Freehold Land RM	Building & Renovation RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Total RM
Group (Cont'd)						
Cost						
At 1.1.06	5,531,840	8,119,715	14,099,049	16,419,206	3,236,386	47,406,196
Additions	–	29,496	13,814,838	4,266,266	1,019,766	19,130,366
Disposals	–	(16,434)	(300,600)	(1,154,840)	(14,100)	(1,485,974)
Written off	–	(307,770)	–	–	(7,358)	(315,128)
Translation differences	–	–	(28,783)	(18,001)	(17,211)	(63,995)
At 31.12.06	5,531,840	7,825,007	27,584,504	19,512,631	4,217,483	64,671,465
Accumulated Depreciation						
At 1.1.06	–	866,975	9,620,970	9,743,228	2,129,907	22,361,080
Charge for the year	–	155,897	2,443,414	2,765,765	395,452	5,760,528
Disposals	–	(4,657)	(300,592)	(797,049)	(14,097)	(1,116,395)
Written off	–	(36,187)	–	–	(1,839)	(38,026)
Translation differences	–	–	(35,596)	(6,056)	(2,690)	(44,342)
At 31.12.06	–	982,028	11,728,196	11,705,888	2,506,733	26,922,845
Net Book Value						
At 31.12.06	5,531,840	6,842,979	15,856,308	7,806,743	1,710,750	37,748,620

Notes to the Financial Statements (Cont'd)

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

	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Plant & Machinery RM	Total RM
Company				
Cost				
At 1.1.07	2,549,504	405,891	64,618	3,020,013
Additions	1,361,500	7,125	-	1,368,625
Written off	-	(26,688)	-	(26,688)
Disposals	(890,000)	-	-	(890,000)
Translation differences	5,712	4,116	3,282	13,110
At 31.12.07	3,026,716	390,444	67,900	3,485,060
Accumulated Depreciation				
At 1.1.07	1,444,738	47,731	9,057	1,501,526
Charge for the year	485,962	80,277	13,443	579,682
Written off	-	(6,672)	-	(6,672)
Disposals	(881,667)	-	-	(881,667)
Translation differences	1,247	1,092	598	2,937
At 31.12.07	1,050,280	122,428	23,098	1,195,806
Net Book Value				
At 31.12.07	1,976,436	268,016	44,802	2,289,254

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

	Motor Vehicles RM	Furniture, Fittings & Equipment RM	Plant & Machinery RM	Total RM
Company (Cont'd)				
Cost				
At 1.1.06	2,809,144	381,199	594,994	3,785,337
Additions	112,416	359,262	63,167	534,845
Written off	-	(7,358)	-	(7,358)
Disposals	(372,056)	(325,763)	(593,475)	(1,291,294)
Translation differences	-	(1,449)	(68)	(1,517)
At 31.12.06	2,549,504	405,891	64,618	3,020,013
Accumulated Depreciation				
At 1.1.06	953,917	22,337	24,829	1,001,083
Charge for the year	548,640	54,857	308,470	911,967
Written off	-	(1,839)	-	(1,839)
Disposals	(57,598)	(27,302)	(324,136)	(409,036)
Translation differences	(221)	(322)	(106)	(649)
At 31.12.06	1,444,738	47,731	9,057	1,501,526
Net Book Value				
At 31.12.06	1,104,766	358,160	55,561	1,518,487

Notes to the Financial Statements (Cont'd)

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

Included in property, plant and equipment are:-

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

	Motor Vehicles RM	Plant & Machinery RM	Office Equipment RM	Total RM
Group				
2007				
Cost	17,818,909	4,622,844	89,000	22,530,753
Net Book Value	10,804,385	3,302,583	80,100	14,187,068
2006				
Cost	13,356,122	2,969,337	-	16,325,459
Net Book Value	6,878,021	2,323,567	-	9,201,588
Company				
2007				
Cost	2,808,588	-	-	2,808,588
Net Book Value	1,897,751	-	-	1,897,751
2006				
Cost	2,237,088	-	-	2,237,088
Net Book Value	962,161	-	-	962,161

- (ii) freehold land and buildings with a total net book value of RM9,406,597/- (2006 : RM10,136,086/-) charged to financial institutions as securities for banking facilities of a subsidiary company, Ahmad Zaki Sdn. Bhd. ("AZSB") as disclosed in notes 23 and 44 to the financial statements.

5. PREPAID LAND LEASE PAYMENTS

	2007	Group
	RM	2006
		RM
At 1 January	10,017,557	10,372,940
Amortisation during the year	(342,524)	(355,383)
Disposals	(1,093,024)	-
At 31 December	8,582,009	10,017,557
Analysed as follows:-		
Long term leasehold land	-	1,095,596
Short term leasehold land	8,582,009	8,921,961
	8,582,009	10,017,557

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

6. INVESTMENT PROPERTIES

	2007	Group
	RM	2006
		RM
At fair value/At valuation		
At beginning of the year	24,550,000	24,200,000
Changes in fair value (note 26)	450,000	350,000
At end of the year, at fair value	25,000,000	24,550,000
Included in above are:		
Freehold land	5,500,000	5,300,000
Hotel properties		
- freehold land	793,912	543,912
- hotel buildings	18,706,088	18,706,088
	19,500,000	19,250,000
	25,000,000	24,550,000

The hotel properties are charged to financial institutions as security for facilities of a subsidiary company, AZSB, as disclosed in note 23 to the financial statements.

Notes to the Financial Statements (Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost		
At beginning of the year	43,711,997	43,220,553
Additions	4	491,444
Disposals	(24,572)	–
At end of the year	43,687,429	43,711,997

The subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2007	2006	
Held by the Company				
# Ahmad Zaki Sdn. Bhd.	Malaysia	100%	100%	Contractors of civil and structural contract works
# Inter-Century Sdn. Bhd.	Malaysia	100%	100%	Dealer of marine fuels and lubricants
# Tadok Granite Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Dormant
# AZRB International Ventures Sdn. Bhd.	Malaysia	100%	100%	Dormant
# AZSB Machineries Sdn. Bhd. (formerly known as AZRB Machineries Sdn. Bhd.)	Malaysia	100%	100%	Dormant
# Trend Vista Development Sdn. Bhd.	Malaysia	100%	100%	Dormant
* P.T. Ichtar Gusti Pudi	Republic of Indonesia	95%	95%	Oil palm cultivation
@* Ahmad Zaki Saudi Arabia Co. Ltd	Kingdom of Saudi Arabia	95%	95%	Contractors of civil and structural contract works
# AZRB Properties Sdn. Bhd.	Malaysia	100%	–	Dormant
# EKVE Sdn. Bhd.	Malaysia	100%	–	Dormant
Held through Ahmad Zaki Sdn. Bhd.				
* Kemaman Technology & Industrial Park Sdn. Bhd. ("KTIP")	Malaysia	60%	60%	Property development
Held through Inter-Century Sdn. Bhd.				
# Astral Far East Sdn. Bhd.	Malaysia	100%	100%	Dealer of lubricants and petroleum-based products

7. INVESTMENTS IN SUBSIDIARY COMPANIES (Cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2007	2006	
Held through AZRB International Ventures Sdn. Bhd.				
* AZRB Construction (India) Pvt. Ltd.	India	100%	100%	Dormant
@* Ahmad Zaki Saudi Arabia Co. Ltd	Kingdom of Saudi Arabia	5%	5%	Contractors of civil and structural contract works
#	Audited by an associated firm of the auditors of the Company.			
*	Audited by another professional firm of accountants.			
@	Wholly owned subsidiary company of the Group.			

8. INTEREST IN ASSOCIATED COMPANIES

	Group	
	2007 RM	2006 RM
Unquoted shares, at cost		
At beginning of the year	110,400	110,400
Written off	(400)	-
	110,000	110,400
Less: Accumulated impairment loss		
At beginning of the year	400	400
Written off	(400)	-
At end of the year	-	(400)
Quoted shares in Malaysia, at cost		
Additions	82,964,680	-
	83,074,680	110,000
Share of post-acquisition reserves	1,687,705	(50,125)
	84,762,385	59,875
Market value of quoted shares in Malaysia	90,479,080	-

Notes to the Financial Statements (Cont'd)

8. INTEREST IN ASSOCIATED COMPANIES (Cont'd)

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

	Group	
	2007 RM	2006 RM
Goodwill on acquisition	27,644,415	8,056

	Company	
	2007 RM	2006 RM
Quoted shares in Malaysia, at cost		
At beginning of the year	-	-
Additions	82,964,680	-
At end of the year	82,964,680	-
Market value of quoted shares in Malaysia	90,479,080	-

Post acquisition losses of an associated company, Hidro Fokus Sdn. Bhd. not recognised in the financial statements are as follows:-

	Group	
	2007 RM	2006 RM
Accumulated losses	-	3,381

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

Name of Company	Effective Equity Interest		Principal Activities
	2007	2006	
Held through Ahmad Zaki Sdn. Bhd.			
# Fasatimur Sdn. Bhd.	50%	50%	Project management
# Maxi Heritage Sdn. Bhd.	20%	20%	General contractor
# Hidro Fokus Sdn. Bhd.	-	40%	Dormant
# Eastern Pacific Industrial Corporation Berhad	20.4%	-	Investment holding

Hidro Fokus Sdn. Bhd. ceased to be an associated company of the Group as it was struck off by Companies Commission of Malaysia on 11 June 2007.

8. INTEREST IN ASSOCIATED COMPANIES (Cont'd)

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

	2007 RM	Group 2006 RM
Total assets	366,354,519	705,966
Total liabilities	72,009,048	578,409
Operating revenue	44,127,553	-
Net profit/(loss)	7,872,585	(6,726)

9. INTEREST IN JOINT VENTURES

	2007 RM	Group 2006 RM
Shares of post acquisition results in joint ventures		
At beginning of the year	(28,601,943)	(28,407,817)
Add: Share of results for the year	(271,221)	(194,126)
At end of the year	(28,873,164)	(28,601,943)

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

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

Notes to the Financial Statements (Cont'd)

9. INTEREST IN JOINT VENTURES (Cont'd)

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

(i) Share of the assets and liabilities

	Group	
	2007 RM	2006 RM
Non-current asset		
Property, plant and equipment	441	415
Current assets		
Trade receivables	12,243,530	12,787,411
Other receivables, deposits and prepayments	182,843	240,331
Cash and cash deposits	3,333,111	1,294,646
	15,759,484	14,322,388
Less: Current liabilities		
Amount due to customers for contract works	-	-
Trade payables	30,868,260	30,887,334
Other payables and accruals	13,764,829	12,037,412
	(44,633,089)	(42,924,746)
Share of net assets of the joint ventures	(28,873,164)	(28,601,943)

(ii) Share of the revenue and expenses

Attributable contract revenue	34,850,202	48,889,765
Attributable contract costs	(34,850,202)	(48,889,765)
Gross loss	-	-
Other operating revenue	91,877	762
	91,877	762
Finance costs	(363,098)	(194,888)
Share of losses for the year	(271,221)	(194,126)

10. NEW PLANTING EXPENDITURE

	Group	
	2007	2006
	RM	RM
At cost:		
At beginning of the year	12,862,724	2,293,598
Additions	19,091,756	10,569,126
At end of the year	31,954,480	12,862,724

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

Included in new planting expenditure is amortisation and depreciation of prepaid land lease payments and property, plant and equipment amounting to RM1,016,321/- (2006 : 633,964/-).

11. OTHER INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
At cost:				
Unquoted investment in Malaysia				
At beginning of the year	4,547,500	4,547,500	4,500,000	4,500,000
Additions	4,000,000	-	4,000,000	-
At end of the year	8,547,500	4,547,500	8,500,000	4,500,000
Club membership	68,000	68,000	68,000	68,000
	8,615,500	4,615,500	8,568,000	4,568,000

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

Notes to the Financial Statements (Cont'd)

12. DEFERRED TAX LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At beginning of the year	5,039,510	3,951,164	4,459,052	1,581,389
Transfer from/(to) income statement (note 27)	51,916	(474,551)	631,173	3,550,443
Adjustment relating to the adoption of FRS 140	-	1,548,000	-	-
Transfer to subsidiary company in respect of disposal of foreign operations	-	-	-	(672,700)
Translation differences	(7)	14,897	(7)	(80)
At end of the year	5,091,419	5,039,510	5,090,218	4,459,052

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred tax liabilities				
Differences between the carrying amount of property, plant and equipment and its tax base	291,002	351,593	60,218	57,382
Difference in basis of recognition of results of joint venture	-	-	5,030,000	4,401,670
Fair value adjustment of investment properties	2,189,640	2,077,140	-	-
Fair value adjustment in respect of acquisition of subsidiary company	2,610,777	2,610,777	-	-
	5,091,419	5,039,510	5,090,218	4,459,052

13. GOODWILL

	Group	
	2007 RM	2006 RM
At cost	3,744,605	3,744,605

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

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

13. GOODWILL (Cont'd)

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

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

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

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

14. INVENTORIES

	2007 RM	Group 2006 RM
Completed development properties	994,520	1,787,498
Marine fuels and lubricants	11,082,454	8,657,485
Granite blocks and slabs	-	76,739
Consumable goods	65,979	-
	12,142,953	10,521,722

15. PROPERTY DEVELOPMENT COSTS

	2007 RM	Group 2006 RM
Development costs		
At beginning of the year	1,820,106	1,678,031
Costs incurred during the year	746,765	142,075
At end of the year	2,566,871	1,820,106
Cost recognised in income statement	(35,539)	(35,539)
	2,531,332	1,784,567

Notes to the Financial Statements (Cont'd)

16. RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables				
External parties	108,557,734	59,447,141	6,974,934	–
Amount due from customers for contract works (note 33)	124,265,300	158,011,660	10,826,714	31,823,484
Amount owing by related companies (note 35)	171,066	109,882	139,385,717	69,508,327
	232,994,100	217,568,683	157,187,365	101,331,811
Other receivables				
Amount owing by				
- associated companies (note 36)	20,000	20,000	–	–
- joint ventures (note 37)	49,773	49,773	–	–
	69,773	69,773	–	–
Other receivables, deposits and prepayments (note 34)	56,287,874	28,425,362	42,528,805	17,502,607
	56,357,647	28,495,135	42,528,805	17,502,607
	289,351,747	246,063,818	199,716,170	118,834,418

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

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

	Group	
	2007 RM	2006 RM
Saudi Riyal	74,849,950	28,885,152

17. TAX ASSETS

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

18. CASH AND CASH DEPOSITS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	41,804,860	36,025,977	6,353,635	2,306,293
Cash deposits with licensed banks	166,185,732	108,978,743	19,234,955	18,450,528
	207,990,592	145,004,720	25,588,590	20,756,821

Included in cash deposits with licensed banks of the Group are deposits of RM75,468,420/- (2006: RM61,715,785/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group.

Included in cash deposits with licensed banks of the Company are deposits of RM2,499,341/- (2006 : RM2,421,626/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary company, AZSB.

The cash deposits with licensed banks of the Group and of the Company bear effective interest at rates ranging from 2.6% to 3.7% (2006 : 2.50% to 3.75%) and 3.15% to 3.18% (2006 : 2.50% to 3.75%) respectively per annum.

The foreign currency exposure profile is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Indonesia Rupiah	1,515,614	1,955,627	-	-
India Rupee	1,903,605	350,584	1,902,118	350,584
Saudi Riyal	1,602,318	6,423,224	-	-
	5,021,537	8,729,435	1,902,118	350,584

19. SHARE CAPITAL

Authorised:	2007			2006		
	Par Value RM	Number of Shares	Share Capital RM	Par Value RM	Number of Shares	Share Capital RM
Ordinary shares						
At 1 January	1.00	100,000,000	100,000,000	1.00	100,000,000	100,000,000
Sub-division of every 1 existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	0.50	100,000,000	-	-	-	-
Increase during the year	0.50	800,000,000	400,000,000	-	-	-
At 31 December	0.50	1,000,000,000	500,000,000	1.00	100,000,000	100,000,000

Notes to the Financial Statements (Cont'd)

19. SHARE CAPITAL (Cont'd)

Issued and fully paid:	← 2007 →			← 2006 →		
	Par Value RM	Number of Shares	Share Capital RM	Par Value RM	Number of Shares	Share Capital RM
Ordinary shares						
At 1 January	1.00	66,710,400	66,710,400	1.00	66,710,400	66,710,400
Allotment of shares pursuant to ESOS	1.00	2,422,500	2,422,500	-	-	-
Sub-division of every 1 existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	0.50	69,132,900	-	-	-	-
At 31 December	0.50	138,265,800	69,132,900	1.00	66,710,400	66,710,400

20. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable				
Share premium	4,723,875	2,180,250	4,723,875	2,180,250
Capital reserve	67,951	-	-	-
Foreign exchange translation reserve	(1,425,488)	47,892	(5,844)	(532)
	3,366,338	2,228,142	4,718,031	2,179,718
Distributable				
Retained profits	86,453,281	67,482,326	34,869,312	21,456,492
	89,819,619	69,710,468	39,587,343	23,636,210

The Directors proposed a first and final dividend of 5 sen per ordinary share of RM0.50 (2006 : 15 sen per ordinary share of RM1/-) in respect of the current financial year. The retained profits appropriated for this proposed dividend less tax at 26% (2006 : 27%) amounted to RM5,115,835/- based on 138,265,800 ordinary shares as at financial year end (2006 : RM7,304,789/-, based on 66,710,400 ordinary shares as at financial year).

21. OTHER BORROWINGS

Group	Note	Effective Interest Rate	Short Term Borrowings	Long Term Borrowings					Sub Total RM	Total RM
			Within 1 Year RM	Within 1 - 2 Years RM	Within 2 - 3 Years RM	Within 3 - 4 Years RM	Within 4 - 5 Years RM	After 5 years RM		
2007										
Secured										
Trust receipts		7.75%	4,173,303	-	-	-	-	-	-	4,173,303
Murabahah facility		5.96%-6.00%	45,000,000	-	-	-	-	-	-	45,000,000
Term loans	44	6.85%-8.75%	90,213	2,791,667	8,375,000	8,375,000	8,375,000	39,083,333	67,000,000	67,090,213
			49,263,516	2,791,667	8,375,000	8,375,000	8,375,000	39,083,333	67,000,000	116,263,516
Unsecured										
Term loans	44	7.13%-7.63%	-	-	45,000,000	-	40,000,000	-	85,000,000	85,000,000
Hire purchase payables	43	3.58%-9.16%	3,775,652	3,333,444	2,727,215	2,070,095	870,652	-	9,001,406	12,777,058
			53,039,168	6,125,111	56,102,215	10,445,095	49,245,652	39,083,333	161,001,406	214,040,574
2006										
Secured										
Trust receipts		7.75%-8.25%	7,428,006	-	-	-	-	-	-	7,428,006
Murabahah facility		5.97%	1,770,000	-	-	-	-	-	-	1,770,000
Term loans	44	6.85%-8.75%	893,207	232,908	167,057	182,276	3,340	-	585,581	1,478,788
			10,091,213	232,908	167,057	182,276	3,340	-	585,581	10,676,794
Unsecured										
Term loans	44	7.13%	-	-	-	45,000,000	-	-	45,000,000	45,000,000
Hire purchase payables	43	7.30%-7.67%	2,549,456	2,285,396	1,757,410	1,168,703	553,436	-	5,764,945	8,314,401
			12,640,669	2,518,304	1,924,467	46,350,979	556,776	-	51,350,526	63,991,195

Notes to the Financial Statements (Cont'd)

21. OTHER BORROWINGS

Company	Note	Effective Interest Rate	Short Term Borrowings	Long Term Borrowings					Sub Total RM	Total RM	
			Within 1 Year RM	Within 1 - 2 Years RM	Within 2 - 3 Years RM	Within 3 - 4 Years RM	Within 4 - 5 Years RM	After 5 years RM			
2007											
Secured											
Murabahah facility		5.96%-6.00%	45,000,000	-	-	-	-	-	-	-	45,000,000
Term loans	44	6.00%	-	2,791,667	8,375,000	8,375,000	8,375,000	39,083,333	67,000,000	67,000,000	
			45,000,000	2,791,667	8,375,000	8,375,000	8,375,000	39,083,333	67,000,000	112,000,000	
Unsecured											
Term loans	44	7.13%-7.63%	-	-	45,000,000	-	40,000,000	-	85,000,000	85,000,000	
Hire purchase payables	43	3.58%-6.20%	459,774	433,424	326,659	227,202	171,824	-	1,159,109	1,618,883	
			45,459,774	3,225,091	53,701,659	8,602,202	48,546,824	39,083,333	153,159,109	198,618,883	
2006											
Secured											
Trust receipts		7.75%-8.25%	1,080,444	-	-	-	-	-	-	-	1,080,444
Murabahah facility		5.97%	1,770,000	-	-	-	-	-	-	-	1,770,000
Term loans	44	6.85%-8.75%	-	-	-	-	-	-	-	-	-
			2,850,444	-	-	-	-	-	-	-	2,850,444
Unsecured											
Term loans	44	7.13%	-	-	-	45,000,000	-	-	45,000,000	45,000,000	
Hire purchase payables	43	3.58%-7.60%	286,889	260,345	224,719	108,711	-	-	593,775	880,664	
			3,137,333	260,345	224,719	45,108,711	-	-	45,593,775	48,731,108	

The trust receipt facilities of the Group bear interest at a rate of 7.75% (2006 : rates ranging from 7.75% to 8.25%) per annum. These facilities are secured and supported by:-

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

The Murabahah facility of the Group bears a financial charge at rates ranging from 5.96% to 6.00%. (2006 : 5.97%) per annum and is secured by assignments of contract proceeds, guarantees and insurance proceeds from a specific construction contract.

22. PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables				
Amount due to customers for contract works (note 33)	28,133,913	8,513,471	-	-
External parties (note 38)	164,034,150	167,284,086	10,127,607	26,453,936
	192,168,063	175,797,557	10,127,607	26,453,936
Other payables				
Amounts owing to				
- holding company (note 40)	384,417	246,776	-	-
- associated company (note 41)	53,089	53,089	-	-
Advance payments received (note 42)	97,333,675	74,531,085	39,781,115	19,687,145
	97,771,181	74,830,950	39,781,115	19,687,145
Other payables and accruals (note 39)	10,268,481	4,198,048	2,981,496	1,365,723
	108,039,662	79,028,998	42,762,611	21,052,868
	300,207,725	254,826,555	52,890,218	47,506,804

23. BANK OVERDRAFTS - SECURED

The bank overdraft facilities of the Group are payable on demand and bear interest at rates ranging from 7.25% to 8.25% (2006: 7.25% to 8.25%) per annum. These facilities are secured and supported by:-

- (i) cash deposits and freehold land and buildings of a subsidiary company, AZSB, as disclosed in notes 4 and 6 to the financial statements;
- (ii) cash deposits of the Company; and
- (iii) corporate guarantee from the Company.

Notes to the Financial Statements (Cont'd)

24. OPERATING REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Management fees	-	-	2,175,000	2,113,000
Dividend revenue	-	-	27,500,115	10,000,040
Sale of goods	62,431,919	52,105,874	-	-
Attributable contract revenue	458,361,480	387,986,795	116,170,417	177,498,754
Sales of development properties	4,977,267	2,507,631	-	-
	525,770,666	442,600,300	145,845,532	189,611,794

25. DIRECT OPERATING COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost of goods sold	48,337,484	38,802,483	-	-
Attributable contract costs	393,724,957	338,285,827	107,297,739	165,318,808
Cost of development properties	1,626,129	1,583,217	-	-
	443,688,570	378,671,527	107,297,739	165,318,808

26. PROFIT BEFORE TAXATION

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

(a) Others

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Amortisation of prepaid land lease payments	9,517	22,376	-	-
Auditors' remuneration				
- statutory audit	181,781	149,078	26,999	34,341
Depreciation of property, plant and equipment	7,296,272	5,459,571	579,682	911,967
Interest expenses	10,018,327	4,481,301	7,394,682	3,351,028
(Gain)/Loss on foreign exchange				
- realised	(48)	244,760	(48)	244,760
- unrealised	4,303,063	794,444	(6,207)	294,415

26. PROFIT BEFORE TAXATION (Cont'd)

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

(a) Others (Cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Property, plant and equipment written off	21,766	277,102	20,016	5,519
Rental and running cost of machinery and equipment	7,157,942	6,628,761	-	-
Rental of motor vehicles	87,997	36,639	591	-
Rental of premises	3,067,361	1,871,124	180,000	180,000
Inventories written off	76,739	-	-	-
Dividend revenue				
- unquoted shares	(326)	(2,609)	-	-
Gain on disposal of property, plant and equipment	(592,948)	(356,019)	(253,667)	-
Gain on disposal of leasehold land	(10,287)	-	-	-
Changes in fair value of investment properties	(450,000)	(350,000)	-	-
Interest revenue	(4,679,841)	(3,190,472)	(5,115,299)	(1,634,449)
Rental revenue	(145,500)	-	-	-
Rental revenue from investment properties	-	(109,600)	-	-

(b) Staff costs	34,900,758	29,040,175	3,141,911	5,590,323
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Included in staff cost are as follows:-

Employees Provident Fund and Social Security Contribution	3,626,138	2,738,380	375,713	433,228
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The staff costs of the Group and of the Company consist of aggregate remuneration of salaried directors, other staff's salaries, allowances, bonus, Employee Provident Fund, Social Security Contribution, medical expenses, staff welfare and other expenses directly related to employment of staff.

Notes to the Financial Statements (Cont'd)

26. PROFIT BEFORE TAXATION (Cont'd)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive Directors				
Fees	822,952	888,145	–	–
Other emoluments	2,158,086	2,064,236	1,228,310	1,155,708
Benefits-in-kind	635,020	658,620	218,300	228,550
	3,616,058	3,611,001	1,446,610	1,384,258
Non-Executive Directors				
Fees	372,000	390,000	372,000	372,000
Other emoluments	18,000	14,500	–	10,300
Benefits-in-kind	49,450	42,250	31,150	31,150
	439,450	446,750	403,150	413,450

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

Share options granted to directors are disclosed in note 45 to the financial statements.

The Executive directors are as follows:-

2007

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

2006

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

26. PROFIT BEFORE TAXATION (Cont'd)

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

The Non-Executive directors are as follows:-

2007

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

2006

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

27. TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Based on results for the year	14,861,888	11,809,323	8,606,920	4,507,020
Origination and reversal of temporary differences (note 12)	51,916	(474,551)	631,173	3,550,443
	14,913,804	11,334,772	9,238,093	8,057,463
Under/(Over) provision in prior years	77,671	640,671	(360,743)	(1,575,095)
Tax expense	14,991,475	11,975,443	8,877,350	6,482,368

Notes to the Financial Statements (Cont'd)

27. TAXATION (Cont'd)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Accounting profit before taxation	42,129,262	36,366,704	29,614,209	16,632,499
Tax at the statutory income tax rate of 27% (2006 : 28%)	11,375,000	10,182,700	7,996,000	4,657,100
Effect of lower tax rate for Malaysian subsidiary companies with issued and paid-up share capital of RM2.5 million and below	(57,000)	-	-	-
Effect of lower tax rate for foreign branches/subsidiary companies	269,000	(294,761)	(11,000)	(73,690)
Tax effect of non-deductible expenses	3,661,304	1,446,833	1,064,593	689,439
Tax effect of nontaxable revenue	(152,500)	-	(68,500)	-
Tax effect on opening deferred tax resulting from reduction in tax rate	(182,000)	-	(171,000)	-
Under/(Over) provision of taxation in prior years				
- income tax	77,671	640,671	(360,743)	(1,575,095)
- deferred tax	-	-	428,000	2,784,614
Tax expense	14,991,475	11,975,443	8,877,350	6,482,368

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank payment of dividends out of its entire retained profits as at 31 December 2007, without incurring additional tax liability.

The Company has tax exempt income account available for distribution by way of tax exempt dividends amounted to RM297,002/- (2006 : RM297,002/-). This is in respect of chargeable income of which the income tax has been waived.

28. EARNINGS PER ORDINARY SHARE

Basic Earnings Per Share

The basic earnings per ordinary share of the Group is calculated based on the profit attributable to equity shareholders of RM26,294,994/- divided by the adjusted weighted average number of shares adjusted for sub-division of ordinary shares and Rights Issue in year 2008 as follows: -

	No. of shares of RM0.50 each
Weighted average number of shares at at 31 December 2007	134,832,467
Add: Adjustment for Right Issue	108,542,013
Adjusted weighted average number of shares	243,374,480

28. EARNINGS PER ORDINARY SHARE (Cont'd)**Basic Earnings Per Share (Cont'd)**

In previous year, the basic earnings per ordinary share of the Group was calculated based on the profit attributable to equity shareholders of RM24,154,951/- divided by the adjusted weighted average number of shares after retrospective adjustments for sub-division of ordinary shares in year 2007 and Right Issue in year 2008 as follows: -

	No. of shares of RM0.50 each
Weighted average number of shares at at 31 December 2006	133,420,800
Add: Adjustment for Right Issue	107,405,602
Adjusted weighted average number of shares	240,826,402

Diluted Earnings Per Share

The diluted earnings per share of the Group is calculated based on the profit attributable to equity shareholders of RM26,294,994/- divided by the adjusted weighted average number of shares adjusted for sub-division of ordinary shares and Right Issue in year 2008 as follows:-

	No. of shares of RM0.50 each
Weighted average number of shares at at 31 December 2007	134,832,467
Add: Dilutive ESOS	198,593
Add: Adjustment for Right Issue	108,701,883
Adjusted weighted average number of shares	243,732,943

The share options are calculated based on the number of shares which would have been acquired at the market price of RM3.87/- based on the monetary value of the subscription rights attached to the outstanding share options.

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

Notes to the Financial Statements (Cont'd)

29. DIVIDENDS

	Group/Company	
	2007	2006
	RM	RM
Paid		
First and final dividend of 15 sen per ordinary share of RM1/•each less tax at 28% in respect of financial year ended 31 December 2005	–	7,204,723
First and final dividend of 15 sen per ordinary share of RM1/•each less tax at 27% in respect of financial year ended 31 December 2006	7,324,039	–
	7,324,039	7,204,723

The Directors recommend a first and final dividend of 5 sen per ordinary share of RM0.50 each less tax at 26% in respect of the current financial year amounting to RM5,115,835/•, based on 138,265,800 ordinary shares as at financial year end, subject to the approval of the shareholders at the Annual General Meeting.

30. ACQUISITION OF SUBSIDIARY COMPANIES

During the year, the Company incorporated new subsidiary companies as follows:-

- (a) AZRB Properties Sdn. Bhd.; and
- (b) EKVE Sdn. Bhd.

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

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

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

	Group	
	2007	2006
	RM	RM
Cash and bank balances	4	491,444
Total purchase consideration	4	491,444
Cash and bank balances	(4)	(491,444)
Effect of acquisition of subsidiary companies, net of cash acquired	–	–

30. ACQUISITION OF SUBSIDIARY COMPANIES (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:-

	2007 RM	Group 2006 RM
Operating revenue	-	84,031,539
Direct operating costs	-	(77,824,653)
Gross profit	-	6,206,886
Other operating revenue		
Administrative costs	-	1,068,962
Other operating costs	-	1,684,766
	-	(2,753,728)
Finance costs	-	3,453,158
	-	(689,763)
Net profit for the year	-	2,763,395

(iii) Effect of Consolidated Financial Position

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

	2007 RM	Group 2006 RM
Property, plant and equipment	-	10,475,403
Cash and bank balances	4	6,423,224
Trade receivables	-	63,444,254
Other receivables and deposits	-	3,956,973
Trade payables	-	(19,221,760)
Other payables and accruals	-	(27,047,082)
Amount owing to related companies	-	(34,158,425)
Tax liabilities	-	(1,533,522)
Translation reserve	-	225,081
	4	2,564,146

Notes to the Financial Statements (Cont'd)

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM12,879,167/- (2006 : RM19,130,366/-) and RM1,368,625/- (2006 : RM534,845/-) respectively, which were satisfied as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Hire purchase financing	7,656,238	4,699,930	1,077,000	–
Cash payments	5,222,929	14,430,436	291,625	534,845
	12,879,167	19,130,366	1,368,625	534,845

32. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	41,804,860	36,025,977	6,353,635	2,306,293
Cash deposits with licensed banks	166,185,732	108,978,743	19,234,955	18,450,528
Bank overdrafts	(3,497,348)	(3,687,933)	–	–
	204,493,244	141,316,787	25,588,590	20,756,821

Included in cash deposits with licensed banks of the Group are deposits of RM75,468,420/- (2006: RM RM61,715,785/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group and are only available to be utilised for repayment of the said facilities.

Included in cash deposits with licensed banks of the Company are deposits of RM2,499,341/- (2006 : RM2,421,626/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary company, AZSB, and are only available to be utilised for repayment of the said facilities.

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Aggregate costs incurred to date	1,401,042,657	1,527,743,035	415,739,675	307,031,029
Attributable profits	206,282,499	167,033,376	30,823,641	19,313,299
Progress billings	1,607,325,156 (1,511,193,769)	1,694,776,411 (1,545,278,222)	446,563,316 (435,736,602)	326,344,328 (294,520,844)
	96,131,387	149,498,189	10,826,714	31,823,484
Represented By:-				
Amount due from customers for contract works (note 16)	124,265,300	158,011,660	10,826,714	31,823,484
Amount due to customers for contract works (note 22)	(28,133,913)	(8,513,471)	-	-

Included in the above progress billings of the Group are retention sums of RM17,646,861/- (2006 : RM20,162,977/-).

Included in additions to aggregate cost incurred to date are:-

- (i) staff costs for the year amounting to RM20,337,559/- (2006 : RM16,488,447/-); and
- (ii) rental of premises, rental of equipment and rental of motor vehicles for the year amounting RM1,253,439/- (2006 : RM974,710/-), RM4,065,720/- (2006 : RM5,405,074/-) and RM86,806/- (2006 : RM132,082/-).

34. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	49,442,090	23,209,059	42,015,595	17,289,612
Sundry deposits	5,390,347	4,789,887	60,244	50,128
Prepayments	1,455,437	426,416	452,966	162,867
	56,287,874	28,425,362	42,528,805	17,502,607

Included in other receivables of the Group and of the Company are advances to sub-contractors of RM45,428,949/- (2006: RM18,771,006/-) and RM40,995,642/- (2006 : RM16,212,251/-) respectively.

Notes to the Financial Statements (Cont'd)

34. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

The foreign currency exposure profile is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Indonesia Rupiah	4,517,796	3,898,929	-	-
India Rupee	39,675,839	14,912,480	39,675,335	14,912,480
Saudi Riyal	6,126,283	3,956,973	-	-
	50,319,918	22,768,382	39,675,335	14,912,480

35. AMOUNT OWING BY RELATED COMPANIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Amount owing by related companies				
Holding company	-	-	101,954	102,632
Subsidiary companies	-	-	139,283,763	69,405,695
Related company	171,066	109,882	-	-
	171,066	109,882	139,385,717	69,508,327

These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash except for amounts of RM126,590,287/- (2006: RM40,197,574/-) owing by certain subsidiary companies which bear interest ranging from 7.13% to 8% (2006: 7.13%) per annum.

The foreign currency exposure profile is as follows:-

	Company	
	2007 RM	2006 RM
India Rupee	11,565	10,568
Indonesia Rupiah	27,255,733	5,746,410
Saudi Riyal	99,334,554	34,451,164
	126,601,852	40,208,142

36. AMOUNT OWING BY ASSOCIATED COMPANY

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

37. AMOUNT OWING BY JOINT VENTURES

	2007	Group	2006
	RM		RM
Trade			
Bumi Hiway - Ahmad Zaki Joint Venture	2,856		2,856
Non-Trade			
Bumi Hiway - Ahmad Zaki Joint Venture	46,917		46,917
	49,773		49,773

The non-trade amount is unsecured, interest free and repayable on demand by cash.

38. TRADE PAYABLES

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

Included in trade payables of the Group are:-

- (a) retention sums of RM38,031,522 /- (2006: RM42,516,520/-)
- (b) amount due to a related party as follows:-

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Chuan Huat Industrial Marketing Sdn. Bhd.	1,398,937	923,581	5,440	-

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

Notes to the Financial Statements (Cont'd)

38. TRADE PAYABLES (Cont'd)

The foreign currency exposure profile is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
India Rupee	-	89,262	-	89,262
Indonesia Rupiah	2,152,683	1,596,100	-	-
Saudi Riyal	31,734,594	19,221,760	-	-
	33,887,277	20,907,122	-	89,262

39. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	4,245,628	2,295,639	397,915	347,475
Deposits received	20,741	-	-	-
Accruals	6,002,112	1,902,409	2,583,581	1,018,248
	10,268,481	4,198,048	2,981,496	1,365,723

Included in accruals of the Group is interest on borrowing amounting to RM2,191,390/- (2006: RM870,251/-)

The foreign currency exposure profile is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Indonesia Rupiah	647,541	39,766	-	-
India Rupee	296,372	343,595	290,626	341,162
Saudi Riyal	2,225,100	797,548	-	-
	3,169,013	1,180,909	290,626	341,162

40. AMOUNT OWING TO HOLDING COMPANY

This amount owing to Zaki Holdings (M) Sdn. Bhd. is non-trade in nature, unsecured, interest free and repayable on demand by cash.

41. AMOUNT OWING TO AN ASSOCIATED COMPANY

This amount owing to Fasatimur Sdn. Bhd. is non-trade in nature, unsecured, interest free and repayable on demand by cash.

42. ADVANCE PAYMENTS RECEIVED

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

The foreign currency exposure profile is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
India Rupee	39,781,115	12,471,925	39,781,115	12,471,925
Saudi Riyal	17,109,812	26,249,534	-	-
	56,890,927	38,721,459	39,781,115	12,471,925

43. HIRE PURCHASE PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Total instalment payments	14,119,983	9,203,740	1,757,515	949,495
Less: Future finance charges	(1,342,925)	(889,339)	(138,632)	(68,831)
Present value of hire purchase payables	12,777,058	8,314,401	1,618,883	880,664

Notes to the Financial Statements (Cont'd)

43. HIRE PURCHASE PAYABLES (Cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Payable within one year				
Total instalment payments	4,383,552	2,958,067	521,280	322,496
Less: Future finance charges	(607,900)	(408,611)	(61,506)	(35,607)
Present value of hire purchase payables (note 21)	3,775,652	2,549,456	459,774	286,889
Payable after one year but not later than five years				
Total instalment payments	9,736,431	6,245,673	1,236,235	626,999
Less: Future finance charges	(735,025)	(480,728)	(77,126)	(33,224)
Present value of hire purchase payables (note 21)	9,001,406	5,764,945	1,159,109	593,775
	12,777,058	8,314,401	1,618,883	880,664

The hire purchase payables of the Group and of the Company bear effective interest rates ranging from 3.58% to 9.16% (2006 : 7.30% to 7.67%) and 3.58% to 6.20% (2006 : 3.58% to 7.60%) per annum respectively.

44. TERM LOANS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current Liabilities				
Secured				
Repayable within 1 year (note 21)	90,213	893,207	-	-
Non-Current Liabilities				
Secured				
Repayable after 1 year but not later than 5 years	27,916,667	585,581	27,916,667	-
Repayable after 5 years	39,083,333	-	39,083,333	-
	67,000,000	585,581	67,000,000	-
Unsecured				
Repayable after 1 year but not later than 5 years	85,000,000	45,000,000	85,000,000	45,000,000
	152,000,000	45,585,581	152,000,000	45,000,000
	152,090,213	46,478,788	152,000,000	45,000,000

44. TERM LOANS (Cont'd)**Secured****Group**

The term loans bear effective interest at rates ranging from 6.85% to 8.75% (2006 : 6.85% to 8.75%) per annum.

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

The term loans are secured and supported as follows:-

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

Company

The term loan bears interest at a fixed rate of 6% per annum.

The term loans are repayable in monthly instalments over 9 years commencing in October 2009.

The term loans are secured and supported by charges over the 34.4 million ordinary shares of Eastern Pacific Industrial Corporation Berhad quoted on Bursa Malaysia.

Unsecured

The unsecured term loans bear interest at fixed rates ranging from 7.13% to 7.63% (2006 : 7.13%) per annum and are repayable in one lump sum on the last day of the tenor of the facility which should not exceed five years.

45. EQUITY COMPENSATION BENEFITS

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

The salient features of the ESOS are:-

- (a) eligible persons are full time employees with confirmed employment within the Group (including executive directors of the Group and non-executive directors of the Company) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- (b) the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;
- (c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed fifteen percent (15%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- (d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately preceding the Date of Offer;

45. EQUITY COMPENSATION BENEFITS (Cont'd)

The salient features of the ESOS are:- (Cont'd)

- (e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- (f) new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

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

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

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

	Number of Share Options	
	2007	2006
At 1 January	2,668,400	2,707,600
Exercised	(2,422,500)	-
Lapsed	(34,600)	(39,200)
	211,300	2,668,400
Adjusted for sub-division of every 1 existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	211,300	-
At 31 December	422,600	2,668,400

ESOS options lapsed due to resignations of employees.

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

	2007		2006
	Before Share Split	After Share Split	
Expiry Date 25.7.2012			
Exercise Price	RM2.05	RM1.025	RM2.05
Number of Share Options Outstanding	211,300	422,600	2,668,400

45. EQUITY COMPENSATION BENEFITS (Cont'd)

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

	Number of Options over Ordinary Shares of RM1/- each			At 14.12.07
	At 1.1.07	Exercised	Lapsed	
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	588,000	(588,000)	-	-
Dato' Wan Zakariah bin Haji Wan Muda	425,600	(425,600)	-	-
Dato' Haji Mustaffa bin Mohamad	324,000	(324,000)	-	-
Dato' W Zulkifli bin Haji W Muda	406,000	(406,000)	-	-

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Accommodation charged by:-				
- Residence Inn & Motels Sdn. Bhd.	9,937	8,393	-	-
Management fees charged to:-				
- subsidiary companies	-	-	(2,175,000)	(2,113,000)
Dividend revenue from:-				
- subsidiary companies	-	-	(27,500,115)	(10,000,040)
Interest received and receivable from:-				
- subsidiary companies	-	-	(3,882,360)	(1,181,486)
Administrative service charged by:-				
- Holding company	122,400	121,200	-	-
Rental paid and payable to:-				
- Holding company	420,000	420,000	180,000	180,000
Insurance premium paid and payable to:-				
- Holding company	614,017	365,640	61,360	47,267

Notes to the Financial Statements (Cont'd)

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Purchases from subsidiary companies of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:-				
- Chuan Huat Industrial Marketing Sdn. Bhd.	15,497,591	14,311,923	-	-
- Chuan Huat Hardware Sdn. Bhd.	75,250	-	-	-
Rental of premises paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	36,000	-	-

- (c) Compensation of key management personnel

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

The remuneration of the key management are as follows:-

	Group	
	2007 RM	2006 RM
Short term employees benefits	3,090,497	3,082,495
Post employment benefits	280,541	274,386
	3,371,038	3,356,881

Share options granted to directors are disclosed in note 45 to the financial statements.

47. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(1) Unsecured				
(a) Legal claims by suppliers of joint ventures of AZSB	18,453,756	18,453,756	-	-
(b) Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to AZSB	-	-	72,857,895	66,766,503
(2) Partially secured				
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,499,341/- (2006 : RM2,412,026/-) to a financial institutions in respect of credit facilities granted to AZSB	-	-	90,944,498	62,588,205
	18,453,756	18,453,756	163,802,393	129,354,708

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

48. CAPITAL COMMITMENT

	Group	
	2007 RM	2006 RM
Approved and contracted for:-		
- Purchase of property, plant and equipment	268,000	704,000

49. SEGMENTAL ANALYSIS

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

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

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

Notes to the Financial Statements (Cont'd)

49. SEGMENTAL ANALYSIS (Cont'd)

Business Segments

The Group comprises the following three major business segments:-

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

Geographical Segments

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

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

Major Segment By Activity

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2007						
Revenue						
External revenue	458,361,480	62,431,919	-	4,977,267	-	525,770,666
Inter-segment revenue	-	2,487,691	-	-	(2,487,691)	-
Total revenue	458,361,480	64,919,610	-	4,977,267	(2,487,691)	525,770,666
Results						
Segment result	36,204,553	11,475,367	-	(1,610,830)	-	46,069,090
Interest revenue						4,679,841
Interest expenses						(10,018,327)
Share of results in joint ventures	(271,221)	-	-	-	-	(271,221)
Share of results of associated companies	102,481	1,567,398	-	-	-	1,669,879
Income taxes						(14,991,475)
Minority interest						(842,793)
Profits attributable to shareholders						26,294,994

49. SEGMENTAL ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2007 (Cont'd)						
Other Information						
Segment assets	339,176,917	23,474,733	48,798,115	16,562,315	-	428,012,080
Investment properties						25,000,000
Interest in joint ventures	(28,873,164)	-	-	-	-	(28,873,164)
Goodwill						3,744,605
Tax assets						2,514,749
Deferred tax assets						-
Cash deposits with licensed banks						166,185,732
Other investments						8,615,500
Interest in associated companies	162,356	84,600,029	-	-	-	84,762,385
Consolidated total assets						<u>689,961,887</u>
Segment liabilities	290,804,685	2,588,035	2,800,224	4,014,781	-	300,207,725
Interest bearing borrowings						217,537,922
Tax liabilities						4,568,845
Deferred tax liabilities						5,091,419
Consolidated total liabilities						<u>527,405,911</u>
Capital expenditure	9,563,059	347,065	1,592,896	1,376,147	-	12,879,167
Depreciation	6,102,577	665,556	-	528,139	-	7,296,272

Notes to the Financial Statements (Cont'd)

49. SEGMENTAL ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2006						
Revenue						
External revenue	387,986,792	52,105,877	–	2,507,631	–	442,600,300
Inter-segment revenue	–	1,511,410	–	2,088,000	(3,599,410)	–
Total revenue	387,986,792	53,617,287	–	4,595,631	(3,599,410)	442,600,300
Results						
Segment result	30,714,604	9,485,471	–	(2,345,171)	–	37,854,904
Interest revenue						3,190,472
Interest expenses						(4,481,301)
Share of results in joint ventures	(194,126)	–	–	–	–	(194,126)
Share of results of associated companies	(3,245)	–	–	–	–	(3,245)
Income taxes						(11,975,443)
Minority interest						(236,310)
Profits attributable to shareholders						24,154,951
Other Information						
Segment assets	295,068,528	20,557,121	27,865,959	11,533,377	–	355,024,985
Investment properties						24,550,000
Interest in joint ventures	(28,601,943)	–	–	–	–	(28,601,943)
Goodwill						3,744,605
Tax assets						737,035
Deferred tax assets						–
Cash deposits with licensed banks						108,978,743
Other investments						4,615,500
Interest in associated companies	59,875	–	–	–	–	59,875
Consolidated total assets						469,108,800

49. SEGMENTAL ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	Construction RM	Trading In Oil & Gas & Other Related Services RM	Cultivation RM	Other Operations RM	Eliminations RM	Consolidated RM
2006 (Cont'd)						
Segment liabilities	250,310,003	982,012	1,635,865	1,898,675	–	254,826,555
Interest bearing borrowings						67,679,128
Tax liabilities						2,382,075
Deferred tax liabilities						5,039,510
Consolidated total liabilities						329,927,268
Capital expenditure	16,215,576	1,081,328	1,653,282	180,180	–	19,130,366
Depreciation	4,223,699	729,651	–	546,221	(40,000)	5,459,571

Major Segment By Geographical Location

	Malaysia	Republic of Indonesia	India	Kingdom of Saudi Arabia	Consolidated
2007					
Total revenue from external customers	403,012,480	–	12,928,822	109,829,364	525,770,666
Segment assets	183,262,907	48,798,115	47,413,634	148,537,424	428,012,080
Investments in associate companies	84,762,385	–	–	–	84,762,385
Interest in joint ventures	(28,873,164)	–	–	–	(28,873,164)
Goodwill	3,744,605	–	–	–	3,744,605
Tax assets	2,514,749	–	–	–	2,514,749
Cash deposits with licensed banks	166,185,732	–	–	–	166,185,732
Investment properties	25,000,000	–	–	–	25,000,000
Other investments	8,615,500	–	–	–	8,615,500
Consolidated total assets	445,212,714	48,798,115	47,413,634	148,537,424	689,961,887
Capital expenditure	10,364,985	1,592,896	765	920,521	12,879,167

Notes to the Financial Statements (Cont'd)

49. SEGMENTAL ANALYSIS (Cont'd)

Major Segment By Geographical Location (Cont'd)

	Malaysia	Republic of Indonesia	India	Kingdom of Saudi Arabia	Consolidated
2006					
Total revenue from external customers	308,963,014	–	21,595,235	112,042,051	442,600,300
Segment assets	221,086,809	27,865,959	21,479,624	84,592,593	355,024,985
Investments in associate companies	59,875	–	–	–	59,875
Interest in joint ventures	(28,601,943)	–	–	–	(28,601,943)
Goodwill	3,744,605	–	–	–	3,744,605
Tax assets	737,035	–	–	–	737,035
Cash deposits with licensed banks	107,908,108	1,070,635	–	–	108,978,743
Investment properties	24,550,000	–	–	–	24,550,000
Other investments	4,615,500	–	–	–	4,615,500
Consolidated total assets	334,099,989	28,936,594	21,479,624	84,592,593	469,108,800
Capital expenditure	6,570,170	1,653,282	225,689	10,681,225	19,130,366

50. SIGNIFICANT EVENTS

- (i) On 11 June 2007, Hidro Fokus Sdn. Bhd. ceased to be an associated company of the Group as it was struck off by Companies Commission of Malaysia.
- (ii) On 18 July 2007, the Company entered into a sale and purchase agreement with Lembaga Tabung Haji to acquire approximately 20.8% equity interest in Eastern Pacific Industrial Corporation Berhad (“EPIC”), a public listed company with its shares listed on the Main Board of Bursa Malaysia.

The purchase consideration for the Proposed Acquisition was satisfied by cash of RM82,560,000/-

(Known as “Proposed Acquisition”).

50. SIGNIFICANT EVENTS (Cont'd)

- (iii) On 3 August 2007, the Company proposed the following:-
- (a) a share split involving the subdivision of every one (1) existing ordinary share of RM1/- each into two (2) ordinary shares of RM0.50 each ("Subdivided Shares"); and
 - (b) a renounceable two-call rights issue of up to 142,744,200 new ordinary shares of RM0.50 each ("Rights Shares") at an issue price of RM0.50 per Rights Shares on the basis of one (1) Rights Shares for every one (1) existing ordinary share of RM0.50 each at an entitlement date to be determined later ("Right Issue"); and
 - (c) increase in the authorised share capital of the Company from RM100,000,000 to RM500,000,000 by the creation of an additional 800,000,000 new ordinary share of RM0.50 each.
- (Collectively known as "Proposals")
- (iv) On 9 October 2007, the Company incorporated a wholly owned subsidiary company known as AZRB Properties Sdn. Bhd.
 - (v) On 9 October 2007, the Company completed the Proposed Acquisition. Pursuant thereto, EPIC became an associated company of AZRB.
 - (vi) On 7 November 2007, the Company incorporated a wholly owned subsidiary company known as EKVE Sdn. Bhd.
 - (vii) On 14 December 2007, the Company subdivided its 69,132,900 ordinary shares of RM1/- each into 138,265,800 ordinary shares of RM0.50 each as a result of the share split.

51. SUBSEQUENT EVENTS

- (i) On 2 January 2008, the wholly owned subsidiary company, AZRB Machineries Sdn. Bhd. changed its name to AZSB Machineries Sdn. Bhd..
- (ii) On 12 February 2008, the renounceable rights issue of 138,265,800 new ordinary shares of RM0.50 each ("Right Shares") on the basis of 1 Rights Share for every 1 existing ordinary share of RM0.50 each held at an issue price of RM0.50 per Rights Share of which RM0.35 is payable in cash on application and RM0.15 is capitalised from the Company's Share Premium account and Retained Profits account were granted listing and quotation Bursa Malaysia Securities Berhad.

As a result of the above, the Company had increased its paid-up share capital from RM69,132,900/- to RM138,265,800/-. All allotted shares rank pari passu with the existing shares of the Company.

52. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

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

i. Foreign Exchange Risk

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

ii. Interest Rate Risk

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

- Interest bearing financial assets

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

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

- Interest bearing financial liabilities

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

iii. Credit Risk

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

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

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

iv. Liquidity and Cash Flow Risks

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

52. FINANCIAL INSTRUMENTS (Cont'd)**(b) Fair Values**

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

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

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

ii. Other Investments

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

iii. Borrowings

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

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

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

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

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
2007					
Financial Assets					
Club memberships	11	68,000	100,000	68,000	100,000
Unquoted investments	11	8,547,500	*-	8,500,000	*-
Financial Liabilities					
Hire purchase payables	43	12,777,058	12,769,853	1,618,883	1,616,283
Term loans	44	152,090,213	151,553,169	152,000,000	151,462,956

Notes to the Financial Statements (Cont'd)

52. FINANCIAL INSTRUMENTS (Cont'd)

(b) Fair Values (Cont'd)

iii. Borrowings (Cont'd)

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

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
2006					
Financial Assets					
Club memberships	11	68,000	100,000	68,000	100,000
Unquoted investments	11	4,547,500	*-	4,500,000	*-
Financial Liabilities					
Hire purchase payables	43	8,314,401	8,004,903	880,664	860,355
Term loans	44	46,478,788	35,936,024	45,000,000	34,330,284

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

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

	Note	Group		Company	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
2007					
Contingent liabilities in respect of:-					
Legal claims by suppliers of joint ventures of AZSB	47(1a)	18,453,756	*-	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB	47(1b)	-	-	72,857,895	66,766,503
Corporate guarantees given to a financial institution of AZSB (partially secured)	47(a)	-	-	90,944,498	62,588,205
		18,453,756	-	163,802,393	129,354,708

52. FINANCIAL INSTRUMENTS (Cont'd)**(b) Fair Values (Cont'd)****iii. Borrowings (Cont'd)**

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

	Note	Group		Company	
		Nominal Amount RM	Fair Value RM	Nominal Amount RM	Fair Value RM
2006					
Contingent liabilities in respect of:-					
Legal claims by suppliers of joint ventures of AZSB	47(1a)	18,453,756	*-	-	-
Corporate guarantees given to financial institutions and suppliers of AZSB	47(1b)	-	-	66,766,503	66,766,503
Corporate guarantees given to a financial institution of AZSB	47(a) (partially secured)	-	-	62,588,205	62,588,205
		18,453,756	-	129,354,708	129,354,708

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

53. CHANGES IN ACCOUNTING POLICIES

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

FRS 117: Lease

Prior to 1 October 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leases of land are classified as operating or finance leases in the same way as leases of other assets. Leasehold land held for own use is now classified as operating lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

At 1 January 2007, the unamortised amount of leasehold land is retained as the carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in note 5, certain comparatives have been restated.

54. COMPARATIVE FIGURES

- (a) Certain comparatives figures have been restated/reclassified as a result of changes in accounting policies as stated in note 53 to the financial statements as follows:-

Group	As Previously Stated RM	FRS 117 RM	As Restated/ Reclassified RM
Balance Sheet			
Property, plant and equipment	47,766,177	(10,017,557)	37,748,620
Prepaid land lease payments	–	10,017,557	10,017,557
Income Statement			
Amortisation of leasehold land	22,376	(22,376)	–
Amortisation of prepaid land lease payments	–	22,376	22,376

- (b) Certain comparatives figures have been restated to conform with current year's presentation as follows:-

Group	As Previously Stated RM	Adjustment RM	As Restated RM
Income Statement			
Basic, earnings per ordinary share (sen)	36.21	(26.18)	10.03

The basic earnings per ordinary share is adjusted due to sub-division of ordinary shares in year 2007 and Rights Issue in year 2008.

Notice of Nomination of Auditors

24th April 2008

Zaki Holdings (M) Sdn Bhd
K-709, Taman Merpati Jaya
Jalan Air Putih
24000 Kemaman
Terengganu

The Board of Directors
Ahmad Zaki Resources Berhad
No. 88 Jalan Gombak
Setapak
53000 Kuala Lumpur

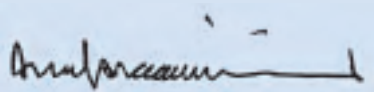
Dear Sirs,

NOTICE OF NOMINATION OF MESSRS MOORE STEPHENS AC FOR APPOINTMENT AS AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we the undersigned, being a shareholder of the Company hereby given notice of my intention to nominate Messrs Moore Stephens AC of 8A, Jalan Sri Semantan Satu, Damansara Heights, 50490 Kuala Lumpur, for appointment as Auditors of the Company to replace the retiring Auditors, Messrs Moore Stephens and to propose the following resolution as an Ordinary Resolution to be tabled at the forthcoming annual general meeting of the Company:-

“That **Messrs More Stephens AC** be and hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Moore Stephens and to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors.”

Yours faithfully,



DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA
Representative of **Zaki Holdings (M) Sdn Bhd**

Analysis of Shareholdings

As at 30 April 2008

Authorised Share Capital	: RM 500,000,000.00
Class of Shares	: Ordinary Share of RM0.50 each
Issued and Fully Paid-up Share Capital	: RM138,265,800
Voting Rights	: One vote per RM0.50 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	Number of Ordinary Shares of RM0.50 Each			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Dato' Seri Aman bin Raja Haji Ahmad	–	–	–	–
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4,346,760	1.57	163,061,136	58.97*
Dato' Wan Zakariah bin Haji Wan Muda	2,301,096	0.83	–	–
Dato' Haji Mustaffa bin Mohamad	3,484,148	1.26	1,050,000	0.38
Dato' W Zulkifli bin Haji W Muda	2,800,696	1.01	–	–
Datuk (Prof) A Rahman @ Omar bin Abdullah	1,200,000	0.43	–	–
Dato' Ismail @ Mansor bin Said	102	0.00003	–	–
Ultimate Holding Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	50.00	–	–
Dato' Wan Zakariah bin Haji Wan Muda	100,000	10.00	–	–
Dato' W Zulkifli bin Haji W Muda	100,000	10.00	–	–

* shares held through Zaki Holdings (M) Sdn Bhd

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

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as as 30 April 2008.

DISTRIBUTION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	106	–	1,980	–	0.0007	–
100 to 1,000	541	–	309,706	–	0.1120	–
1,001 to 10,000	2,336	34	11,880,206	207,540	4.2961	0.0751
10,001 to 100,000	1,010	34	30,654,340	1,379,900	1.0853	0.4990
100,001 to less than 5% of Issued Shares	120	9	65,944,392	3,092,400	23.8470	1.1183
5% and above of Issued Shares	3	–	163,061,136	–	58.9665	–
Total	4,116	77	271,851,760	4,679,840	98.3076	1.6924

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

		Number of Ordinary Shares of RM0.50 Each			
		Direct Interest	%	Deemed Interest	%
1	Zaki Holdings (M) Sdn Bhd	163,061,136	58.97	–	–
2	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	4,346,760	1.57	163,061,136	58.97*

* Shares held through Zaki Holdings (M) Sdn Bhd

LIST OF 30 LARGEST SHAREHOLDERS AS AT 30 APRIL 2008 - REFER TO APPENDIX B

No.	Name	Shares Held	%
1	Zaki Holdings (M) Sdn Bhd	77,179,072	27.91
2	AMMB Nominees (Tempatan) Sdn Bhd (Pledged Securities account for Zaki Holdings (M) Sdn Bhd)	54,500,000	19.71
3	Zaki Holdings (M) Sdn Bhd	31,382,064	11.35
4	Geosakti Sdn Bhd	6,548,400	2.37
5	Amanah Raya Nominees (Tempatan) Sdn Bhd (Public Islamic Opportunities Fund)	5,606,400	2.03
6	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	4,346,760	1.57
7	Valuecap Sdn Bhd	3,677,600	1.33
8	Dato' W Zulkifli Bin Haji W Muda	2,800,696	1.01
9	Nik Mahani Binti Nik Mohd Rashid	2,622,908	0.95
10	Dato' Wan Zakariah Bin Haji Wan Muda	2,301,096	0.83
11	Dato' Haji Mustaffa Bin Mohamad	1,884,148	0.68
12	Al Wakalah Nominees (Tempatan) Sdn Bhd (Pledged Securities account for Dato' Haji Mustaffa Bin Mohamad)	1,600,000	0.58
13	Alliance Group Nominees (Tempatan) Sdn Bhd (PHEIM Asset Management Sdn Bhd for Employees Provident Fund)	1,550,000	0.56
14	Cartaban Nominees (Tempatan) Sdn Bhd (AXA Affin General Insurance Berhad)	1,406,800	0.51
15	Mayban Nominees (Tempatan) Sdn Bhd (Mayban Trustees Berhad for MAAKL Value Fund (950290))	1,200,000	0.43
16	Datuk (Prof.) A Rahman @ Omar Bin Abdullah	1,200,000	0.43
17	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee BHD for MAAKL Al-Faid (4389))	1,200,000	0.43
18	Betanaz Corporation Sdn Bhd	1,100,000	0.40
19	Naimah Binti Hashim	1,050,000	0.38
20	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee BHD for MAAKL Progress Fund (4082))	1,000,000	0.36
21	HLB Nominees (Tempatan) Sdn Bhd (Pledged Securities account for Lau Kwai)	1,000,000	0.36
22	HDM Nominees (Asing) Sdn Bhd (DBS Vickers Secs (s) Pte Ltd for for Chao Yu Chien Sonia)	972,000	0.35
23	Universal Trustee (Malaysia) Berhad (CIMB Islamic Small Cap Fund)	966,100	0.35
24	Universal Trustee (Malaysia) Berhad (CCIMB-Principal Small Cap Fund 2)	939,900	0.34
25	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustees Bhd for MAAKL Al-Fauzan (5170))	824,000	0.30
26	Rosmini Azah Binti Abdul Rahman	801,200	0.29
27	BHLB Trustee Berhad (Prusmall-Cap Fund)	780,000	0.28
28	Citigroup Nominees (Asing) Sdn Bhd (Exempt an for Merill Lynch Pierce Fenner & Smith Incorporated (foreign))	735,700	0.27
29	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities account for Chu Kim Sing (JBO/MER))	616,000	0.22
30	Cartaban Nominees (Tempatan) Sdn Bhd (Exempt an for Prudential Fun Management Berhad)	579,200	0.21
Total		212,370,044	76.80

List of Properties

As at 31 December 2007

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/Prepaid Lease Payment RM'000
GM372, Lot 981 and GM 4708, Lot 985, Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 981 and Lot 985")	20.01.1994 & 16.02.1994	Vacant land	Freehold	54,967 sq.ft.	5,500
EMR 873, Lot 826 Mukim Sungai Karang Kuantan, Pahang ("Lot 826")	30.10.1993	Land and 1-storey and 3-storey buildings held for rental	Freehold (13 years)	202,815/ (64,670) sq.ft.	19,500
HS (M) 1038, Lot PT4782 and HS (M) 1039, Lot PT4783 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT4782 and Lot PT4783")	05.05.1997	Adjoining 5-storey buildings for own use	Freehold (12 years)	3,498/ (20,728) sq.ft.	2,581
Daerah Kuala HS (M) 994, Lot PT16360 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT16360")	28.09.2000	5-storey building for own use	Freehold (22 years)	1,581/ (10,364) sq.ft.	1,163
GM 1012, Lot 22050, Tempat Rifle Range Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 22050")	03.08.2007	Vacant land	Freehold	12,066.34 sq.ft.	1,448
GM 1821, Lot No. 5413 Mukim Kuala Lumpur District of Negeri Wilayah Persekutuan ("Lot PT5419")	26.11.2002	Double storey bungalow for own use	Freehold (30 years)	42,738/ (9,640) sq.ft.	5,866
Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu ("Lot PT2100")	15.07.2003	Vacant land	Leasehold expiring 18.10.2025	20 hectares	118
HS (M) 929, Lot PT 16343 Mukim Setapak, Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16343")	24.11.2005	4-storey building for own use	Freehold (12 years)	1,604/ (8,291) sq.ft.	782
HGU No. 5 Desa Amboyo Selatan Kecamatan Ngabang, Kabupaten Pontianak Kalimantan Barat, Republic of Indonesia	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	7,740 hectares	8,465

Form of Proxy



*I/We, _____ NRIC/Company No. _____

of _____

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

_____ NRIC No. _____

of _____

*and/or failing him/her _____ NRIC No. _____

of _____

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 17 June 2008 at 10.00 am and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

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

*First Proxy (1) _____ %

*Second Proxy (2) _____ %

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		

Number of shares held

NOTES:

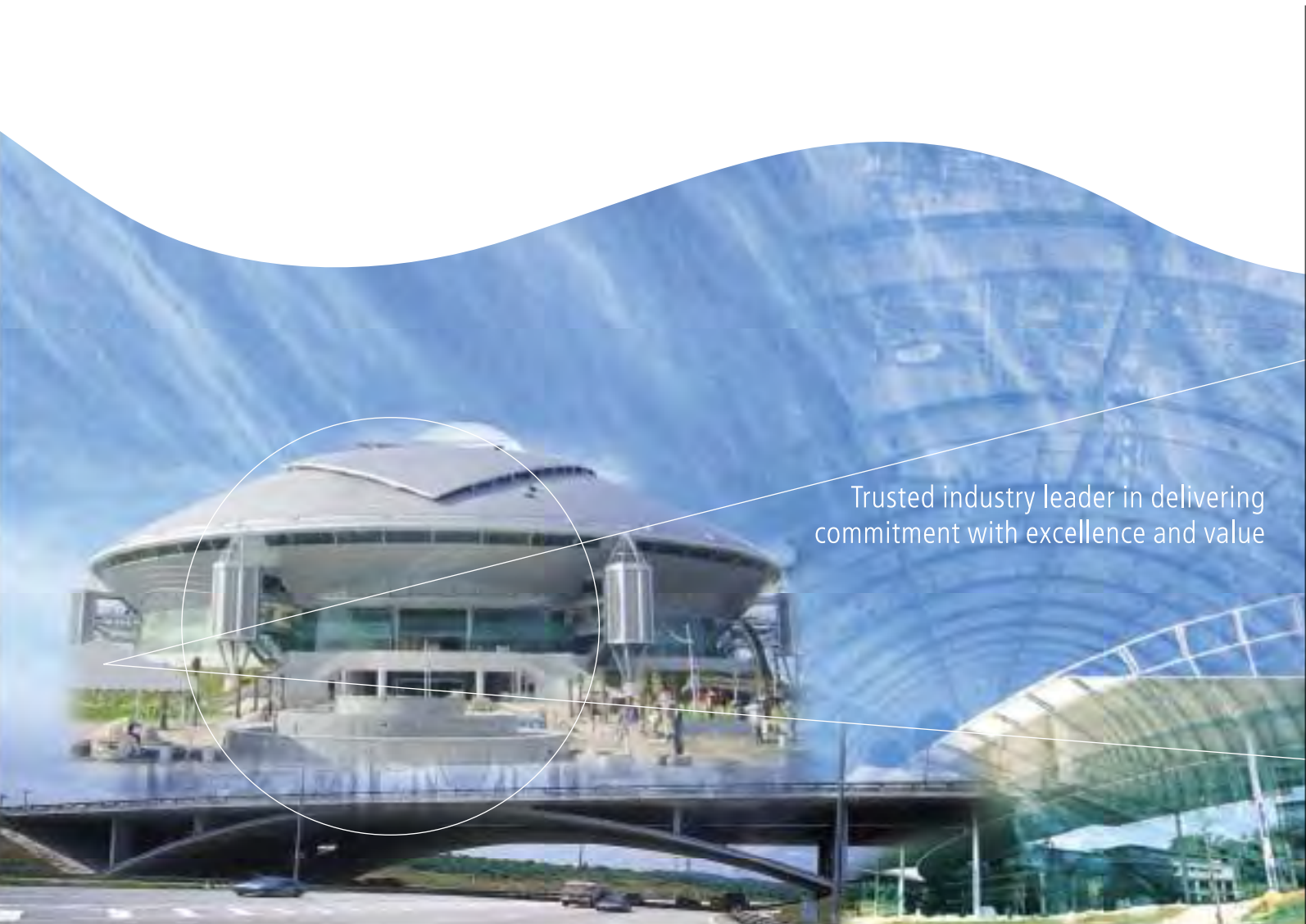
1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
5. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Mega Corporate Services Sdn Bhd, Share Registration Department, Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

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

As Witness my hand this _____ day of _____ 2008

Signature of member(s)/Seal

(*Delete where inapplicable)



Trusted industry leader in delivering
commitment with excellence and value

www.azrb.com