# CREST BUILDER HOLDINGS BERHAD
(573382-P)

Annual Report
**2006**


CREST BUILDER HOLDINGS BERHAD ANNUAL REPORT 2006


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CREST BUILDER HOLDINGS BERHAD
(573382-P)

# C O N T E N T S

The Malaysian Construction Industry
**Excellent Awards 2006**
excellent has no limitations

PROJECT AWARD
**MEDIUM SCALE PROJECT (BUILDING)**

**Crest Builder Sdn Bhd**
CIDB REGISTRATION NO. 1970121-SL021568

**CREST BUILDER HOLDINGS BERHAD**
(573382-P)

CBHB was incorporated in Malaysia under Companies Act, 1965 on 9 March 2002 as a public limited company. CBHB is principally an investment holding company and successfully undertaken a Corporate and Debt Restructuring Scheme which involved the listing status of MGR Corporation Berhad, (Special Administrators appointed) being transferred to CBHB upon completion of the restructuring exercise. CBHB was listed on the Main Board of Bursa Malaysia on 12 June 2003.

CBHB Group was established in 1985 and under the leadership of its founder Mr. Yong Soon Chow has since carved a name in the construction industry. With industry experience spanning two decades, the CBHB Group is a well-established player in the construction industry. It has a proven track record in infrastructure development, especially in the construction of roads and bridges, hospitals, schools and universities as well as commercial and residential buildings.

Since listing, CBHB has undergone extensive expansion programme and the subsidiaries in the Group's stable of companies include Crest Builder Sdn Bhd, 3 Two Square Sdn Bhd (*previously known as Seri Tegamas Sdn Bhd*), Crest Builder International Sdn Bhd, CB Land Sdn Bhd, Crestland Development Sdn Bhd, CBTech (M) Sdn Bhd, Nepfield Sdn Bhd, Crestland Project Management Sdn Bhd and Vertical Success Sdn Bhd.

The rapid economic development in many developing countries, particularly in Asia, Africa and the Gulf region, points to excellent growth potential for players within the construction industry. As such, together with the Malaysian Construction Industry Development Board (CIDB), CBHB will ride the crest of this wave in a selective manner. Due to its commitment and ability to provide timely and high quality services and products to its clients, CBHB has been able to maintain its position as a trusted partner in the construction industry.

# NOTICE OF 5th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 5th annual general meeting will be held

| | |
|---|---|
| Venue | Sime Darby Convention Centre<br>1A, Jalan Bukit Kiara 1<br>60000 Kuala Lumpur |
| Day, date and time | Tuesday, 26 June 2007 at 9:30 a.m. |

## AGENDA

### Ordinary business

**1. Laying of audited accounts**

To receive and adopt the duly audited accounts consisting of the consolidated profit and loss account, the balance sheet, the reports of the Directors and auditors for the financial year ended 31 December 2006, in compliance with Section 169(1) and Section 174(1) of the Companies Act, 1965 ("Act") respectively. ***Resolution 1***

**2. Declaration of dividend**

**THAT** the payment of a first and final dividend of 5% or 5 sen less 27% income tax per ordinary share in respect of the financial year ended 31.12.2006 be hereby approved. ***Resolution 2***

**3. Election of director**

**THAT** re-election of the Non-Executive Chairman, Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah, who retires in accordance with Article 79 of the Company's Articles of Association, be hereby approved. ***Resolution 3***

**4. Election of director**

**THAT** re-election of the Executive Director, Lee Sooi Teng, who retires in accordance with Article 79 of the Company's Articles of Association, be hereby approved. ***Resolution 4***

**5. Election of director**

**THAT** re-election of the Independent Non-Executive Director, Kam Yong Kan, who retires in accordance with Article 79 of the Company's Articles of Association, be hereby approved. ***Resolution 5***

**6. Appointment of auditors**

**THAT** the appointment of Messrs GEP Associates (AF1030), Chartered Accountants, as the auditors in accordance with Article 57 of the Company's Articles of Association and pursuant to Section 172(2) of the Act for the ensuing financial year ending 31 December 2007 be confirmed and that the directors be authorised to fix the remuneration of the auditors pursuant to Section 172(16)(a) of the Act, be hereby approved. ***Resolution 6***

### Special business

**7. Approval for payment of directors' fees**

**THAT** the payment of RM250,000 as directors' fee for the year ended 31 December 2006 (2005 : RM250,000) in accordance with Article 88 of the Company's Articles of Association be hereby approved. ***Resolution 7***

**8. Authority for issue of shares pursuant to Section 132D of the Act**

THAT pursuant to Section 132D of the Act and subject to the approval of all relevant authorities being obtained, the Directors be empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting be hereby approved. ***Resolution 8***

**9. Proposed renewal of shareholders' mandate for existing recurrent related party transactions of a revenue or trading nature and mandate for additional recurrent related party transactions of revenue and trading nature** ***Resolution 9***

**THAT** the shareholders' mandate granted by the shareholders of the Company on 29 June 2006 pursuant to paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and its subsidiaries (the "CBHB Group"), to enter into the Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the CBHB Group's day-to-day operations as set out in paragraph 4.2 of the Circular to Shareholders dated [date] ("Circular") with the related parties mentioned therein, be and is hereby renewed and **THAT** approval be and is hereby given to the Company to enter into additional Recurrent Related Party Transactions of a revenue or trading nature with the related parties mentioned therein, provided that:-

(i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) the disclosure of the breakdown aggregate value of the transactions conducted during a financial year will be disclosed in the annual report for the said financial year based on the following information:-

   i. the type of the Recurrent Related Party Transactions made; and

   ii. the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationship with the Company.

**AND THAT** the authority conferred by such renewed and granted mandate shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the Proposal is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed; and

(ii) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier;

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposal.

## NOTICE OF DIVIDEND ENTITLEMENT

**Further NOTICE** is hereby given that a first and final dividend of 5% or 5 sen less 27% income tax per ordinary share in respect of the financial year ended 31 December 2006, if approved by shareholders, will be paid on 8 August 2007 to depositors registered in the Record of Depositors at the close of business on 16 July 2007.

A depositor shall qualify for entitlement only in respect of:-

(a) share transferred into the depositor's securities account before 4:00 p.m. on 16 July 2007 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

**Company Secretaries**
Heng Chiang Pooh FCIS (MAICSA 7009923)
Chiam Han Twee FCIS (MAICSA 7009910)

Dated : 1 June 2007

**Notes:-**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote for his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

2. Shareholders' attention is hereby drawn to the Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at No. 14-2, Jalan 4A/27A, Section 2, Wangsa Maju, 53300 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

## 1. ORDINARY BUSINESS - RESOLUTION 2

The directors now recommend a first and final dividend of 5% or 5.0 sen (RM0.05) less 27% income tax per each ordinary share held in respect of the financial year ended 31 December 2006, giving rise to total net dividend for the financial year of 3.65 sen per ordinary share held.

## 2. ORDINARY BUSINESS - RESOLUTION 3, 4 and 5

The particulars of the retiring Directors who are standing for re-election are set out in the relevant pages of the Annual Report as follows:-

| Name of Director | Directors' Profile | Directors' Shareholdings |
|---|---|---|
| 1. Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah | Page 11 | Page 93 |
| 2. Lee Sooi Teng | Page 11 | Page 93 |
| 3. Kam Yong Kan | Page 12 | Page 93 |

Details of Directors' attendance at Board Meetings are set out in the Statement of Corporate Governance on Page 18 of the Annual Report.

## 3. SPECIAL BUSINESS - RESOLUTION 7

(a) This authorisation by the general meeting would enable the payment of directors' remuneration in accordance with Article 88 of the Company's Articles of Association as follows:-

***Article 88*** ***Directors' remuneration***
*The Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by the company in general meeting, and such remuneration shall be divided among the Directors in such proportion and manner as the Directors may determine. Provided always that:-*

*(aa) fees payable to Directors who hold no executive office in the company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;*

*(bb) salaries payable to Directors who do hold an executive office in the Company may not include a commission on or percentage of turnover;*

*(cc) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;*

*(dd) any fee paid to an Alternate Director shall be such as agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

(b) Such fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover, salaries payable to executive directors may not include a commission on or percentage of turnover.

## 4. SPECIAL BUSINESS – RESOLUTION 8

(a) This authorisation will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital. This authority, unless revoked or varied at a general meeting, will be valid until the conclusion of the next annual general meeting.

## 5. SPECIAL BUSINESS – RESOLUTION 9

(a) The Proposed Shareholders' Mandate, if approved by the shareholders of the Company, and the renewal thereof on an annual basis, will eliminate the need by the Company to announce and/or convene separate general meetings from time to time to seek shareholders' approval for the Group to enter into the Recurrent Related Party Transactions with Farima Sdn Bhd. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without however compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah
*- Non-Executive Chairman*

Yong Soon Chow
*- Managing Director*

Koh Hua Lan
*- Executive Director*

Lee Sooi Teng
*- Executive Director*

Loo Shen Chang
*- Executive Director*

Keong Choon Keat
*- Senior Independent Non-Executive Director*

Mohd Khasan bin Ahmad
*- Independent Non-Executive Director*

Kam Yong Kan
*- Independent Non-Executive Director*

## AUDIT COMMITTEE

Mohd Khasan bin Ahmad, *Chairman*
Keong Choon Keat
Lee Sooi Teng
Kam Yong Kan

## REMUNERATION COMMITTEE

Yong Soon Chow, *Chairman*
Mohd Khasan bin Ahmad
Keong Choon Keat

## NOMINATION COMMITTEE

Kam Yong Kan, *Chairman*
Mohd Khasan bin Ahmad
Keong Choon Keat

## OPTION COMMITTEE

Keong Choon Keat, *Chairman*
Mohd Khasan bin Ahmad
Yong Soon Chow

## COMPANY SECRETARIES

Heng Chiang Pooh FCIS (MAICSA 7009923)
Chiam Han Twee FCIS (MAICSA 7009910)

## REGISTERED OFFICE

No. 14-2, Jalan 4A/27A
Section 2, Wangsa Maju
53300 Kuala Lumpur
Tel : 03-41498128
Fax : 03-41423128

## PRINCIPAL PLACE OF BUSINESS

No. 28, Jalan SS 24/13
Taman Megah
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-78033185
Fax : 03-78034353
E-mail : corporate@crestbuilder.com.my

## SHARE REGISTRAR

**ShareWorks Sdn Bhd**
No. 23, Jalan Sri Hartamas 7
Sri Hartamas
50480 Kuala Lumpur
Tel : 03-62011120
Fax : 03-62013121

## AUDITORS

**GEP Associates**
(A Member Firm of AGN International)
Chartered Accountants (AF 1030)
Wisma GEP
No. 25, Jalan PJU 1/42A
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

## PRINCIPAL BANKERS

CIMB Bank Berhad
EON Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Board
  Sector : Construction

# CORPORATE STRUCTURE

**CREST BUILDER HOLDINGS BERHAD**
(573382-P)
*Investment Holding*

100% — **Crest Builder Sdn Bhd**
110330-K
*Construction*

100% — **Crestland Development Sdn Bhd**
316852-A
*Property Investment*

100% — **CBTech (M) Sdn Bhd**
508386-M
*Mechanical & Electrical Engineering Services*

100% — **3 Two Square Sdn Bhd** *(Previously known as Seri Tegamas Sdn Bhd)*
617273-X
*Property Development*

100% — **CB Land Sdn Bhd**
658719-D
*Property Development*

100% — **Nepfield Sdn Bhd**
592256-M
*Property Development*

100% — **Vertical Success Sdn Bhd**
691623-V
*Property Development*

100% — **Crestland Project Management Sdn Bhd**
659478-V
*Project Management*

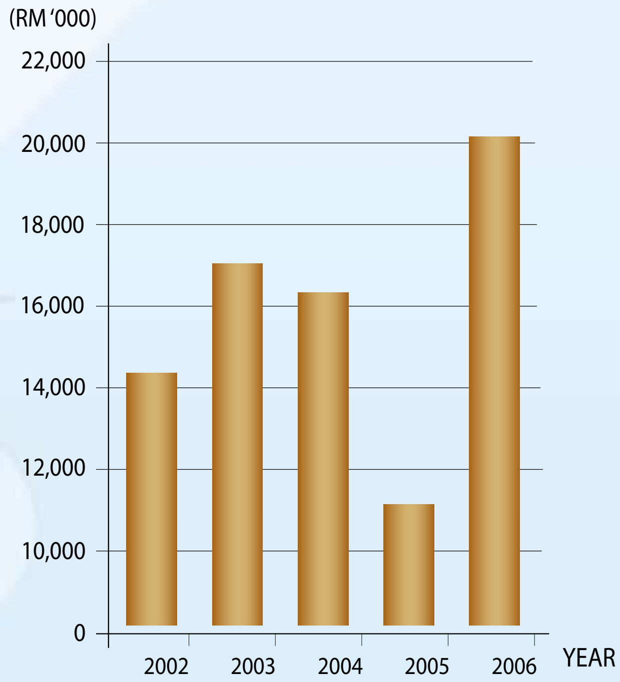
100% — **Crest Builder International Sdn Bhd**
644441-T
*Investment Holding*

# FINANCIAL HIGHLIGHTS

| Financial Year End | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| | *Proforma Statements for Financial Year 2002* | | | | |
| | (RM) | (RM) | (RM) | (RM) | (RM) |
| **Revenue** | **151,400,907** | **205,316,155** | **266,290,835** | **253,006,459** | **318,266,499** |
| **Profit Before Taxation** | **19,902,890** | **25,892,037** | **25,293,365** | **20,194,397** | **31,460,369** |
| **Profit After Taxation** | **14,288,250** | **17,471,634** | **16,238,228** | **11,738,289** | **20,034,336** |
| **Profit attributable to shareholders** [after deduction/(addition) of pre-acquisition profit/(loss)] | **14,288,250** | **15,458,838** | **16,264,116** | **11,740,593** | **20,034,336** |
| Total Number of Shares | 95,249,500 | 113,637,300 | 113,749,500 | 113,749,500 | 123,750,450 |
| Basic Earnings per Share (sen) | 15.00 | 18.59 | 14.30 | 10.32 | 16.39 |
| Diluted Earnings per Share (sen) (after full conversion of ICULS, RCULS and Warrants) | – | 16.75 | 12.94 | 9.69 | n/a |
| Gross Dividend (%) | – | 4.0 | 4.0 | 4.0 | 5.0 |

## Revenue


## Profit After Tax



# DIRECTOR'S PROFILE

**Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah***
[Non-Executive Chairman], aged 51, was appointed to the Board on 26 February 2003 as Executive Chairman and he was re-designated as the Non-Executive Chairman with effect from 1 March 2005. Tengku Dato' Sulaiman Shah has over 20 years of experience in the construction, printing advertising and sea freight industries. He was appointed the "Orang Besar Istana" in the year 1996 with the bestowed title of "Tengku Setia Selangor". In the following year, he was also conferred "Dato' Di Raja Selangor". He is primarily responsible for the orderly conduct and working of the Board and the public relation and communication affairs of the Group. He attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

**Yong Soon Chow**
[Managing Director], aged 55, was appointed to the Board on 26 February 2003. Mr Yong is the co-founder of Crest Builder Sdn Bhd and is the driving force behind the Group. Mr Yong started his career as an engineer with Jabatan Kerja Raya from 1977 to 1981. In year 1983, he formed Crest Builder Sdn Bhd and has successfully turned it into a profitable concern. Over the years, he has accumulated invaluable experience and in depth knowledge of civil engineering and construction industry in general from on the job training. He is responsible for the overall business operations and the implementation of policies and strategies of the Group. He attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

**Koh Hua Lan**
[Executive Director], aged 55, was appointed to the Board on 26 February 2003. Madam Koh is a co-founder of Crest Builder Sdn Bhd and she has more than 20 years of experience in financial and administration management. She is principally responsible for the administration, human resource and management support services of the Group. She attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

**Lee Sooi Teng***
[Executive Director], aged 42 was appointed to the Board on 26 February 2003 and is a member of the audit committee. He graduated from Tunku Abdul Rahman College with a Diploma in Building Technology in 1989. He started his service with Crest Builder Sdn Bhd in 1989 as Site Supervisor. He left Crest Builder Sdn Bhd in 1995 to pursue his studies and obtained a Master Degree in Construction Management from Herriot-Watt University, United Kingdom in 1996. He returned to Crest Builder Sdn Bhd in 1996 and assumed the position as General Manager of Project in 1997. His main responsibility is overseeing all construction project undertaken by the Group and the liaison with clients, consultants, contractors and relevant authorities on related matters. He attended five (5) out of six (6) Board meetings held during the financial year ended 31 December 2006.

**Loo Shen Chang**
[Executive Director], aged 42 was appointed to the Board on 2 March 2005. He joined the Group in September 2004 as the General Manager, Corporate & Finance. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He has over 15 years of experience in the fields of accounting and corporate finance activities and has held senior positions in several private and public listed companies prior to joining the Group. He is currently responsible for the corporate and finance activities of the Group. He attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

**Keong Choon Keat**
[Senior Independent Non-Executive Director], aged 62, was appointed to the Board on 25 February 2003 and is a member of the Audit Committee. He is a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in England and Wales. He was attached to Bristol Myers & Company Ltd. in England as an Accountant in 1968. He then left and joined Malaysian Tobacco Company Berhad as an Accountant in 1969. From 1974 to 1999 he was attached to UMW Holdings Bhd where he held various management positions in the group before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. He also serves on the Board of JT International Berhad, Chin Teck Plantations Berhad, Negeri Sembilan Oil Palms Berhad, Malaysian Airlines System Berhad, Pacificmas Berhad and Pacific Insurance Berhad. He attended five (5) out of six (6) Board meetings held during the financial year ended 31 December 2006.

**Mohd Khasan Bin Ahmad**
[Independent Non-Executive Director], aged 46, was appointed to the Board on 25 February 2003 and is the Chairman of the Audit Committee. He graduated from Universiti Teknologi MARA with a degree in Accountancy. He is a member of the Malaysian Institute of Accountants. He served in Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the then Capital Issues Committee as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was as an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He then joined the private sector in 1997 and held various senior management positions. He is also the Director of Ta Win Holdings Berhad, Farm Best Berhad, Intan Utilities Berhad, MOL Accessportal Berhad and WellCall Holdings Berhad. He attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

**Kam Yong Kan***
[Independent Non-Executive Director], aged 48, was appointed to the Board on 26 February 2003 and also a member of the Audit Committee. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a Registered Accountant with the Malaysian Institute of Accountants and an Associate member of the Malaysian Institute of Taxation. He has over 18 years experience in audit, finance, corporate finance, tax and treasury functions in property related industries. He was attached to a listed property group from 1991 to 2000 and held the position of a Finance Director during the last 4 years of his tenure in the property group. He then formed his consultancy firm and provides corporate advisory services to a wide range of corporate clients. Currently, he sits on the board of UNIP Berhad and Parade Season Berhad. He attended all of the six (6) Board meetings held during the financial year ended 31 December 2006.

## FURTHER INFORMATION

All the Directors are Malaysian.

Except for certain recurrent related party transaction of revenue nature or trading nature which are necessary for the day to day operation of the Group and for which Tengku Dato Sulaiman Shah Bin Tengku Abdul Jalil Shah is deemed to be interested as disclosed in page 24.

Yong Soon Chow and Koh Hua Lan are husband and wife. Yong Tiok Chin (a major shareholder) is the daughter to Yong Soon Chow and Koh Hua Lan. Saved as disclosed herein, there are no family relationships between the Directors and/or major shareholders of the Company, or any personal interest or conflict of interest in any business arrangement involving the Group.

The securities holdings of the Directors are disclosed on page 93. By virtue of their interest in shares of the Company and under Section 6A of the Companies Act 1965, Yong Soon Chow and Koh Hua Lan are deemed to be interested in the shares of all the subsidiaries to the extend the Company has an interest.

None of the Directors has been convicted of any offence within the past ten years other than traffic offences if any.

Note :-
* Indicates Directors who retire according to the Articles of Association of the Company and are eligible to offer themselves for re-election.

# CHAIRMAN'S STATEMENT

*On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statement of the Company for the financial year ended 31 December 2006.*

## Financial Performance

The financial year ended 31 December 2006 had been a very challenging yet successful year for Crest Builder Holdings Berhad and its Group of Companies ("the Group"). The Group's turnover for the year was RM318.3 million, an increase of 25.8% from RM253.0 million recorded in the previous financial year. The Group registered a pre-tax profit of RM31.5 million as against RM20.2 million in the previous financial year. Profit after taxation attributable to the shareholders was RM20.0 million, which is higher than the previous year's profit of RM11.7 million mainly due to better profit margin contribution from the property division.

Consequently, the earnings per share stood at 16.39 sen as compared to 10.32 sen in the previous financial year.

## Dividends

The Board continues to maintain a reasonable balance between dividend payouts and the setting aside of funds for the future business growth of the Group.

The Board has recommended a first and final gross dividend of 5.0 sen per share, less income tax of 27% at this Annual General Meeting.

## Malaysian Economy and Development

For 2007, we expect to see sustainable growth in the economy given the favourable prospects for the Malaysia Economy and expectation of Gross Domestic Product growing at 5.8% this year.

With the projected economic growth and incentives given to the construction sector, the Group will endeavour to strategise to increase our order book to generate higher revenue. The 2007 Budget and Ninth Malaysia Plan announced by the Government have outlined various pro-active measures that can help to strengthen the local economy.

The property sector will continue to contribute positively to the country's economic growth. The high end niche property market is expected to flourish due to recent easing of rules by the Government on foreigner ownership of properties, stabilisation of interest rates and the healthy economic condition spurred by the Ninth Malaysia Plan.

The recent initiatives by the Government to speed up approval process will come as a boost to property developers. With a strengthened legislative environment, developers and industry players should be able to conduct business with greater confidence.

## Prospects

The health of our country's economy remains in good form enabling us to stay on track with our plans and initiatives to retrieve maximum value from our businesses.

The Group will continue to focus on the search for new construction projects and participate in any suitable tenders that will be called. Continuous effort is taken to identify strategic measures for improving the Group's construction margins to ensure better contribution to the bottom line. Growing our business remains our priority. We will continue to draw value from our businesses to build shareholder's value.

The property division has contributed an encouraging result which posted a higher profit to the Group. The principal factors for the higher profit were the substantial improvement in the stage of completion of its project at 3 Two Square, which is a commercial project located at Section 14, Petaling Jaya, Selangor Darul Ehsan, complemented by an increase in its sales take-up rate.

The Group expects another good year for its property division, leveraging on its encouraging sales take-up rate of 3 Two Square on early 2007 and completion and handover in third quarter of 2007.

The property division's profit will be further enhanced by its second upcoming project known as **Alam Hijau**. The proposed development project is situated on part of a piece of land of approximately 14.882 hectares in the Mukim of Damansara, District of Petaling in the State of Selangor Darul Ehsan. Although this project is at an early development stage, its growth potential is tremendous with the recent signing of a Development Agreement between the Group and Syarikat Perumahan Negara Berhad for the design, construct and deliver 1,081 units medium costs apartments and 18 units of shop lots for RM147 million on part of the land measuring in total approximately 6.09 hectares. Part of profit contribution from this development project will be expected to be included in the Group result for 2007.

The Group's other property projects are situated at Kelana Jaya and Mont Kiara. These projects are still in planning stage and have yet to obtain development approval from relevant authorities.

In the medium term, apart from vying for tracts of land to cater for upmarket development segment, the Group also plans to undertake development in the Klang Valley on a joint venture basis with landowners. In the longer term, the Group hopes to establish a platform that offers broader scope for earning enhancement, ranging from property development to property management and investments.

At Crest Builder, we understand that the key to our business success is our employees. To enhance the rewards and incentives of our employees, we had on 14 March 2007 obtained Shareholders' approval to set up an Employee Share Option Scheme ("ESOS") to eligible employees. We believe that in this increasingly competitive business environment, it is crucial that we retain and attract capable human resources. With the ESOS, we believe that our employees will gain greater sense of "ownership" and this will definitely spur our quest to reach greater heights.

## Corporate Social Responsibilities

The CBHB Group holds firm that being committed to Corporate Social Responsibilities ("CSR") means to be able to constantly deliver enhanced value to our shareholders, in terms of long term improvement in capital, as well as high dividend yields.

With our respect and pride in strong integrity, we value the synergy of our employees which not only ultimately enhances the company's performance but also create a positive and dynamic working environment. We provide training to our staff to improve their skills and develop their potentials. We encourage two-way communications to employees at all level. Senior Management are heavily involved in the day to day operations. Induction seminars organised annually to align the thinking and direction of the Group for new joins to learn and adapt to our working culture.

Being in the construction and property development businesses, we are fully aware of the impact our activities have on the community and environment in which we operate. We constantly evaluate and develop work processes and management systems conforming to ISO 9001:2000 standards. The Group has internalized culture which emphasizes on quality occupational health and safety in all our business activities. In addition, rigorous independent audits are being conducted regularly to ensure high standards of quality, safety and health are maintained.

Moving forward, the Group aims to continue to explore new avenues that are in line with our CSR direction which will benefit the society and stakeholders.

## Acknowledgement

On behalf of the Directors and Management of Crest Builder Holdings Berhad, I thank all the shareholders, customers and business associates for their confidence and continued support for the Group.

I must express my gratitude to all the employees of the Group for contributing to the results for the year through their untiring commitments, dedication and loyalty.

Lastly, my sincere thanks to my fellow Directors for their invaluable advice and guidance to the Board.

Chairman
**Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah**

# REPORT OF THE AUDIT COMMITTEE

## COMPOSITION AND MEMBERS

The current Audit Committee comprises of four (4) members of the Board of which three (3) are Independent Directors and one (1) an Executive Director. All the Independent Directors, Mohd Khasan Bin Ahmad, Keong Choon Keat and Kam Yong Kan are members of the Malaysian Institute of Accountants. Below are the members of the Audit Committee during the financial year :-

| Directors | Status |
|---|---|
| 1. Mohd Khasan Bin Ahmad - Chairman | Independent Non-Executive Director |
| 2. Keong Choon Keat | Senior Independent Non-Executive Director |
| 3. Kam Yong Kan | Independent Non-Executive Director |
| 4. Lee Sooi Teng | Executive Director |

## TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

**1. Composition**

(i) The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors; shall consist of not less than three members, a majority of whom are independent non-executive Directors; and at least one member of the audit committee:-

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

(aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

(bb) he must be a member of one of the associations of accountants specified in Part 11 of the 1st Schedule of the Accountants Act 1967.

The Chairman shall be an independent non-executive Director elected by the members of the Committee.

(ii) In the event of any vacancy in the Committee resulting in the non-compliance of paragraph (i) above, the Board must fill the vacancy within 3 months.

(iii) The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

**2. Authority**

The Committee is granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference, and all employees are directed to co-operate as requested by members of the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

**3. Responsibility**

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, internal auditors and the Management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, the Committee shall promptly report such matter to the Exchange.

## TERMS OF REFERENCE (Cont'd)

**4. Functions**

The functions of the Committee are as follows:-

(i) review with the external auditors, their audit plan;

(ii) review with the external auditors, their evaluation of the system of internal controls;

(iii) review with the external auditors, their audit report;

(iv) review the assistance given by the Company's officers to the external auditors;

(v) review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(vi) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(vii) review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-

(a) changes in or implementation of major accounting policy changes;
(b) significant and unusual events; and
(c) compliance with accounting standards and other legal requirements;

(viii) review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and

(ix) consider the nomination, appointment and re-appointment of external auditors; their audit fees; and any questions on resignation or removal.

**5. Meetings**

(i) The Committee is to meet at least four (4) times a year and as many times as the Committee deems necessary.

(ii) In order to form a quorum for any meeting of the Committee, the majority of members present must be independent directors.

(iii) The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.

(iv) The director/person responsible for the financial management of the parent company and the head of internal audit shall normally attend meetings of the Committee. The presence of a representative of the external auditors will be requested if required.

(v) Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or members of the Company.

(vi) At least once a year, the Committee shall meet with the external auditors without the presence of any executive director, whenever deemed necessary.

## TERMS OF REFERENCE (Cont'd)

**6. Secretary and minutes**

The secretary of the Committee shall be the Company Secretary. Minutes of each meeting are to be prepared and sent to the Committee members, and the Company's Directors who are not members of the Committee.

## MEETINGS

The Audit Committee convened seven (7) meetings in respect for financial year ended 31 December 2006. The attendance for the meetings were as follows:-

| Members | No. of Meetings Attended | No. of Meetings Held During Tenure |
|---|---|---|
| 1. Mohd Khasan Bin Ahmad - Chairman | 7 | 7 |
| 2. Keong Choon Keat | 6 | 7 |
| 3. Kam Yong Kan | 4 | 4 |
| 4. Lee Sooi Teng | 6 | 7 |

## SUMMARY OF ACTIVITIES

For the financial year under review, the Audit Committee carried out its duties as set out in the terms of reference. The Committee convened seven (7) meetings to review the following:-

- The Audited Financial Report of the Company for year 2005 submitted by the external auditors;
- The unaudited Quarterly Financial Results for four quarters in year 2006 for the release to the Bursa Malaysia Securities Berhad;
- The Recurrent Related Party Transactions and Related Party Transactions of the Company;
- The Risk Management Framework and review of internal control;
- The Statement of Corporate Governance and Internal Control Statement for disclosure in Annual Report year 2005;
- The internal and external audit planning memorandums and programmes for the following year; and
- Review of the internal audit report for financial year 2006.

The meetings were appropriately structured through the use of agendas and meeting papers, which were distributed to members with sufficient notification.

## INTERNAL AUDIT FUNCTIONS

The Company has an out-sourcing arrangement with an independent professional firm to provide internal audit services which assists the Audit Committee in the discharge of its functions. The Internal Auditor is to provide independent and objective reports on the organization's management records, accounting policies and controls to the Audit Committee. Such audits/reviews also ensure instituted controls are appropriate and are effectively applied to achieve acceptable risks exposures.

During the financial year, the Internal Auditor conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:-

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with policies and procedures, laws, regulations and contracts i.e. reasonably ensuring conformity and adherence to these matters.

The Internal Auditor also established follow-up audits/reviews to monitor and to ensure that internal audit's recommendations have been effectively implemented. Reports, including where relevant, action plans agreed with the operational level management, are circulated to Senior Management and are tabled at the Audit Committee Meeting.

During the financial year, the internal audit activities have been carried out according to the internal audit plan which has been approved by the Audit Committee.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors remains committed to achieving and maintaining the highest standards of corporate governance throughout the Group. The Board views corporate governance as synonymous with four key concepts; namely transparency, accountability, integrity as well as corporate performance.

The Board is fully committed to the maintenance of high standard of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance (the "Code"). Additionally, the Board continually reviews the Group's corporate governance processes and makes adjustments as may be appropriate. The key intent is to adopt the substance behind good governance and not merely the form, with the aim of ensuring board effectiveness in enhancing shareholder value.

The Board is please to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year unless otherwise stated.

## Principle Statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code.

**A. DIRECTORS**

**The Board**

The Group recognises the important role played by the Board of Directors in the stewardship of its direction and operations and ultimately the enhancement of long term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters. The schedule ensures that the governance of the Group is in its hands.

**Meetings**

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year, the Board met on six (6) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions, the business direction of the Group and corporate governance matters.

Details of the attendance of the Directors at the Board Meetings are as follows:-

| Directors | Number of meetings attended |
|---|---|
| (i) Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah | 6/6 |
| (ii) Yong Soon Chow | 6/6 |
| (iii) Koh Hua Lan | 6/6 |
| (iv) Lee Sooi Teng | 5/6 |
| (v) Loo Shen Chang | 6/6 |
| (vi) Keong Choon Keat | 5/6 |
| (vii) Mohd Khasan Bin Ahmad | 6/6 |
| (viii) Kam Yong Kan | 6/6 |

Where a potential of conflict arise in the Group's investment, projects or any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and the decision making process.

**Board Balance**

As at the date of this statement the Board has eight (8) members, comprising four (4) Non-Executive Directors and four (4) Executive Directors. Three (3) of the eight (8) Directors are Independent Non-Executive Directors, which complies with paragraph 15.02 of the Listing Requirements that requires at least two Directors or one-third of the board of the Company, which ever is the higher, to be independent Directors. A brief profile of each Director is presented on pages 11 and 12 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director of the Group in order to provide for balance of power and authority.

The Chairman is responsible for ensuring the Board effectiveness and conduct whilst the Managing Director has an overall responsibility over the operating units, organisational effectiveness and implementation of the Board's policies and decisions.

Although all the Executive Directors have an equal responsibility for the Group's operations, the presence of the Independent Non-Executive Directors on the Board fulfills a pivotal role in ensuring corporate accountability, as they provide unbiased and independent views, advices, opinions and judgments to take into account of the interests, not only of the Group but also the interest of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Non-Executive Directors are actively involved in the various Board Committees. They provide broader views, independent assessments and opinions on management proposals sponsored by the Executive Directors.

The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industries in which the Group is involved in. A key strength of this structure has been the speed of decision making.

**Board Committees**

Where appropriate, matters have been delegated to Board Committees, all of which have written constitutions and terms of references to assist the Board in discharge of its duties and responsibilities. The Board will then receive the reports of their proceedings and deliberations in its scheduled Board meetings.

***(i) Audit Committee***

The Audit Committee whose composition meets the Bursa Securities Listing Requirements I.e. Independent Directors forming the majority and a member that is a qualified accountant. The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the Group. The Audit Committee Report is set out on page 15 . The Audit Committee is able to obtain external professional advice and to invite outsiders with relevant experience to attend its meeting when necessary.

***(ii) Nomination Committee***

The Nomination Committee has been charged with identifying and recommending new nominees to the Board as well as committees of the Board of Crest Builder Holdings Berhad. However, the Board makes all decisions on appointments after considering the recommendations of the Committee.

The Committee will review the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.

The members of the Nomination Committee, all of whom are Non-Executive Directors and a majority of whom are independent are as follows:-

(i) Kam Yong Kan ( Chairman)
(ii) Keong Choon Keat
(iii) Mohd Khasan bin Ahmad

During the financial year, one (1) meeting was held and was attended by all members of the Nomination Committee.

***(iii) Remuneration Committee***

The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of the Executive Directors of the Group. The Remuneration Committee proposes, subject to the approval of the Board, the remuneration and terms and conditions of service and the remuneration to be paid to each Director for his services as a member of the Board as well as Committee of the Board.

The members of the Remuneration Committee are as follows:-

(i) Yong Soon Chow ( Chairman)
(ii) Keong Choon Keat
(iii) Mohd Khasan bin Ahmad

During the financial year, one (1) meeting was held and was attended by all members of the Remuneration Committee.

***(iv) Option Committee***

The Option Committee was established on 15 March 2007. The Option Committee was established to administer the Group's Employee Share Option Scheme ("ESOS") in accordance with the By-Laws of the ESOS and such manner as it shall deem fit and, with such powers and duties as are conferred upon it by the Board of Directors.

The members of the Option Committee are as follows:-

(i) Keong Choon Keat (Chairman)
(ii) Mohd Khasan bin Ahmad
(iii) Yong Soon Chow

**Supply of Information**

All scheduled meetings held during the financial year were preceded with a formal agenda issued by the Company Secretary in consultation with the Chairman and the Managing Director. The agenda for each meeting was accompanied by the minutes of preceding meetings of the Board and Board Committees, reports on Group financial performance, industry trends, business plans and proposals, quarterly result announcements and other relevant information. The Board papers are comprehensive and encompass all material aspects of the matters being considered, enabling the Board to look at both quantitative and qualitative factors so that informed decisions are made.

All Directors have access to the advice and services of the Company Secretary. Directors are informed and aware that they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.

**Appointments and Re-elections to the Board**

The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the Directors should bring to the Board.

As part of the process of appointing new Directors, the Board ensures that new Directors are provided with an orientation and education programme. All Directors have attended the Mandatory Accreditation Programme (MAP).

The board acknowledges the amendments to the Listing Requirements of Bursa Malaysia ("CEP Amendments") which stated that from year 2005 onwards, the Board of Directors of listed companies will assume the onus of determining or overseeing the training needs of their Directors. During the year, the Directors have attended various training programmes, seminars and briefings to keep abreast of the relevant new laws and regulations changes in business environment and developments in corporate governance and risk management. The Directors will continue to undergo other relevant training programmes to equip themselves with the knowledge to discharge their duties more effectively.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by rotation by shareholders at the first opportunity after their appointment. The Articles also provide that at least 1/3 of the remaining Directors be subject to re-election by rotation at each Annual General Meeting, provided that all Directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

## B. DIRECTORS' REMUNERATION

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the group effectively. Generally, the remuneration of each Director reflects the level of responsibility and commitment that goes with the Board Committee membership. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to individual and the Group performance.

The Remuneration Committee shall recommend to the Board the framework of the Executive Directors' remuneration and the remuneration package for each Executive Director of the Group. The Remuneration Committee also reviews and recommends for the Board's approval all other Director's fees. In addition, the Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. Independent Non-Executive Directors are paid attendance fees for each Board or Board Committee meetings they attend.

**Disclosure**

The Board has considered disclosure of details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

The remuneration/fees received by the Directors from the Group for the financial year ended 31 December 2006 as follows:-

| Remuneration Band | Executive Director (Number of Directors) | Non-Executive Director (Number of Directors) |
|---|---|---|
| Less than 50,000 | | 4 |
| 200,001 to 250,000 | 2 | |
| 250,001 to 300,000 | 1 | |
| 550,000 to 600,000 | 1 | |

Aggregate remuneration of Directors is categorised into appropriate components:-

| | Directors' Fees (RM) | Salaries and/or Other Emoluments (RM) | Allowances (RM) | Total (RM) |
|---|---|---|---|---|
| Executive Directors | 130,000 | 1,197,787 | 1,500 | 1,329,287 |
| Non-Executive Directors | 120,000 | – | 7,800 | 127,800 |
| Total | 250,000 | 1,197,787 | 9,300 | 1,457,087 |

## C. SHAREHOLDERS

**Dialogue between the Company and Investors**

The Group values communication with its shareholders and investors and does this through the Annual Report, Annual General Meeting and Corporate Announcements. All enquiries made are normally dealt with as promptly as practicable.

The Company also holds briefings with research analysts, fund managers and investors to explain the Group's strategies, performance and major developments and the Board plans to conduct regular dialogues with institutional investors, fund managers and analysts with the aim of fostering mutual understanding of the Group's objectives.

**The Annual General Meeting**

The Company has used the Annual General Meeting as a forum of communication with its shareholders. The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities. Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxies received, both for and against each separate resolution, where appropriate.

## D. ACCOUNTABILITY AND AUDIT

### (a) Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement in the Annual Report.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. All accounting standards which the Board considers to be applicable have been complied with.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### (b) Internal Control

The Board of Directors acknowledges responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control is designed to safeguard the shareholders' investments and the Group's assets, by its nature can only manage rather that eliminate risk of failure to achieve business objectives and inherently can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors regard risk management as an integral part of the business operations. During the year, managers in the Group have attended a series of briefings on risk management which were facilitated by external consultants to raise the level of knowledge of risk management amongst managers to enhance their understanding of the risks which potentially affect the achievement of their respective operating unit's business objectives.

Information on the Group's internal control is presented in the Statement on Internal Control laid out on page 25 of this Annual Report.

### (c) Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both external and internal, in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. In relation to the Financial Statement, the role of the Audit Committee in relation to the external auditors are contained in the Audit Committee Report set out on pages 15 to 17 of this Annual Report.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CODE

The Company is committed to achieving high standard of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all of its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code, unless otherwise stated.

Statement made in accordance with the resolution of the Board of Directors dated 18 April 2007.

## ADDITIONAL COMPLIANCE INFORMATION

In conformance with Bursa Securities Listing Requirements, the following information is provided:

**1. Utilisation of Proceeds**

The Company did not implement any fund-raising proposal, whether involving the issue of securities or otherwise during the financial year.

**2. Shares Buy-Back**

The Company did not have Shares Buy-Back for the financial year.

**3. Exercise of Options, Warrants or Convertible Securities**

Save for the conversions of 10,000,000 Irredeemable Convertible Unsecured Loan Stock ("ICULS") and exercise of 950 Warrants respectively, there are no other exercise of options, warrants and convertible securities during the financial year.

**4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR Programme during financial year.

**5. Imposition of Sanctions/Penalties**

There were no sanctions/penalties imposed on the Company and/or its subsidiaries, Directors or management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory authorities.

**6. Non-Audit Fees**

Non-audit fees amounting to RM4,000 were paid to the external auditors for the financial year ended 31 December 2006.

**7. Profit Estimate, Forecast or Projection**

The Company did not release any profit estimate, forecast or projection during the financial year.

**8. Profit Guarantee**

There was no profit guarantee given by the Company during the financial year.

**9. Material Contracts (Recurrent Related Party Transactions)**

Save as disclosed hereunder, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' and Major Shareholders' interests during the financial year.

**Recurrent Related Party Transactions**

| Related Party | Contracting Party | Nature of Transaction | Transacted Value for Financial Year Ended 31.12.2006 (RM) |
|---|---|---|---|
| Farima Sdn Bhd (person connected to TDSS) | Crest Builder Sdn Bhd | Award of Contract (Construction and completion of building work) | 61,448,365 |
| Grandland Corporation Sdn Bhd (person connected to YSC & KHL) | Crest Builder Sdn Bhd | Office rental | 36,000 |
| Grandland Corporation Sdn Bhd (person connected to YSC & KHL) | CBTech (M) Sdn Bhd | Office Rental | 12,000 |
| Grandland Corporation Sdn Bhd (person connected to YSC & KHL) | 3 Two Square Sdn Bhd *(Previously known as Seri Tegamas Sdn Bhd)* | Office rental | 108,000 |

**10. Revaluation Policy**

The revaluation Policy on landed properties of the Company and its subsidiaries is disclosed in Note 3-3 to the Financial Statements.

**11. Variation in Results**

There was no significant variation in results (differ by 10% or more) from any profit estimation/ forecast /projection/ unaudited result announced.

# STATEMENT ON INTERNAL CONTROL

## THE BOARD'S RESPONSIBILITIES

In relation to internal control, pursuant to the requirements under the Malaysian Code of Corporate Governance for companies listed on Bursa Malaysia Securities Berhad ["Bursa Malaysia"], the Board of Directors ("the Board") acknowledges their responsibility under the Bursa Malaysia Listing Requirements to:-

- Identify principal risks and ensure implementation of appropriate control measures to manage the risk.

- Review the adequacy and integrity of the internal control system and management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

It should be noted that an internal control system is designed to manage risks rather than eliminate them, and can provide only reasonable but not absolute assurance against any material misstatement or loss.

The Board confirms that there is an ongoing risk management process established to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of Crest Builder Group of Companies ("the Group") business and corporate objectives. The Board reviews the process on a regular basis to ensure proper management of risk and measures are taken to mitigate any weaknesses in the control environment.

## THE GROUP'S SYSTEM OF INTERNAL CONTROL

In striving to operate a system of internal control that will drive the Group towards its goals, the Board relies upon balanced monitoring and reviewing of the system by the Management Committee and Audit Committee respectively.

**Management Committee**

The Management Committee oversees the day-to-day operations and conduct of the Group's businesses. Scheduled meetings are held at operational and management levels to identify, discuss and resolve business and operational issues. These include scheduled management meetings at Group and individual subsidiary levels, project managers meetings and site meetings. Minutes of these meetings and management reports are escalated to the relevant Executive Directors on a timely basis. Periodic meetings are held as part of an ongoing process to review and assess the adequacy and effectiveness of the Group's risk management and controls and to ensure that any shortcomings identified are addressed on a timely basis.

**Audit Committee**

The Audit Committee received reports from the internal and external auditors on a regular basis. The Group has an out-sourcing arrangement with an independent professional firm in relation to its internal audit function. The internal audit function adopts a risk-based approach which focuses on the principal risks affecting the key business processes of the Group. Periodic scheduled internal audit visits have been carried out in accordance with the approved internal audit plan.

The internal audit function is responsible for undertaking regular and systematic review of the internal controls to provide the Audit Committee and the Board with sufficient assurance that the systems of internal control are effective in addressing the risks identified. On a half yearly basis, internal auditors submit audit reports and plan status for review and approval by the Audit Committee. Included in the reports are recommended corrective measures on risks identified, if any, for implementation by the Management.

The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Any areas for improvement identified during the course of statutory audit by the external auditors are brought to the attention of the Audit Committee through management letters, or are articulated at Audit Committee meetings.

**Enterprise Risk Management Framework**

The enterprise risk management framework prevalent in the Group was set up in 2003 with the assistance of a professional firm of consultants. The formalisation of the enterprise risk management framework involved developing the risk profile where principal business risks, which could affect the achievement of the strategic business objective of the Group, are systematically identified, evaluated and mitigated.

A Risk Management Committee was formalized in 2006, headed by the Finance Manager. It carries out its responsibilities to identify and communicate to the Board of Directors the critical risks (present and potential) that the Group faces, any changes in the risk profile and the management action plans to manage these risks.

**Other Features of the Group's System of Internal Control**

Other features of the Group's system of internal control include the following:-

: Quality Policy and Quality Objectives which clearly outlined the Group's direction
: Clear organisation structure with delineated reporting lines
: Clearly defined objectives and term of reference of the various Committees established by the Board
: Frequent visits to the job sites by Executive Directors and Senior Management
: Process and procedures in accordance with the requirements of MS ISO 9001:2000 certification
: Staff Handbook available for reference

The Board recognises that the Group operates in a dynamic business environment and that the Group's internal control system must be responsive to changes in the business environment and continuously evolves to support its business objectives. The review of all control procedures were continuously carried out throughout the period under review to ensure an effective and efficient system of internal control. The Board remains committed towards continuous improvements and enhancements of its system of internal control and will, when necessary, put in place action plans to ensure that there is increased certainty of the achievement of business objectives, thus enhancing shareholders' value.

This Statement is made in accordance with the resolution of the Board of Directors dated 18 April 2007

# STATEMENT ON DIRECTORS' RESPONSIBILITY

pursuant to paragraph 15.27(a) of the listing requirements of Bursa Malaysia Securities Berhad

As required under the Companies Act, 1965 ("Act"), the Directors of **Crest Builder Holdings Berhad** have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company for the financial year ended 31 December 2006.

In the process of preparing these financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgement and estimates were made, they were based on reasonableness and prudence.

Additionally, the Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This statement is made in accordance with a resolution of the Board of Directors dated 18 April 2007.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company.

The principal activities of the Subsidiary Companies are set out in Note 6 to the financial statements.

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

## RESULTS

| | GROUP RM | COMPANY RM |
|---|---|---|
| Profit after taxation / Profit attributable to shareholders | 20,034,336 | 8,263,246 |
| Retained earnings brought forward | 34,283,774 | 9,079,502 |
| Profit available for appropriation | 54,318,110 | 17,342,748 |
| Dividends | (1,782,007) | (1,782,007) |
| Retained earnings carried forward | 52,536,103 | 15,560,741 |

## DIVIDENDS

Since the end of the previous financial year, a final dividend of 2 sen gross per ordinary share less income tax at 28% amounting to RM1,782,007 in respect of financial year ended 31 December 2005 was paid on 8 August 2006.

The Directors now recommend a first and final dividend of 5 sen gross per ordinary share less income tax at 27% in respect of the financial year ended 31 December 2006 which, subject to the approval of the members at the forthcoming Annual General Meeting of the Company, will be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the Directors. Based on the outstanding issued and paid-up share capital of the Company as at 31 December 2006 of 123,750,450 ordinary shares, the final dividend amounts to RM4,516,891 (3-65 sen net per ordinary share). Such dividend, if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Company was increased from 113,749,500 to 123,750,450 by way of :-

a) The conversion of RM10,000,000 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") into 10,000,000 new ordinary shares of RM1-00 each fully paid up at a conversion price of RM1-00 per ordinary share.

b) The issuance of 950 new ordinary shares of RM1-00 each pursuant to conversion of 950 Warrants 2003 / 2013 at a exercise price of RM1-00 cash per warrant.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

## ICULS

On 25 February 2003, the Company issued 18,500,000 of 3 year 3% - 7% ICULS 2003 / 2006 at a nominal value of RM1-00 each for the purpose of acquiring the listing status of MGR Corporation Berhad.

Up to 13 May 2004, a total of 8,500,000 ICULS had been converted into 8,500,000 new ordinary shares of RM1-00 each fully paid up at a conversion price of RM1-00 per share. No ICULS was converted subsequently up to its date of maturity.

At the date of maturity of 24 February 2006, the remaining outstanding 10,000,000 ICULS have been automatically converted into 10,000,000 new ordinary shares of RM1-00 each fully paid at a conversion of RM1-00 per share.

Details of the ICULS are set out in Note 26 to the financial statements.

## WARRANTS 2003 / 2013

On 25 February 2003, the Company issued a renounceable rights issue of 24,000,000 warrants to entitled shareholders at an issue price of RM0-30 per warrant, on the basis of 1-008 warrants for every four (4) existing shares held on the entitlement date.

During the financial year, 950 warrants had been converted into 950 new ordinary shares of RM1-00 each at an exercise price of RM1-00 cash per warrant.

As at 31 December 2006, the total number of warrants which remain unconverted amounted to 23,999,050 units.

Details of the warrants are set out in Note 27 to the financial statements.

## SHARE OPTIONS

During the financial year, no share options have been granted.

## DIRECTORS

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

TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH
YONG SOON CHOW
KOH HUA LAN (f)
LEE SOOI TENG
LOO SHEN CHANG
KEONG CHOON KEAT
MOHD KHASAN BIN AHMAD
KAM YONG KAN

In accordance with Article 79 of the Company's Article of Association, TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH, LEE SOOI TENG and KAM YONG KAN retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election respectively.

## DIRECTORS' INTERESTS

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, interest in ordinary shares and debentures of the Company and its related corporations, as stated below :-

| | ................Number of ordinary shares of RM1-00 each............... | | | | |
|---|---|---|---|---|---|
| | At 1 / 1 / 2006 | Bought | Sold | | At 31 / 12 / 2006 |
| **COMPANY** | | | | | |
| **DIRECT INTEREST** | | | | | |
| YONG SOON CHOW | 42,418,000 | - | - | | 42,418,000 |
| KOH HUA LAN (f) | 3,945,500 | - | - | | 3,945,500 |
| LEE SOOI TENG | 200,000 | - | - | | 200,000 |
| KEONG CHOON KEAT | 20,000 | - | - | | 20,000 |
| KAM YONG KAN | - | 30,000 | - | | 30,000 |
| **INDIRECT INTEREST** | | | | | |
| TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH ^ | 6,807,939 | - | - | | 6,807,939 |
| YONG SOON CHOW ** | 12,870,808 | 10,000,000 | 11,260,000 | ~ | 11,610,808 |
| KOH HUA LAN (f) ** | 51,343,308 | 10,000,000 | 61,343,308 | ~ | - |
| LEE SOOI TENG * | 12,000 | - | - | | 12,000 |
| KEONG CHOON KEAT * | 30,000 | - | - | | 30,000 |

| | ..........................Number of warrants.......................... | | | | |
|---|---|---|---|---|---|
| | At 1 / 1 / 2006 | Bought | Sold | | At 31 / 12 / 2006 |
| **COMPANY** | | | | | |
| **DIRECT INTEREST** | | | | | |
| YONG SOON CHOW | 7,999,916 | - | - | | 7,999,916 |
| KOH HUA LAN (f) | 1,400,000 | - | - | | 1,400,000 |
| **INDIRECT INTEREST** | | | | | |
| TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH ^ | 3,000,000 | - | - | | 3,000,000 |
| YONG SOON CHOW * | 1,400,000 | - | - | | 1,400,000 |
| KOH HUA LAN (f) * | 7,999,916 | - | 7,999,916 | ~ | - |

^ Held by a company in which the Director has interest
* Held by spouse
** Held by spouse and dependent
~ Cessation of deemed interest by virtue of Section 6A of the Companies Act, 1965

By virtue of their interests in the shares of the Company and pursuant to Section 6A of the Companies Act, 1965, YONG SOON CHOW and KOH HUA LAN were also deemed interested in the shares of all the Subsidiary Companies to the extent the Company has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year has any interest in the shares and debentures of the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 as disclosed in Note 42 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors may acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps :-

  i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

  ii) to ensure that any current assets, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable value.

(b) At the date of this report, the Directors are not aware of any circumstances which would render :-

  i) it necessary to write off any bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

(d) 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 respective financial statements misleading.

(e) As 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 except as disclosed in Note 40 to the financial statements.

(f) In the opinion of the Directors :-

  i) no contingent liability or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

  ii) the results of the operations of the Group and of the Company during the financial year have not been affected by any item, transaction or event of a material and unusual nature; and

  iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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.

## SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 43 to the financial statements.

## SIGNIFICANT SUBSEQUENT EVENTS

Significant events subsequent to the balance sheet date are disclosed in Note 44 to the financial statements.

## AUDITORS

The Auditors, GEP Associates, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 18 April 2007

CHAIRMAN
**TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH**

MANAGING DIRECTOR
**YONG SOON CHOW**

Petaling Jaya

Dated : 18 April 2007

# STATEMENT BY DIRECTORS

We, TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH and YONG SOON CHOW, being two of the Directors of CREST BUILDER HOLDINGS BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 36 to 86 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of their operations, changes in equity and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors dated 18 April 2007

CHAIRMAN
**TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH**

MANAGING DIRECTOR
**YONG SOON CHOW**

Petaling Jaya

Dated : 18 April 2007

## STATUTORY DECLARATION

I, LOO SHEN CHANG, being the Director primarily responsible for the accounting records and financial management of CREST BUILDER HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 36 to 86 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 by )
LOO SHEN CHANG )
at Petaling Jaya )
on 18 April 2007 )

**LOO SHEN CHANG**

Before me

COMMISSIONER FOR OATHS

# AUDITORS' REPORT

to the members of Crest Builder Holdings Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 36 to 86.

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 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 misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards 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 Act to be dealt with in the financial statements of the Group and of the Company; and

   ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of their operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date;

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

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 as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies that have been consolidated were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

GEP ASSOCIATES
No : AF 1030
Chartered Accountants

ESTHER TAN CHOON HWA
No : 1023 / 03 / 08 (J)
Partner

Petaling Jaya

Dated : 18 April 2007

# CONSOLIDATED BALANCE SHEET

as at 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | 4 | 41,991,603 | 41,617,776 |
| INVESTMENT PROPERTIES | 5 | 5,115,000 | 5,798,214 |
| INTERESTS IN ASSOCIATED COMPANY | 7 | – | 346,500 |
| OTHER INVESTMENTS | 8 | 4,554,000 | 4,554,000 |
| INTANGIBLE ASSETS | 9 | 67,055,363 | 67,055,363 |
| LAND HELD FOR DEVELOPMENT | 10 | 33,471,001 | 31,094,394 |
| | | 152,186,967 | 150,466,247 |
| CURRENT ASSETS | | | |
| Property development costs | 11 | 34,040,032 | 25,588,146 |
| Trade receivables | 12 | 78,692,283 | 60,464,826 |
| Amounts due from contract customers | 13 | 124,203,997 | 97,526,494 |
| Other receivables, deposits and prepayments | 14 | 3,060,100 | 2,529,249 |
| Tax recoverable | | 3,849,431 | 1,974,526 |
| Cash and bank balances | 16 | 8,341,646 | 14,308,348 |
| | | 252,187,489 | 202,391,589 |
| CURRENT LIABILITIES | | | |
| Trade payables | 17 | 97,934,863 | 56,320,557 |
| Amounts due to contract customers | 13 | 4,716,207 | 5,079,876 |
| Progress billings | | 11,277,637 | 19,990,663 |
| Other payables, deposits and accruals | 18 | 5,881,975 | 4,917,507 |
| Hire purchase creditors | 20 | 1,897,506 | 1,844,164 |
| Bank overdraft | 21 | 2,680,749 | 6,776,746 |
| Other bank borrowings | 22 | 27,861,164 | 25,633,199 |
| Provision for taxation | | 4,175,643 | 1,280,376 |
| | | 156,425,744 | 121,843,088 |
| NET CURRENT ASSETS | | 95,761,745 | 80,548,501 |
| | | 247,948,712 | 231,014,748 |
| CAPITAL AND RESERVES | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 23 | 123,750,450 | 113,749,500 |
| Reserves | 24 | 56,561,645 | 38,443,895 |
| Shareholders' equity | | 180,312,095 | 152,193,395 |
| Minority interests | 25 | – | – |
| Total equity | | 180,312,095 | 152,193,395 |
| LONG TERM AND DEFERRED LIABILITIES | | | |
| Irredeemable Convertible Unsecured Loan Stocks | 26 | – | 10,396,418 |
| Hire purchase creditors | 20 | 1,429,385 | 1,481,997 |
| Loans | 28 | 65,447,721 | 65,164,035 |
| Deferred tax liabilities | 29 | 759,511 | 1,778,903 |
| | | 247,948,712 | 231,014,748 |

The accompanying Notes form an integral part of the Financial Statements.

# CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| Revenue | 30 | 318,266,499 | 253,006,459 |
| Cost of sales | 30 | (270,140,179) | (213,406,915) |
| Gross profit | | 48,126,320 | 39,599,544 |
| Other operating income | | 2,755,375 | 1,508,134 |
| | | 50,881,695 | 41,107,678 |
| Administrative expenses | | (14,722,184) | (16,060,782) |
| Profit from operations | 31 | 36,159,511 | 25,046,896 |
| Finance costs | 34 | (4,699,142) | (4,792,616) |
| | | 31,460,369 | 20,254,280 |
| Share of results of Associated Company | | – | (59,883) |
| Profit before taxation | | 31,460,369 | 20,194,397 |
| Income tax expense | 35 | (11,426,033) | (8,456,108) |
| Profit after taxation | | 20,034,336 | 11,738,289 |
| Pre-acquisition loss | | – | 2,304 |
| Profit for the year | | 20,034,336 | 11,740,593 |
| Attributable to :- | | | |
| Equity holders of the Company | | 20,034,336 | 11,740,593 |
| Minority interests | | – | – |
| | | 20,034,336 | 11,740,593 |
| Earnings per share attributable to equity holders of the Company :- | | | |
| Basic earnings per share (sen) | 36 | 16-39 | 10-32 |
| Diluted earnings per share (sen) | 36 | N/A | 9-69 |
| Dividend per share (sen) | 37 | 5-00 | 4-00 |

The accompanying Notes form an integral part of the Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

| | Note | Share capital RM | Capital reserve RM | Other reserve RM | Retained earnings RM | Total RM | Minority interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to Equity Holders of the Company | | | | | | |
| | | Non - distributable | | | Distributable | | | |
| At 1 January 2005 | | 113,749,500 | 4,025,542 | 134,579 | 27,457,160 | 145,366,781 | – | 145,366,781 |
| Profit for the year | | – | – | – | 11,740,593 | 11,740,593 | – | 11,740,593 |
| | | 113,749,500 | 4,025,542 | 134,579 | 39,197,753 | 157,107,374 | – | 157,107,374 |
| Conversion of :- | | | | | | | | |
| - Irredeemable Convertible Unsecured Loan Stocks | 26 | – | – | – | – | – | – | – |
| - Warrants 2003 / 2013 | 27 | – | – | – | – | – | – | – |
| Equity component of convertible loan stocks | 24 | – | – | – | – | – | – | – |
| Dividends | 37 | – | – | – | (4,913,979) | (4,913,979) | – | (4,913,979) |
| At 31 December 2005 | | 113,749,500 | 4,025,542 | 134,579 | 34,283,774 | 152,193,395 | - | 152,193,395 |

| | Note | Share capital RM | Capital reserve RM | Other reserve RM | Retained earnings RM | Total RM | Minority interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to Equity Holders of the Company | | | | | | |
| | | Non - distributable | | | Distributable | | | |
| At 1 January 2006 | | 113,749,500 | 4,025,542 | 134,579 | 34,283,774 | 152,193,395 | – | 152,193,395 |
| Profit for the year | | – | – | – | 20,034,336 | 20,034,336 | – | 20,034,336 |
| | | 113,749,500 | 4,025,542 | 134,579 | 54,318,110 | 172,227,731 | – | 172,227,731 |
| Conversion of :- | | | | | | | | |
| - Irredeemable Convertible Unsecured Loan Stocks | 26 | 10,000,000 | – | – | – | 10,000,000 | – | 10,000,000 |
| - Warrants 2003 / 2013 | 27 | 950 | – | – | – | 950 | – | 950 |
| Equity component of convertible loan stocks | 24 | – | – | (134,579) | – | (134,579) | – | (134,579) |
| Dividends | 37 | – | – | – | (1,782,007) | (1,782,007) | – | (1,782,007) |
| At 31 December 2006 | | 123,750,450 | 4,025,542 | – | 52,536,103 | 180,312,095 | – | 180,312,095 |

The accompanying Notes form an integral part of the Financial Statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

| | 2006 RM | 2005 RM |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 31,460,369 | 20,194,397 |
| Adjustments for :- | | |
| Allowance for doubtful debts | 487,821 | – |
| Amortisation of intangible assets | – | 3,047,854 |
| Deposits forfeited | (2,000) | – |
| Depreciation | 4,957,001 | 4,781,362 |
| Fair value adjustments on investment properties | (331,754) | – |
| Gain on disposal of investment properties | (93,372) | (90,791) |
| Gain on disposal of property, plant and equipment | (287,700) | (128,340) |
| Impairment loss on investment | – | 36,000 |
| Interest expenses | 6,367,333 | 5,107,187 |
| Interest income | (263,929) | (858,941) |
| Investment written off | 346,500 | – |
| Loss on disposal of investment | – | 72,000 |
| Loss on foreign exchange | – | 1,876 |
| Property, plant and equipment written off | 24,272 | 341,658 |
| Share of results of Associated Company | – | 59,883 |
| Short-term accumulating compensated absences | 146,613 | (20,037) |
| Waiver of debts | (195,435) | – |
| Operating profit before working capital changes | 42,615,719 | 32,544,108 |
| Increase in property development costs | (1,531,164) | (6,584,922) |
| Increase in trade receivables | (18,227,457) | (13,423,917) |
| Increase in amounts due from contract customers | (26,677,503) | (33,857,420) |
| (Increase) / Decrease in other receivables, deposits and prepayments | (1,018,672) | 2,621,505 |
| Increase in trade payables | 41,614,306 | 17,856,904 |
| (Decrease) / Increase in amounts due to contract customers | (363,669) | 636,340 |
| (Decrease) / Increase in progress billings | (8,713,026) | 19,990,663 |
| Increase / (Decrease) in other payables, deposits and accruals | 1,015,290 | (1,170,153) |
| | (13,901,895) | (13,931,000) |
| Cash generated from operations | 28,713,824 | 18,613,108 |
| Income tax paid | (11,372,727) | (9,490,596) |
| Net cash generated from operating activities carried forward | 17,341,097 | 9,122,512 |

The accompanying Notes form an integral part of the Financial Statements.

# CONSOLIDATED CASH FLOW STATEMENT (CONT' D)

for the year ended 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| Net cash generated from operating activities brought forward | | 17,341,097 | 9,122,512 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of interest in Associated Company | | – | (406,383) |
| Interest received | | 263,929 | 858,941 |
| Purchase of land held for development | | – | (23,071,375) |
| Increase in development expenditure | | (2,376,607) | (1,053,406) |
| Proceeds from disposal of investment | | – | 108,000 |
| Proceeds from disposal of investment properties | | 1,108,340 | 1,583,680 |
| Proceeds from disposal of property, plant and equipment | | 308,200 | 128,340 |
| Purchase of investment properties | | - | (501,604) |
| Purchase of property, plant and equipment | | (11,892,533) | (12,791,986) |
| Net cash used in investing activities | | (12,588,671) | (35,145,793) |
| | | 4,752,426 | (26,023,281) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | | (1,782,007) | (4,913,979) |
| Fixed deposits with licensed banks | | 2,407,888 | 285,994 |
| Proceeds from issuance of ordinary shares | | 950 | – |
| Interest paid | | (5,281,455) | (4,791,806) |
| Loan raised | | 28,391,806 | 22,693,000 |
| Repayment of term loans | | (25,880,155) | (4,896,766) |
| Repayment of hire purchase creditors | | (2,072,270) | (2,619,327) |
| Net cash (used in) / generated from financing activities | | (4,215,243) | 5,757,116 |
| Net increase / (decrease) in cash and cash equivalents | | 537,183 | (20,266,165) |
| Cash and cash equivalents brought forward | | 1,619,028 | 21,885,193 |
| Cash and cash equivalents carried forward | 16 | 2,156,211 | 1,619,028 |

The accompanying Notes form an integral part of the Financial Statements.

# BALANCE SHEET
as at 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | 4 | 9,643 | 11,090 |
| INVESTMENT IN SUBSIDIARY COMPANIES | 6 | 94,765,270 | 94,765,270 |
| OTHER INVESTMENT | 8 | 4,500,000 | 4,500,000 |
| INTANGIBLE ASSETS | 9 | 33,450,999 | 33,450,999 |
| | | 132,725,912 | 132,727,359 |
| CURRENT ASSETS | | | |
| Other receivables and prepayments | 14 | 553,851 | 778,851 |
| Amounts due from Subsidiary Companies | 15 | 55,749,540 | 43,900,625 |
| Tax recoverable | | 1,151,247 | 908,590 |
| Cash and bank balances | 16 | 53,896 | 6,068,296 |
| | | 57,508,534 | 51,656,362 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | 18 | 1,657,713 | 1,735,844 |
| Amounts due to Subsidiary Companies | 19 | 240,000 | 210,000 |
| | | 1,897,713 | 1,945,844 |
| NET CURRENT ASSETS | | 55,610,821 | 49,710,518 |
| | | 188,336,733 | 182,437,877 |
| CAPITAL AND RESERVES | | | |
| Share capital | 23 | 123,750,450 | 113,749,500 |
| Reserves | 24 | 19,586,283 | 13,239,623 |
| Shareholders' equity | | 143,336,733 | 126,989,123 |
| LONG TERM AND DEFERRED LIABILITIES | | | |
| Irredeemable Convertible Unsecured Loan Stocks | 26 | – | 10,396,418 |
| Loan | 28 | 45,000,000 | 45,000,000 |
| Deferred tax liabilities | 29 | – | 52,336 |
| | | 188,336,733 | 182,437,877 |

The accompanying Notes form an integral part of the Financial Statements.

# INCOME STATEMENT
for the year ended 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| Revenue | 30 | 15,708,369 | 17,245,160 |
| Cost of sales | | – | – |
| Gross profit | | 15,708,369 | 17,245,160 |
| Other operating income | | – | – |
| | | 15,708,369 | 17,245,160 |
| Administrative expenses | | (578,613) | (2,121,067) |
| Profit from operations | 31 | 15,129,756 | 15,124,093 |
| Finance costs | 34 | (3,469,167) | (3,852,459) |
| Profit before taxation | | 11,660,589 | 11,271,634 |
| Income tax expense | 35 | (3,397,343) | (3,696,709) |
| Profit after taxation | | 8,263,246 | 7,574,925 |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

| | Note | Share capital RM | Non - distributable Capital reserve RM | Other reserve RM | Distributable Retained earnings RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 January 2005 | | 113,749,500 | 4,025,542 | 134,579 | 6,418,556 | 124,328,177 |
| Profit for the year | | – | – | – | 7,574,925 | 7,574,925 |
| | | 113,749,500 | 4,025,542 | 134,579 | 13,993,481 | 131,903,102 |
| Conversion of :- | | | | | | |
| - Irredeemable Convertible Unsecured Loan Stocks | 26 | – | – | – | – | – |
| - Warrants 2003 / 2013 | 27 | – | – | – | – | – |
| Equity component of convertible loan stocks | 24 | – | – | – | – | – |
| Dividends | 37 | – | – | – | (4,913,979) | (4,913,979) |
| At 31 December 2005 | | 113,749,500 | 4,025,542 | 134,579 | 9,079,502 | 126,989,123 |

| | Note | Share capital RM | Non - distributable Capital reserve RM | Other reserve RM | Distributable Retained earnings RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 January 2006 | | 113,749,500 | 4,025,542 | 134,579 | 9,079,502 | 126,989,123 |
| Profit for the year | | – | – | – | 8,263,246 | 8,263,246 |
| | | 113,749,500 | 4,025,542 | 134,579 | 17,342,748 | 135,252,369 |
| Conversion of :- | | | | | | |
| - Irredeemable Convertible Unsecured Loan Stocks | 26 | 10,000,000 | – | – | – | 10,000,000 |
| - Warrants 2003 / 2013 | 27 | 950 | – | – | – | 950 |
| Equity component of convertible loan stocks | 24 | – | – | (134,579) | – | (134,579) |
| Dividends | 37 | – | – | – | (1,782,007) | (1,782,007) |
| At 31 December 2006 | | 123,750,450 | 4,025,542 | – | 15,560,741 | 143,336,733 |

The accompanying Notes form an integral part of the Financial Statements.

# CASH FLOW STATEMENT
for the year ended 31 December 2006

| | Note | 2006 RM | 2005 RM |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 11,660,589 | 11,271,634 |
| Adjustments for :- | | | |
| Amortisation of intangible assets | | – | 1,520,500 |
| Depreciation | | 1,447 | 1,446 |
| Dividend income | | (13,000,000) | (15,000,000) |
| Interest expenses | | 3,469,167 | 3,852,459 |
| Interest income | | (2,708,369) | (2,245,160) |
| Operating loss before working capital changes | | (577,166) | (599,121) |
| Decrease in other receivables and prepayments | | 225,000 | 2,558,755 |
| Decrease in other payables and accruals | | (78,131) | (567,642) |
| | | 146,869 | 1,991,113 |
| Cash (used in) / generated from operations | | (430,297) | 1,391,992 |
| Income tax refund | | – | 158,156 |
| Net cash (used in) / generated from operating activities | | (430,297) | 1,550,148 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividend received | | 9,360,000 | 10,800,000 |
| Interest received | | 2,708,369 | 2,245,160 |
| Purchase of investment in Subsidiary Companies | | – | (1,000,000) |
| Net cash generated from investing activities | | 12,068,369 | 12,045,160 |
| | | 11,638,072 | 13,595,308 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (1,782,007) | (4,913,979) |
| Proceeds from issuance of shares | | 950 | – |
| Increase in amounts due from Subsidiary Companies | | (11,848,915) | (14,889,118) |
| Increase in amounts due to Subsidiary Companies | | 30,000 | 50,000 |
| Interest paid | | (4,052,500) | (3,852,499) |
| Net cash used in financing activities | | (17,652,472) | (23,605,596) |
| Net decrease in cash and cash equivalents | | (6,014,400) | (10,010,288) |
| Cash and cash equivalents brought forward | | 6,068,296 | 16,078,584 |
| Cash and cash equivalents carried forward | 16 | 53,896 | 6,068,296 |

The accompanying Notes form an integral part of the Financial Statements.

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities Berhad ("BMSB") since 12 June 2003. It is not a subsidiary of another company.

The registered office and principal place of business of the Company are located at 14-2, Jalan 4A / 27A, Section 2, Wangsa Maju, 53300 Kuala Lumpur and 28, Jalan SS 24 / 13, Taman Megah, 47301 Petaling Jaya, Selangor Darul Ehsan respectively.

The principal activity of the Company is investment holding.

The principal activities of the Subsidiary Companies are described in Note 6 to the financial statements.

The financial statements are expressed in Ringgit Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 18 April 2007.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention except otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The preparation of financial statements in conformity with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### 2.1 Changes in accounting policies

On 1 January 2006, the Group and the Company adopted the following Financial Reporting Standards ("FRSs") mandatory for financial periods beginning on or after 1 January 2006 :-

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

## 2. BASIS OF PREPARATION (CONT'D)

The Group has not adopted the deferred FRS 139 Financial Instruments : Recognition and Measurement and the following new and revised FRSs, amendments and Interpretations that are mandatory for the respective dates as follows :-

i) Financial periods beginning on or after 1 October 2006

a) FRS 117 Leases

FRS 117 requires classification of leasehold land for own use to be classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the 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.

In addition, FRS 117 also requires initial direct costs incurred in negotiating and arranging leases to be added to the carrying amount of the leased asset.

The Group will apply FRS 117 for the financial periods beginning 1 January 2007.

b) FRS 124 Related Party Disclosures

FRS 124 expands the definition of related party and adds new disclosure requirements. The adoption of FRS 124 will only impact the format and extent of disclosures presented in the financial statements.

ii) Financial periods beginning on or after 1 January 2007

a) FRS 6 Exploration for and Evaluation of Mineral Resources

FRS 6 is not relevant to the Group's operation.

b) Amendment to FRS $119_{2004}$ Employee Benefits - Actuarial Gains

and Losses, Group Plans and Disclosures

As the Group does not participate in any defined benefit plans, adoption of this amendment will not have any impact to the financial statements.

iii) Financial periods beginning on or after 1 July 2007

a) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

As the Group does not participate in any foreign operation, adoption of this amendment will not have any impact to the financial statements.

b) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

c) IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments

d) IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

e) IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

f) IC Interpretation 7 Applying the Restatement Approach under FRS $129_{2004}$ Financial Reporting in Hyperinflationary Economies

g) IC Interpretation 8 Scope of FRS 2

## 2. BASIS OF PREPARATION (CONT'D)

2.1 Changes in accounting policies (Cont'd)

The adoption of revised FRS 2, 5, 102, 108, 110, 121, 127, 128, 131, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed as follows :-

i) FRS 3 Business Combinations, FRS 136 Impairment of Assets and FRS 138 Intangible Assets

The new FRS 3 has resulted in consequential amendments to two (2) other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

a) Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM9,141,937 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 January of RM67,055,363 ceased to be amortised thereafter.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 December 2005 or prior periods.

The effects on the balance sheet as at 31 December 2006 and income statement for the year ended 31 December 2006 for the Group and for the Company are as follows :-

| | GROUP RM | COMPANY RM |
|---|---|---|
| Balance sheet as at 31 December 2006 | | |
| Intangible assets | | |
| Increase in carrying amount due to non-amortisation of goodwill | 3,047,854 | 1,520,500 |
| Income statement for the financial year ended 31 December 2006 | | |
| Administrative expenses | | |
| Amortisation of goodwill which would be charged to the income statement | 3,047,854 | 1,520,500 |

| | GROUP |
|---|---|
| Earnings per share (sen) | |
| Increase in basic earnings per share | 2-49 |
| Increase in diluted earnings per share | N/A |

**2. BASIS OF PREPARATION (CONT'D)**

2.1 Changes in accounting policies (Cont'd)

i) FRS 3 Business Combinations, FRS 136 Impairment of Assets and FRS 138 Intangible Assets (Cont'd)

b) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (formerly known as negative goodwill)

Prior to 1 January 2006, negative goodwill was presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition, after reassessment, is now recognised immediately in the income statement.

The change did not materially affect the financial statements of the Group and of the Company.

c) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the date of acquisition as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the date of acquisition, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and of the Company.

ii) FRS 101 Presentation of Financial Statements

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

The changes in presentation has no impact on the financial statement of the Group and of the Company.

iii) FRS 140 Investment Property

Prior to 1 January 2006, investment properties were stated at cost less accumulated depreciation. Upon the adoption of FRS 140, investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in income statement in the year in which they arise.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy had had no impact on amounts reported for financial year ended 31 December 2005 or prior periods.

The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 for the Group are as follows :-

## 2. BASIS OF PREPARATION (CONT'D)

2.1 Changes in accounting policies (Cont'd)

iii) FRS 140 Investment Property (Cont'd)

| | GROUP RM |
|---|---|
| Consolidated balance sheet as at 31 December 2006 | |
| Investment properties<br>Increase in carrying amount arising from<br>fair value adjustments | 331,754 |
| Consolidated income statement for the financial year ended 31 December 2006 | |
| Other operating income<br>Fair value adjustments of investment properties | 331,754 |
| Earnings per share (sen)<br>Increase in basic earnings per share | 0-27 |
| Increase in diluted earnings per share | N/A |

This change has no impact on the Company's financial statements.

2.2 Significant accounting estimates and judgements

i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows :-

a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2006 was RM67,055,363. Further details are as disclosed in Note 9 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis on consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its Subsidiary Companies made up to the end of the financial year. The financial statements of the Subsidiary Companies are prepared for the same reporting date as the Company.

Subsidiary Companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and other events in similar circumstances.

Intragroup transactions, balances and resulting unrealised profits and losses from intragroup transactions are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

Acquisition of Subsidiary Companies are accounted for by applying the purchase method. The purchase method of accounting involves allocating of the acquisition to the fair value of the identifiable assets, liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis on consolidation (Cont'd)

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the cost of acquisition is recognised immediately in profit or loss.

Minority interest represents the portion of the profit and loss and net assets in Subsidiary Companies not held by the Group. Minority interest is measured at the minorities' share of the Subsidiary Companies' identifiable assets and liabilities at the date of acquisition and the share of changes in the Subsidiary Companies' equity since then. Separate disclosure is made for minority interest.

3.2 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a 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. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortised as it has an infinite life.

Building-in-progress is stated at cost unless in the opinion of the Directors there is a permanent diminution in value, in which case, provision will be made. Depreciation of building-in-progress commences when the assets are ready for their intended use.

Depreciation of other property, plant and equipment is calculated in order to write off the cost or valuation to its residual value on a straight line basis over their expected useful lives of property, plant and equipment concerned. The principal annual rates used are :-

| | |
|---|---|
| Buildings | 2 % |
| Equipment, furniture and fittings | 10 - 20 % |
| Light equipment | 20 % |
| Plant and machinery | 20 % |
| Motor vehicles | 20 % |

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposals are determined by comparing the sales proceeds with carrying amounts and included in the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

3.3 Investment properties

Investment properties, principally comprising land and buildings are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 Investment properties (Cont'd)

A property interest that is held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

3.4 Subsidiary Companies

Subsidiary Companies are those companies in which the Group has the ability to exercise control over the financial and operating policies of an enterprise so as to attain benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

Investment in Subsidiary Companies are stated at cost except where there is an indication of impairment, in which case the carrying value of the investment is assessed and written down immediately to its recoverable amount.

3.5 Associated Companies

Associated Companies are those companies in which the Company 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 Associated Companies but not control over those policies.

Investments in Associated Companies are accounted for in the financial statements using the equity method of accounting. Under the equity method, the investment in Associated Companies are carried at cost adjusted for post-acquisition changes in the Group's share of net assets of the Associated Companies. The Group's share of the net profit and loss of the Associated Companies are recognised in the consolidated income statement. Where there had been a change recognised directly in the equity of the Associated Companies, the Group recognised its share of such changes directly to equity.

Unrealised gains and losses on transactions between the Group and its Associated Companies are eliminated to the extent of the Group's interest in the Associated Companies.

The Group's share of results and reserves of an Associated Company acquired is included in the consolidated financial statements from the date of acquisition until the Group ceases to have significant influence over the Associated Company. For this purpose, audited or management financial statements for the period to 31 December are used. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group's share of losses in an Associated Company equals or exceeds its interest in the Associated Company, including any long term interests that, in substance, form part of the Group's net investment in the Associated Company, the Group discontinues recognising its share of future losses, unless the Group has incurred obligations or made payments on behalf of the Associated Company.

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 net fair value of the Associated Company's identifiable assets, liabilities 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 Associated Company's profit or loss in the period in which the investment is acquired.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.6 Other investment

Long-term investment is stated at cost less impairment losses.

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

3.7 Intangible assets

a) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but instead, it is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Other intangible assets

Intangible assets are measured on initial recognition at cost. Subsequent to the initial recognition, intangible assets are carried at cost less any accumulated losses.

Intangible assets with indefinite lives are not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite useful life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

3.8 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current asset and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.21.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.9 Property development costs

Property development costs comprise the cost of land together with related development expenditure that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development cost incurred that is probable will be recoverable, and property 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, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Property development costs (Cont'd)

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

### 3.10 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

### 3.11 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to-date to the estimated total costs for the contract. Variation in contract works, claim and incentive payments are included to the extent they have been agreed with the customers. Construction cost includes direct material, labour, subcontractor cost and attributable overhead.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to contract customers.

### 3.12 Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 3.13 Leases

A lease where the Group assumes substantially all the benefits and risks of ownership is classified as finance lease. Leases of land and buildings are classified as operating leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions :-

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (Cont'd)

a) Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis, and if classified as investment property, is accounted for as if held under a finance lease as disclosed in Note 3.3; and

b) Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

i) Finance lease

Property, plant and equipment acquired under hire purchase or finance lease arrangements are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The depreciation policy on these property, plant and equipment is similar to that of the Group's other property, plant and equipment. Outstanding obligations due under the lease arrangements after deducting finance expenses are included as liabilities in the financial statements.

The finance expenses of the lease rentals are charged to the income statement over the period of the respective arrangements.

ii) Operating lease

Leases of assets where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease rental incurred on operating leases are charged to the income statement in the year they become payable.

3.14 Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

3.15 Interest capitalisation

Interest incurred on borrowings directly associated with development properties is capitalised and included as part of development expenditure.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the property, plant and equipment during the period of time that is required to complete and prepare the property, plant and equipment for its intended use.

3.16 Convertible loan stocks

Convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible loan stock. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.16 Convertible loan stocks (Cont'd)

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stocks to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

3.17 Share capital

i) Classification

Ordinary shares are classified as equity.

The portion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS") representing the value of the conversion option at the time of issue is included in equity. The value of the conversion option is not changed in subsequent periods. Upon conversion of the ICULS and RCULS to equity shares, the amount credited to share capital is the aggregate of the amounts classified within liability and equity at the time of conversion. No gain or loss is recognised.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

ii) Share issue costs

External costs directly attributable to the issue of new shares are shown as a deduction in equity.

iii) Dividends

Dividends on ordinary shares are accounted for in the shareholders' equity as an appropriation of retained earnings in the year in which they are declared.

Final dividends proposed by the Board of Directors are not recorded as a liability in the financial statements until they are approved by the shareholders at the Annual General Meeting.

3.18 Foreign currency translation

Transactions in foreign currencies are translated into Ringgit Malaysia at exchange rates closely approximating to those ruling at the date of transactions. Gains and losses on exchange are dealt with in the income statement.

Assets and liabilities in foreign exchange are translated into Ringgit Malaysia at rates of exchange closely approximating to those ruling at the balance sheet date.

The principal closing rates used in translation of foreign currency amounts are as follows :-

| Foreign currency | 31 / 12 / 2006<br>RM | 31 / 12 / 2005<br>RM |
|---|---|---|
| 1 Bahrain Dinar | 9-3821 | 10-0641 |

3.19 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 Revenue recognition (Cont'd)

i) Construction contracts

Profit on construction contracts is recognised on the percentage of completion method where the outcome of the contracts can be reliably estimated. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as a provision for foreseeable loss.

ii) Property development

Revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to-date to the total estimated costs where the outcome of the projects can be reliably estimated. All estimated losses are fully provided for.

iii) Rental and interest income

Rental income and interest income are recognised in the income statement on an accrual basis unless collection is doubtful.

iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 3.20 Employee benefits

i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non monetary benefits 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plan

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

### 3.21 Impairment of assets

The carrying values of assets other than investment properties, construction contract assets, property development costs, are reviewed for impairment at each balance sheet date to determine whether there is an indication that the assets might be impaired. If any of such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows 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. Goodwill acquired in a business combination is, from the date of the acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective if whether other assets or liabilities of the Group are assigned to those units or group of units.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.21 Impairment of assets (Cont'd)

The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss of an asset other than goodwill is reversed if, and only if, there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

3.22 Interest expense

All interest expense and other costs incurred in connection with borrowings are expensed as incurred.

3.23 Income tax

Income tax on the profit or loss comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

3.24 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and short-term highly liquid assets that are readily convertible to cash with insignificant risk of changes in value less bank borrowings that are not subject to fixed term of repayment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.25 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, receivables, payables and borrowings.

i) Financial instruments recognised on the balance sheet

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instruments.

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The Group has not used any derivatives financial instrument.

ii) Fair values estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of traded ICULS are based on quoted market prices at the balance sheet date.

The carrying amounts for financial assets and liabilities with a maturity of less than one (1) year are assumed to approximate their fair values.

### 3.26 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

**4. PROPERTY, PLANT AND EQUIPMENT**

| GROUP<br>Net book value | At<br>1 / 1 / 2006<br>RM | Transfers<br>RM | Additions<br>RM | Disposals<br>RM | Current depreciation<br>RM | At<br>31 / 12 / 2006<br>RM |
|---|---|---|---|---|---|---|
| Freehold land | 3,336,760 | – | – | – | – | 3,336,760 |
| Buildings | 1,205,830 | – | – | – | 28,791 | 1,177,039 |
| Building-in-progress | 25,674,395 | (8,589,933) | 10,802,958 | – | – | 27,887,420 |
| Equipment, furniture and fittings | 1,452,263 | – | 107,209 | 3,250 | 401,439 | 1,154,783 |
| Light equipment | 997,208 | – | 725,580 | – | 374,620 | 1,348,168 |
| Plant and machinery | 7,217,421 | – | 1,005,000 | 20,500 | 3,456,819 | 4,745,102 |
| Motor vehicles | 1,733,899 | – | 1,324,786 | 21,022 | 695,332 | 2,342,331 |
| | 41,617,776 | (8,589,933) | 13,965,533 | 44,772 | 4,957,001 | 41,991,603 |

| Net book value | At<br>1 / 1 / 2005<br>RM | Transfers<br>RM | Additions<br>RM | Disposals<br>RM | Current depreciation<br>RM | At<br>31 / 12 / 2005<br>RM |
|---|---|---|---|---|---|---|
| Freehold land | 3,336,760 | – | – | – | – | 3,336,760 |
| Buildings | 1,234,621 | – | – | – | 28,791 | 1,205,830 |
| Building-in-progress | – | 14,583,756 | 11,090,639 | – | – | 25,674,395 |
| Equipment, furniture and fittings | 1,423,747 | – | 403,374 | – | 374,858 | 1,452,263 |
| Light equipment | 827,659 | – | 420,900 | – | 251,351 | 997,208 |
| Plant and machinery | 7,944,697 | – | 2,808,859 | 299,600 | 3,236,535 | 7,217,421 |
| Motor vehicles | 1,677,364 | – | 901,814 | 42,058 | 803,221 | 1,733,899 |
| | 16,444,848 | 14,583,756 | 15,625,586 | 341,658 | 4,694,756 | 41,617,776 |

| **2006** | Cost<br>RM | Accumulated depreciation<br>RM | Net book value<br>RM |
|---|---|---|---|
| Freehold land | 3,336,760 | – | 3,336,760 |
| Buildings | 1,439,531 | 262,492 | 1,177,039 |
| Building-in-progress | 27,887,420 | – | 27,887,420 |
| Equipment, furniture and fittings | 3,629,722 | 2,474,939 | 1,154,783 |
| Light equipment | 3,361,694 | 2,013,526 | 1,348,168 |
| Plant and machinery | 22,017,622 | 17,272,520 | 4,745,102 |
| Motor vehicles | 7,282,001 | 4,939,670 | 2,342,331 |
| | 68,954,750 | 26,963,147 | 41,991,603 |

| **2005** | Cost<br>RM | Accumulated depreciation<br>RM | Net book value<br>RM |
|---|---|---|---|
| Freehold land | 3,336,760 | – | 3,336,760 |
| Buildings | 1,439,531 | 233,701 | 1,205,830 |
| Buildings-in-progress | 25,674,395 | – | 25,674,395 |
| Equipment, furniture and fittings | 3,527,512 | 2,075,249 | 1,452,263 |
| Light equipment | 2,636,114 | 1,638,906 | 997,208 |
| Plant and machinery | 21,033,122 | 13,815,701 | 7,217,421 |
| Motor vehicles | 6,793,468 | 5,059,569 | 1,733,899 |
| | 64,440,902 | 22,823,126 | 41,617,776 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| COMPANY<br>Net book value | At<br>1 / 1 / 2006<br>RM | Additions<br>RM | Disposals<br>RM | Current<br>depreciation<br>RM | At<br>31 / 12 / 2006<br>RM |
|---|---|---|---|---|---|
| Equipment, furniture and fittings | 11,090 | – | – | 1,447 | 9,643 |

| Net book value | At<br>1 / 1 / 2005<br>RM | Additions<br>RM | Disposals<br>RM | Current<br>depreciation<br>RM | At<br>31 / 12 / 2005<br>RM |
|---|---|---|---|---|---|
| Equipment, furniture and fittings | 12,536 | – | – | 1,446 | 11,090 |

| **2006** | Cost<br>RM | Accumulated<br>depreciation<br>RM | Net book<br>value<br>RM |
|---|---|---|---|
| Equipment, furniture and fittings | 14,465 | 4,822 | 9,643 |

| **2005** | Cost<br>RM | Accumulated<br>depreciation<br>RM | Net book<br>value<br>RM |
|---|---|---|---|
| Equipment, furniture and fittings | 14,465 | 3,375 | 11,090 |

The net book value of assets acquired under hire purchase arrangements of which instalments are still outstanding at the balance sheet date are :-

| | GROUP<br>2006<br>RM | <br>2005<br>RM |
|---|---|---|
| Equipment, furniture and fittings | 126,400 | 158,000 |
| Plant and machinery | 2,977,130 | 3,798,541 |
| Motor vehicles | 2,128,270 | 1,568,245 |
| | 5,231,800 | 5,524,786 |

The net book value of freehold land amounting to RM457,697 (2005 : RM457,697) of the Group are pledged for borrowings as referred to in Note 28 to the financial statements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM13,965,533 (2005 : RM15,625,586) of which RM2,073,000 (2005 : RM2,833,600) were acquired by means of hire purchase arrangements.

Included in building-in-progress is interest expense capitalised during the financial year amounting to RM293,011 (2005 : RM1,494,995).

Included in building-in-progress is an amount of RM8,180,101 (2005 : RM12,608,485) ascribable to leasehold land with an unexpired lease period of more than fifty (50) years. The leasehold land is pledged for borrowings as referred to in Note 28 to the financial statements.

## 5. INVESTMENT PROPERTIES

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| At 1 January | 5,798,214 | 5,798,214 |
| Disposals | (1,014,968) | – |
| Fair value adjustments on investment properties | 331,754 | – |
| At 31 December | 5,115,000 | 5,798,214 |

The carrying amount of investment properties consists of :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Freehold land | 1,733,333 | 1,307,133 |
| Leasehold land | 473,333 | 609,424 |
| Buildings | 2,908,334 | 3,881,657 |
| | 5,115,000 | 5,798,214 |

Leasehold land of the Group is held on a long lease with an unexpired period of more than fifty (50) years.

Net book value of assets pledged as security for borrowings :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Leasehold land | 166,667 | 185,240 |
| Building | 333,333 | 91,200 |

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

| | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|
| Unquoted shares, at cost | 94,765,270 | 94,765,270 |

The Subsidiary Companies which are incorporated in Malaysia are as follows :-

| Name of Company | Effective Equity Interest 2006 % | Effective Equity Interest 2005 % | Principal Activity |
|---|---|---|---|
| Crest Builder Sdn Bhd | 100 | 100 | Construction |
| Crestland Development Sdn Bhd | 100 | 100 | Property investment |
| CBTech (M) Sdn Bhd | 100 | 100 | Mechanical and electrical engineering services |
| 3 Two Square Sdn Bhd (formerly known as Seri Tegamas Sdn Bhd) | 100 | 100 | Property investment and property development |
| Nepfield Sdn Bhd | 100 | 100 | Property investment |
| Crest Builder International Sdn Bhd | 100 | 100 | Investment holding |
| CB Land Sdn Bhd | 100 | 100 | Property investment an property development |
| Crestland Project Management Sdn Bhd | 100 | 100 | Project management |
| Vertical Success Sdn Bhd | 100 | 100 | Property investment and property development |

## 7. INTERESTS IN ASSOCIATED COMPANY

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| At cost | | |
| Unquoted shares | 406,383 | 406,383 |
| Share of accumulated losses | (59,883) | (59,883) |
| | 346,500 | 346,500 |
| Less : Written off during the year | (346,500) | – |
| | – | 346,500 |

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Represented by :- | | |
| Share of net tangible assets | – | 342,680 |
| Premium on acquisition | – | 3,820 |
| | – | 346,500 |

The Associated Company, is incorporated in the Kingdom of Bahrain.

| Name of Company | Effective Equity Interest 2006 % | Effective Equity Interest 2005 % | Principal Activity |
|---|---|---|---|
| Crest Builder Bahrain W.L.L. | NIL | 40 | Building contractor |

The Group's share of assets, liabilities, revenue and expenses of the Associated Company are as follows :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Property, plant and equipment | – | 9,558 |
| Current assets | – | 347,011 |
| Current liabilities | – | (13,889) |
| | – | 342,680 |
| Revenue | – | – |
| Loss for the year | – | 59,883 |

During the financial year, the Associated Company had permanently ceased operation. Hence, the amount of investment in Associated Company is fully written off accordingly.

## 8. OTHER INVESTMENTS

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| At cost | | | | |
| Unquoted bonds of corporation in Malaysia | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 |
| Transferable club membership | 90,000 | 90,000 | – | – |
| | 4,590,000 | 4,590,000 | 4,500,000 | 4,500,000 |
| Less : Accumulated impairment losses | (36,000) | (36,000) | – | – |
| | 4,554,000 | 4,554,000 | 4,500,000 | 4,500,000 |

## 9. INTANGIBLE ASSETS

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| At 1 January | 67,055,363 | 70,100,913 | 33,450,999 | 34,971,499 |
| Goodwill arising on consolidation during the year | – | 2,304 | – | – |
| | 67,055,363 | 70,103,217 | 33,450,999 | 34,971,499 |
| Less :Amortisation of intangible assets | – | (3,047,854) | – | (1,520,500) |
| At 31 December | 67,055,363 | 67,055,363 | 33,450,999 | 33,450,999 |

**Impairment tests for goodwill**

9.1 Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to the business segment as follows :-

| | Construction RM | Investment holding RM | Property development RM | Total RM |
|---|---|---|---|---|
| At 31 December 2006 | 61,500,693 | 1,394,355 | 4,160,315 | 67,055,363 |
| At 31 December 2005 | 61,500,693 | 1,394,355 | 4,160,315 | 67,055,363 |

9.2 Key assumptions used in value-in-use calculations

The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management for the next one (1) year. Cash flows beyond the next one (1) year are extrapolated using the growth rates as stated below. the key assumptions used for value-in use calculations are :-

| | Discount rate % | Growth rate % |
|---|---|---|
| **2006** | | |
| Construction | 14-00 | 10-00 |
| Property development | 14-00 | 10-00 |
| **2005** | | |
| Construction | 14-00 | 10-00 |
| Property development | 14-00 | 10-00 |

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill :-

i) Discount rate

The discount rates used are based on the weighted average cost of capital of the Group.

ii) Growth rate

The growth rates used are consistent with the long term average growth rate for the Group.

## 9. INTANGIBLE ASSETS (CONT'D)

9.3 Sensitivity to changes in assumption

With regard to the assessment of value-in-use of the construction and property development unit, the management believes that no reasonable possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amount.

## 10. LAND HELD FOR PROPERTY DEVELOPMENT

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| At cost | | |
| Freehold land | | |
| At 1 January | 29,271,375 | 6,200,000 |
| Additions during the year | (2) | 23,071,375 |
| At 31 December | 29,271,373 | 29,271,375 |
| Leasehold land | | |
| At 1 January | – | 30,400,000 |
| Additions during the year | – | – |
| Transfers :- Property, plant and equipment | – | (12,608,485) |
| Property development costs | – | (17,791,515) |
| At 31 December | – | – |
| Development expenditure | | |
| At 1 January | 1,823,019 | 4,515,224 |
| Costs incurred during the year | 2,376,609 | 1,465,834 |
| Transfers :- Property, plant and equipment | – | (1,975,271) |
| Property development costs | – | (2,182,768) |
| At 31 December | 4,199,628 | 1,823,019 |
| Land held for property development as at 31 December | 33,471,001 | 31,094,394 |

Included in development expenditure incurred during the financial year is interest expense capitalised amounting to RM1,049,999 (2005 : RM609,863).

Freehold land amounting to RM22,354,982 (2005 : RM22,354,982) is pledged for borrowings as referred to in Note 28 to the financial statements.

## 11. PROPERTY DEVELOPMENT COSTS

Property development costs comprise the following :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Property development costs at 1 January | | |
| Leasehold land | 17,791,515 | – |
| Development expenditure | 12,002,392 | – |
| | 29,793,907 | – |
| Costs incurred during the year :- | | |
| Leasehold land | – | – |
| Development expenditure | 20,925,170 | 9,819,624 |
| | 20,925,170 | 9,819,624 |
| Costs transferred from land held for property development :- | | |
| Leasehold land | – | 17,791,515 |
| Development expenditure | – | 2,182,768 |
| | – | 19,974,283 |
| Costs transferred from property, plant and equipment :- | | |
| Leasehold land | 4,428,384 | – |
| Development expenditure | 4,161,549 | – |
| | 8,589,933 | – |
| Costs recognised in income statement :- | | |
| At 1 January | (4,205,761) | – |
| Recognised during the year | (21,063,217) | (4,205,761) |
| At 31 December | (25,268,978) | (4,205,761) |
| Property development costs at 31 December | 34,040,032 | 25,588,146 |

Included in development expenditure incurred during the year is interest expense capitalised amounting to RM760,585 (2005 : RM821,267).

The leasehold land is pledged for borrowings as referred to in Note 28 to the financial statements.

## 12. TRADE RECEIVABLES

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Trade receivables | 3,940,140 | 2,710,705 |
| Progress billings receivable | 45,327,118 | 32,226,287 |
| Less : Allowance for doubtful debts | (1,997,475) | (1,997,475) |
| | 47,269,783 | 32,939,517 |
| Retention sums | 31,422,500 | 27,525,309 |
| | 78,692,283 | 60,464,826 |

The Group's normal trade credit term ranges from 14 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to a group of debtors.

## 13. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Construction cost incurred | 894,046,819 | 670,240,868 |
| Profit attributable to work performed to-date | 155,607,547 | 138,985,361 |
| | 1,049,654,366 | 809,226,229 |
| Less : Progress billings received and receivable | (930,166,576) | (716,779,611) |
| | 119,487,790 | 92,446,618 |
| Amounts due from contract customers | 124,203,997 | 97,526,494 |
| Amounts due to contract customers | (4,716,207) | (5,079,876) |
| | 119,487,790 | 92,446,618 |
| Advances received on contracts, included within progress billings received and receivable | 24,524,095 | 3,118,895 |

The costs incurred to-date on construction contracts include the following charges made during the financial year :-

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Hire of plant and machinery | 2,836,295 | 3,671,834 |
| Depreciation of property, plant and equipment | 3,668,113 | 3,310,028 |
| Rental of premises | 365,652 | 251,193 |

## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Other receivables | 781,520 | 671,300 | 9,536 | 9,536 |
| Deposits | 1,848,018 | 1,084,590 | – | – |
| Prepayments | 918,383 | 773,359 | 544,315 | 769,315 |
| | 3,547,921 | 2,529,249 | 553,851 | 778,851 |
| Less : Allowance for doubtful debts | (487,821) | – | – | – |
| | 3,060,100 | 2,529,249 | 553,851 | 778,851 |

## 15. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

The amounts due are unsecured, without any fixed term of repayment and interest free except for an amount of RM37,249,927 (2005 : RM32,591,936) which bears interest at 7-45% (2005 : 7-45%) per annum.

## 16. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Short-term investments | 51,754 | 50,189 | – | – |
| Fixed deposits with licensed banks | 6,846,924 | 7,827,914 | – | – |
| Short-term deposits | – | 6,000,000 | – | 6,000,000 |
| Cash on hand and at banks | 1,442,968 | 430,245 | 53,896 | 68,296 |
| Cash and bank balances | 8,341,646 | 14,308,348 | 53,896 | 6,068,296 |
| Less : Bank overdraft | (2,680,749) | (6,776,746) | – | – |
| Fixed deposits pledged | (3,504,686) | (5,912,574) | – | – |
| Cash and cash equivalents | 2,156,211 | 1,619,028 | 53,896 | 6,068,296 |

Fixed deposits pledged comprise RM1,829,199 (2005 : RM3,533,346) to licensed banks for short-term borrowings facilities and RM1,675,487 (2005 : RM2,379,228) being bank guarantees for performance bonds issued in favour of third parties in respect of projects undertaken by a Subsidiary Company.

Short-term investments comprise of investments in Income Fund. The weighted average effective interest rate of investments in Income Fund is 3-13% (2005 : 2-27%).

The average effective interest rates of deposits at the balance sheet date were as follows :-

| | GROUP | |
|---|---|---|
| | 2006 % | 2005 % |
| Short-term deposits with licensed banks | – | 2-45 |
| Fixed deposits with licensed banks | 3-03 | 3-03 |

The average maturities of deposits as at the end of the financial year were as follows :-

| | GROUP | |
|---|---|---|
| | 2006 Days | 2005 Days |
| Short-term deposits with licensed banks | – | 13 |
| Fixed deposits with licensed banks | 141 | 161 |

## 17. TRADE PAYABLES

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Trade payables | 76,005,285 | 37,414,013 |
| Retention sums | 21,929,578 | 18,906,544 |
| | 97,934,863 | 56,320,557 |

The normal trade credit terms granted to the Group ranges from 30 to 60 days.

## 18. OTHER PAYABLES, DEPOSITS AND ACCRUALS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Other payables | 3,687,134 | 3,038,336 | 1,227,295 | 1,227,295 |
| Deposits | 76,300 | 48,000 | – | – |
| Accruals | 2,118,541 | 1,831,171 | 430,418 | 508,549 |
| | 5,881,975 | 4,917,507 | 1,657,713 | 1,735,844 |

## 19. AMOUNTS DUE TO SUBSIDIARY COMPANIES

The amounts due are unsecured, interest-free and without any fixed term of repayment.

## 20. HIRE PURCHASE CREDITORS

The amounts owing to hire purchase creditors are repayable as follows :-

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Minimum hire purchase payments :- | | |
| - not later than one year | 2,064,315 | 2,013,890 |
| - later than one year and not later than five years | 1,553,005 | 1,611,041 |
| - later than five years | – | – |
| | 3,617,320 | 3,624,931 |
| Future finance charges on hire purchase | (290,429) | (298,770) |
| Present value of hire purchase payments | 3,326,891 | 3,326,161 |
| Present value of hire purchase payments :- | | |
| - not later than one year | 1,897,506 | 1,844,164 |
| - later than one year and not later than five years | 1,429,385 | 1,481,997 |
| - later than five years | – | – |
| | 3,326,891 | 3,326,161 |
| Less : Amount repayable within one year | (1,897,506) | (1,844,164) |
| Amount repayable after one year | 1,429,385 | 1,481,997 |

Hire purchase facilities incur weighted average effective interest rate of 2-91% (2005 : 3-00%) per annum.

The maturity structure of the hire purchase creditors are as follows :-

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Amount repayable :- | | |
| Within one year | 1,897,506 | 1,844,164 |
| After one year but within two years | 1,073,170 | 1,457,831 |
| After two years but within three years | 356,215 | 24,166 |
| After three years but within four years | – | – |
| After four years but within five years | – | – |
| After five years | – | – |
| | 3,326,891 | 3,326,161 |

## 21. BANK OVERDRAFT

Bank overdraft facilities incur an effective interest rate of 7-75% (2005 : 7-75%) per annum.

The securities of the bank overdraft facilities are as disclosed in Note 28 to the financial statements.

## 22. OTHER BANK BORROWINGS

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Bankers' acceptance | 19,497,000 | 17,694,000 |
| Bridging loan (Note 28) | 2,500,000 | – |
| Term loans (Note 28) | 5,864,164 | 7,939,199 |
| | 27,861,164 | 25,633,199 |

The securities of the bankers' acceptance, bridging loan and term loan facilities are as disclosed in Note 28 to the financial statements.

Bankers' acceptance incurs an effective interest rate of 3-20% (2005 : 3-20%) per annum.

## 23. SHARE CAPITAL

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | 2006 | | 2005 | |
| | Number of shares | Nominal value RM | Number of shares | Nominal value RM |
| Authorised :- | | | | |
| Ordinary shares of RM1-00 each | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued and fully paid :- | | | | |
| Ordinary shares of RM1-00 each | | | | |
| At 1 January | 113,749,500 | 113,749,500 | 113,749,500 | 113,749,500 |
| Issued during the year | | | | |
| Conversion of :- | | | | |
| - ICULS | 10,000,000 | 10,000,000 | – | – |
| - Warrants 2003 / 2013 | 950 | 950 | – | – |
| At 31 December | 123,750,450 | 123,750,450 | 113,749,500 | 113,749,500 |

## 24. RESERVES

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| NON-DISTRIBUTABLE :- | | | | |
| Capital reserve :- | | | | |
| At 1 January | 4,025,542 | 4,025,542 | 4,025,542 | 4,025,542 |
| At 31 December | 4,025,542 | 4,025,542 | 4,025,542 | 4,025,542 |
| Other reserve :- | | | | |
| At 1 January | 134,579 | 134,579 | 134,579 | 134,579 |
| Reserve arising from equity component of convertible loan stocks | (134,579) | – | (134,579) | – |
| At 31 December | – | 134,579 | – | 134,579 |
| DISTRIBUTABLE :- | | | | |
| Retained earnings | 52,536,103 | 34,283,774 | 15,560,741 | 9,079,502 |
| | 56,561,645 | 38,443,895 | 19,586,283 | 13,239,623 |

Subject to the agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account as at 31 December 2006, to frank / distribute in full its unappropriated profits by way of dividends without incurring additional tax liability.

## 25. MINORITY INTERESTS

This consists of share capital and the proportion of reserve attributable to minority shareholder of Subsidiary Company.

## 26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 25 February 2003, the Company issued 18,500,000 nominal value of 3 year 3% - 7% ICULS 2003 / 2006 at a nominal value of RM1-00 each to MGR Corporation Berhad (Special Administrators Appointed), MGR Corporation Berhad's creditors and / or MGR Corporation Berhad's creditors' agent.

The principal terms of the ICULS are as follows :-

i) Payment of interest

The Company agrees with the Trustees to pay an interest of :-

a) first year - three per cent (3%);

b) second year - five per cent (5%); and

c) third year - seven per cent (7%) per annum

based on the nominal value of the original loan stocks, payable in arrears annually on the first and second anniversary of the date of issuance of the original loan stocks and on the maturity date.

**26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (CONT'D)**

ii) Conversion right

Each loan stockholder shall have the right to convert all or part of his loan stocks into fully paid new ordinary shares of the Company at the conversion price on a market day during the conversion period.

All loan stocks converted under the Trust Deed shall cease to carry interest from and including the conversion date.

The new ordinary shares issued and allotted upon conversion of the loan stocks shall rank pari passu in all respects with the existing shares in issue at the conversion date, except that they will not be entitled to any dividends, rights, allotments and / or other distributions, on the entitlement date of which is prior to such conversion date.

iii) Conversion price

The ICULS will be converted on the basis of one (1) ICULS for one (1) new ordinary share of RM1-00 each in the Company.

The ICULS are not secured.

The proceeds received from the ICULS have been split between the liability component and the equity component, representing the fair value of the conversion option. The ICULS are accounted for in the balance sheet of the Group and of the Company as follows :-

| | GROUP AND COMPANY | |
|---|---|---|
| | 2006 | 2005 |
| | RM | RM |
| Nominal value of ICULS | 10,000,000 | 10,000,000 |
| Equity component net of deferred tax | (134,580) | (134,580) |
| Deferred tax liability | (52,336) | (52,336) |
| Liability component | 9,813,084 | 9,813,084 |
| Adjustment for effect of conversion of ICULS :- | | |
| Reduction in nominal value of ICULS | (10,000,000) | – |
| Reduction in equity component net of deferred tax | 134,580 | - |
| Reduction in deferred tax liability | 52,336 | - |
| | - | 9,813,084 |
| Interest expense recognised in income statement :- | | |
| At 1 January | 1,383,544 | 883,584 |
| Recognised during the year | 116,666 | 499,960 |
| At 31 December | 1,500,210 | 1,383,544 |
| Interest paid :- | | |
| At 1 January | (800,210) | (300,210) |
| Paid during the year | (700,000) | (500,000) |
| At 31 December | (1,500,210) | (800,210) |
| Liability component as at 31 December | – | 10,396,418 |

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7-00% (2005 : 7-00%) for the equivalent non-convertible loan stocks to the liability component of the ICULS.

At the date of maturity of 24 February 2006, 10,000,000 ICULS have been automatically converted into 10,000,000 new ordinary shares of RM1-00 each fully paid at a conversion of RM1-00 per share.

## 27. WARRANTS 2003 / 2013

The Warrants Issue involves a renounceable rights issue of 24,000,000 warrants to the entitled shareholders at an issue price of RM0-30 per warrant, on the basis of 1-008 warrants for every four (4) existing shares held on the entitlement date.

The principle objective of the Warrants Issue is to generate cash proceeds of RM7,200,000, of which RM7,000,000 was utilised as cash payment to MGR Corporation Berhad's creditors.

The Warrants are convertible into fully paid-up ordinary shares of RM1-00 each in the Company at any time on or before 29 May 2013 at the rate of RM1-00 cash per warrant subject to the terms and conditions set out in the Deed Poll. Warrants not exercised during the period will thereafter lapse and cease to be valid for any purpose.

During the financial year, 950 warrants have been converted.

As at 31 December 2006, 23,999,050 (2005 : 24,000,000) warrants remain unconverted.

## 28. LOANS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Secured | | | | |
| Bridging loan | 8,811,885 | – | – | – |
| Term loans | 20,000,000 | 28,103,234 | – | – |
| Unsecured | | | | |
| Collaterised loan obligation | 45,000,000 | 45,000,000 | 45,000,000 | 45,000,000 |
| | 73,811,885 | 73,103,234 | 45,000,000 | 45,000,000 |
| Less : Amount repayable within one year (Note 22) | (8,364,164) | (7,939,199) | – | – |
| Amount repayable after one year | 65,447,721 | 65,164,035 | 45,000,000 | 45,000,000 |

28.1 The bank overdraft, bankers acceptance, bridging loan and term loans are secured by :-

i) a first legal charge over a 22,284.57 meter square (5.5 acre) of leasehold commercial land located in Section 19, Petaling Jaya held under Pajakan Negeri No. 3948, Lot 32, Seksyen 36, Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan;

ii) a first legal charge over freehold land known as Lot 13824 and 13825, Seksyen 22, Shah Alam, Selangor held under Geran 30437 and 30438, Lot 13824 and 13825, Mukim Damansara, District of Petaling Jaya, State of Selangor Darul Ehsan;

iii) a first and second legal charge against a 3 storey shop house situated at No. 24, Jalan 30/48, Taman Datu Senu, Sentul, Kuala Lumpur held under H.S. (D) No. 44166, P.T. No. 16311, Mukim of Setapak, District of Wilayah Persekutuan;

iv) a first and second legal charge against five (5) acres of vacant land known as E.M.R. 8258, Lot No. 5440, Mukim of Kapar, District of Klang, Selangor Darul Ehsan;

v) an asset purchase agreement and asset sale agreement over a Subsidiary Company's assets;

vi) a deed of assignment of all rights, interest and benefit under the relevant sale and purchase agreement of all monies owing or payable under the facilities;

vii) a deed of Power of Attorney;

viii) an assignment of sales proceeds of the 237 office / retail units in favour of the bank for all monies owing or payable under the facilities;

28.1 The bank overdraft, bankers acceptance, bridging loan and term loans are secured by :- (Cont'd)

ix) an assignment of rental proceeds and sales proceeds (if any) of the corporate office and car park bays in favour of the bank for all monies owing or payable under the facilities; and

x) corporate guarantees by the Company and its Subsidiary Company, Crest Builder Sdn Bhd.

28.2 The Unsecured Term Loan Facility agreement provides that the Company shall subscribe for the Subordinated Bonds issued by Kerisma Berhad, a company specially incorporated for the purpose of implementing and carrying out a primary collateralised loan obligations transaction.

Tenure for the Unsecured Term Loan is for a period not exceeding five (5) years from the date of advance of the facility. Such term loan is repayable on a lump sum basis on the last day of the tenure of the term loan.

The average effective interest rates of loans at the balance sheet date were as follows :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | % | % | % | % |
| Bridging loan | 7-00 | – | – | – |
| Term loans | 7-00 | 7-58 | – | – |
| Collaterised loan obligation | 7-45 | 7-45 | 7-45 | 7-45 |

The maturity structure of the loans are as follows :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | RM | RM | RM | RM |
| Amount repayable :- | | | | |
| Within one year | 8,364,164 | 7,939,199 | – | – |
| After one year but within two years | 12,439,967 | 9,513,670 | – | – |
| After two years but within three years | 48,878,069 | 4,870,907 | 45,000,000 | – |
| After three years but within four years | 4,129,685 | 49,040,038 | – | 45,000,000 |
| After four years but within five years | – | 1,739,420 | – | – |
| After five years | – | – | – | – |
| | 73,811,885 | 73,103,234 | 45,000,000 | 45,000,000 |

## 29. DEFERRED TAX LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | RM | RM | RM | RM |
| At 1 January | 1,778,903 | 1,458,370 | 52,336 | 52,336 |
| Recognised in the income statement | (1,019,392) | 320,533 | (52,336) | – |
| At 31 December | 759,511 | 1,778,903 | – | 52,336 |

Presented after appropriate offsetting as follows :-

| | | | | |
|---|---|---|---|---|
| Deferred tax assets | - | - | - | - |
| Deferred tax liabilities | 759,511 | 1,778,903 | - | 52,336 |

## 29. DEFERRED TAX LIABILITIES (CONT'D)

The components and movement of deferred tax liabilities during the financial year prior to offsetting are as follows :-

Deferred tax liabilities of the Group :-

| | Accelerated Capital Allowances RM | Revaluation of Plant and Machinery RM | Convertible Loan Stocks RM | Interest RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2006 | 1,032,847 | 286,691 | 52,336 | 407,029 | 1,778,903 |
| Reversed to equity | – | – | – | (407,029) | (407,029) |
| Recognised in the income statement | (273,336) | (286,691) | (52,336) | – | (612,363) |
| At 31 December 2006 | 759,511 | – | – | – | 759,511 |
| At 1 January 2005 | 826,604 | 579,430 | 52,336 | – | 1,458,370 |
| Recognised in the income statement | 206,243 | (292,739) | – | 407,029 | 320,533 |
| At 31 December 2005 | 1,032,847 | 286,691 | 52,336 | 407,029 | 1,778,903 |

Deferred tax liabilities of the Company :-

| | Convertible Loan Stocks 2006 RM | 2005 RM |
|---|---|---|
| At 1 January | 52,336 | 52,336 |
| Deferred tax income | (52,336) | – |
| At 31 December | – | 52,336 |

Deferred tax assets have not been recognised in respect of the following items :-

| | GROUP 2006 RM | 2005 RM |
|---|---|---|
| Unutilised tax losses | 10,100 | 2,291 |

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 30. REVENUE AND COST OF SALES

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Revenue is categorised as follows :- | | | | |
| Dividend income | – | – | 13,000,000 | 15,000,000 |
| Interest income | 100,752 | 294,114 | 2,708,369 | 2,245,160 |
| Contract revenue | 266,897,383 | 241,295,064 | – | – |
| Sales of development properties | 51,175,364 | 11,329,681 | – | – |
| Rental income from investment properties | 93,000 | 87,600 | – | – |
| | 318,266,499 | 253,006,459 | 15,708,369 | 17,245,160 |

## 30. REVENUE AND COST OF SALES (CONT'D)

Cost of sales represents cost of construction contracts and cost of development properties sold.

| | GROUP | |
|---|---|---|
| | 2006 | 2005 |
| Cost of sales is categorised as follows :- | RM | RM |
| Cost of construction contracts | 249,076,962 | 209,201,154 |
| Cost of development properties sold | 21,063,217 | 4,205,761 |
| | 270,140,179 | 213,406,915 |

## 31. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | RM | RM | RM | RM |
| Allowance for doubtful debts | 487,821 | – | – | – |
| Amortisation of intangible assets | – | 3,047,854 | – | 1,520,500 |
| Auditors' remuneration | | | | |
| - current year's provision | | | | |
| - statutory | 91,600 | 93,100 | 20,000 | 20,000 |
| - non statutory | 4,000 | 5,200 | 4,000 | 5,200 |
| - overprovision in prior year | (2,800) | – | – | – |
| Depreciation | 4,957,001 | 4,781,362 | 1,447 | 1,446 |
| Direct operating expenses of investment properties | | | | |
| - Revenue generating during the year | 10,324 | 7,238 | – | – |
| - Non revenue generating during the year | 10,702 | 6,789 | – | – |
| Directors' fee (Note 32) | 250,000 | 250,000 | 250,000 | 250,000 |
| Directors' other emoluments (Note 32) | 1,125,312 | 1,014,324 | 9,300 | 16,200 |
| Fair value adjustments on investment properties | 366,836 | – | – | – |
| Impairment loss on investment | – | 36,000 | – | – |
| Incorporation fee | – | 2,176 | – | – |
| Investment written off | 346,500 | – | – | – |
| Loss on disposal of investment | – | 72,000 | – | – |
| Loss on foreign exchange | – | 1,876 | – | – |
| Property, plant and equipment written off | 24,272 | 341,658 | – | – |
| Rental expenses | 156,000 | 156,000 | – | – |

and crediting :-

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Dividend income | – | – | 13,000,000 | 15,000,000 |
| Fair value adjustments on investment properties | 698,590 | – | – | – |
| Gain on disposal of investment properties | 93,372 | 90,791 | – | – |
| Gain on disposal of property, plant and equipment | 287,700 | 128,340 | – | – |
| Interest income | 263,929 | 858,941 | 2,708,369 | 2,245,160 |
| Rental income from investment properties | 126,960 | 121,560 | – | – |
| Waiver of debts | 195,435 | – | – | – |

## 32. DIRECTORS' REMUNERATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Executive Directors | | | | |
| - Allowances | 1,500 | 5,400 | 1,500 | 5,400 |
| - Emoluments | 1,116,012 | 998,124 | – | – |
| - Fees | 130,000 | 86,000 | 130,000 | 86,000 |
| | 1,247,512 | 1,089,524 | 131,500 | 91,400 |
| Non Executive Directors | | | | |
| - Allowances | 7,800 | 10,800 | 7,800 | 10,800 |
| - Fees | 120,000 | 164,000 | 120,000 | 164,000 |
| | 127,800 | 174,800 | 127,800 | 174,800 |
| GRAND TOTAL | 1,375,312 | 1,264,324 | 259,300 | 266,200 |

The number of Directors of the Group whose remuneration are analysed into bands of RM50,000 is as follows :-

| | Number of Directors | |
|---|---|---|
| | 2006 | 2005 |
| Executive Directors | | |
| Less than RM50,000 | – | – |
| RM50,001 - RM150,000 | – | – |
| RM150,001 - RM200,000 | – | 1 |
| RM200,001 - RM250,000 | 2 | 2 |
| RM250,001 - RM300,000 | – | – |
| RM300,001 - RM350,000 | 1 | – |
| RM350,001 - RM400,000 | – | – |
| RM400,001 - RM450,000 | – | – |
| RM450,001 - RM500,000 | – | 1 |
| RM500,001 - RM550,000 | – | – |
| RM550,001 - RM600,000 | 1 | – |
| | 4 | 4 |
| Non Executive Directors | | |
| Less than RM50,000 | 4 | 4 |
| GRAND TOTAL | 8 | 8 |

## 33. STAFF COSTS

Included in the staff costs are the following :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| EPF and SOCSO | 845,146 | 758,783 | – | – |
| Medical expenses | 27,724 | 18,899 | – | – |
| Messing and refreshment | 91,281 | 171,257 | – | – |
| Salaries, overtime, bonus and allowances | 6,140,246 | 5,675,109 | – | – |
| Short-term accumulating compensated absences | 146,613 | (20,037) | – | – |
| Staff training | 5,920 | 2,360 | – | – |
| Staff welfare | 33,295 | 39,523 | – | – |
| Total staff costs | 7,290,225 | 6,645,894 | - | - |

## 34. FINANCE COSTS

Included in finance costs are the following charges for the year :-

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Bank overdraft interest | 240,322 | 62,987 | – | – |
| Bankers' acceptance interest | 786,505 | 605,942 | – | – |
| Hire purchase interest | 203,148 | 271,228 | – | – |
| Loan stock interest | 116,666 | 499,960 | 116,666 | 499,960 |
| Term loan interest | 3,352,501 | 3,352,499 | 3,352,501 | 3,352,499 |

## 35. INCOME TAX EXPENSE

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Current year's provision | 11,825,514 | 8,144,330 | 3,400,893 | 3,725,062 |
| Under / (Over) provision of taxation in prior years | 567,575 | (8,755) | (3,550) | (28,353) |
| | 12,393,089 | 8,135,575 | 3,397,343 | 3,696,709 |
| Deferred tax :- | | | | |
| Relating to origination / (reversal) of temporary difference | (151,384) | 624,906 | – | – |
| Deferred tax income relating to revaluation of plant and machinery | (286,691) | (292,739) | – | – |
| Overprovision of deferred tax in prior year | (528,981) | (11,634) | – | – |
| | (967,056) | 320,533 | – | – |
| | 11,426,033 | 8,456,108 | 3,397,343 | 3,696,709 |

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows :-

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Profit before taxation | 31,460,369 | 20,194,397 | 11,660,589 | 11,271,634 |
| Share of results of Associated Company | – | 59,883 | – | – |
| | 31,460,369 | 20,254,280 | 11,660,589 | 11,271,634 |
| Taxation at Malaysian statutory tax rate | | | | |
| - at 28% | 10,701,607 | 7,583,369 | 3,264,965 | 3,156,058 |
| - up to RM500,000 at 20% | 219,337 | 93,888 | – | – |
| Effect of different tax rate | (972) | (294) | – | – |
| Income not subject to tax | (140,156) | (53) | – | – |
| Expenses not deductible for tax purposes | 890,910 | 1,091,297 | 135,928 | 569,004 |
| Deferred tax income relating to revaluation of plant and machinery | (286,691) | (292,739) | – | – |
| Deferred tax assets not recognised during the year | 3,404 | 1,029 | – | – |
| Under / (Over) provision of taxation in prior years | 567,575 | (8,755) | (3,550) | (28,353) |
| Overprovision of deferred tax in prior year | (528,981) | (11,634) | – | – |
| | 11,426,033 | 8,456,108 | 3,397,343 | 3,696,709 |

## 35. INCOME TAX EXPENSE (CONT'D)

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Tax savings recognised during the year arising from :- | | | | |
| - Utilisation of current year's capital allowances | 871,256 | 1,037,515 | – | – |
| - Utilisation of unabsorbed capital allowances brought forward from previous year | – | 18,152 | – | – |
| - Utilisation of unutilised tax losses brought forward from previous year | – | 4,689 | – | – |

Subject to the agreement by the Inland Revenue Board, the unutilised tax losses available for utilisation against future taxable profits are approximated to be as follows :-

| | GROUP 2006 RM | GROUP 2005 RM | COMPANY 2006 RM | COMPANY 2005 RM |
|---|---|---|---|---|
| Unutilised tax losses | 22,200 | 8,183 | – | – |

## 36. EARNINGS PER SHARE

### 36.1 Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | GROUP 2006 | GROUP 2005 |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company (RM) | 20,034,336 | 11,740,593 |
| Weighted average number of ordinary shares in issue | 122,243,138 | 113,749,500 |
| Basis earnings per share (sen) | 16-39 | 10-32 |

### 36.2 Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from the conversion of ICULS and Warrants. The amount of profit for the year attributable to ordinary equity holders of the Company is adjusted by the after tax effect of interest expense recognised during the financial year which would have been saved on conversion of the outstanding ICULS and Warrants into ordinary shares. The adjusted weighted average number of shares is the weighted number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding ICULS and Warrants into ordinary shares. The ICULS and Warrants are deemed to have been converted into ordinary shares at the date of issue.

The fully diluted earnings per share is calculated by dividing the adjusted profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issued and issuable assuming full conversion of ICULS and Warrants as follows :-

## 36. EARNINGS PER SHARE (CONT'D)

36.2 Diluted earnings per share (Cont'd)

| | GROUP 2006 | GROUP 2005 |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company (RM) | 20,034,336 | 11,740,593 |
| Increase in net profit as a result of interest expense saved from ICULS (RM) | – | 504,000 |
| Adjusted profit attributable to ordinary equity holders of the Company (RM) | 20,034,336 | 12,244,593 |
| Weighted average number of ordinary shares in issue | 122,243,138 | 113,749,500 |
| Adjustment for assumed conversion of warrants | # | 2,571,429 |
| Adjustment for assumed conversion of ICULS | - | 10,000,000 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 122,243,138 | 126,320,929 |
| Diluted earnings per share (sen) | N/A | 9-69 |

\# Not taken into account in the computation of diluted earnings per share because the effect is anti-dilutive

## 37. DIVIDENDS

| | GROUP AND COMPANY 2006 RM | GROUP AND COMPANY 2005 RM |
|---|---|---|
| First and final dividend of 4 sen less income tax at 28% per ordinary share in respect of financial year ended 31 December 2004 | – | 3,275,985 |
| Interim dividend of 2 sen less income tax at 28% per ordinary share in respect of financial year ended 31 December 2005 | – | 1,637,994 |
| Final dividend of 2 sen less income tax at 28% per ordinary share in respect of financial year ended 31 December 2005 | 1,782,007 | – |
| | 1,782,007 | 4,913,979 |

The Directors now recommend a first and final dividend of 5 sen gross per ordinary share less income tax at 27% in respect of the financial year ended 31 December 2006 which, subject to the approval of the members at the forthcoming Annual General Meeting of the Company, will be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the Directors. Based on the outstanding issued and paid-up share capital of the Company as at 31 December 2006 of 123,750,450 ordinary shares, the final dividend amounts to RM4,516,891 (3-65 sen net per ordinary share). Such dividend, if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

## 38. SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARY COMPANIES

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Net assets acquired | | |
| Investment properties | – | – |
| Current assets | – | – |
| Current liabilities | – | (2,304) |
| Cash and bank balances | – | 2 |
| Fair value of net assets at date of acquisition | – | (2,302) |
| Attributable to shares previously held and treated as Subsidiary Company | – | – |
| | - | (2,302) |
| Goodwill on consolidation | - | 2,304 |
| Purchase consideration | - | 2 |
| Less : Cash of new Subsidiary Companies | - | (2) |
| Net cash outflow on acquisition | - | - |

## 38. SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)

The effects of the acquisition on the financial position of the Group are as follows :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Investment properties | – | – |
| Current assets | – | – |
| Current liabilities | – | (2,304) |
| Cash and bank balances | – | 2 |
| | – | (2,302) |
| Less : Portion attributable to previous shareholdings | – | – |
| Group's share of net assets | – | (2,302) |

The effects of the acquisition on the financial results of the Group are as follows :-

| | GROUP 2006 RM | GROUP 2005 RM |
|---|---|---|
| Revenue | – | – |
| Administrative expenses | – | (3,803) |
| Loss from operation | – | (3,803) |
| Finance costs | – | – |
| Loss before taxation | – | (3,803) |
| Income tax expense | – | – |
| Loss after taxation | – | (3,803) |
| Pre-acquisition loss | – | 2,304 |
| Net decrease in Group's results | – | (1,499) |

## 39. FINANCIAL INSTRUMENTS

39.1 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, credit, market, foreign currency and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board.

i) Interest rate risk

The Group's primary interest rate risk relates mainly to borrowings and deposits. 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 nature of assets. The Group's investment in financial assets are mainly short-term in nature and have been placed in fixed deposits which yield better returns than cash at bank.

The information on maturity dates and effective interest rates on financial assets and liabilities are disclosed in their respective notes. As at 31 December 2006, the Group has not entered into any hedging instruments arrangements to minimise its exposure to interest rate volatility.

ii) Credit risk

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis by the Group's management reporting procedures.

## 39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 Financial risk management objectives and policies (Cont'd)

iii) Market risk

The Group has in place policies to manage its exposure to fluctuation in the prices of the key raw materials used in the operations through close monitoring and buying ahead in anticipating of significant price increase, where possible.

iv) Foreign currency risk

The Group has transactional currency exposure, which arise from foreign currency transactions entered into by the Group in currencies other than their functional currencies.

The Group manages its transactional exposure by matching, as far as possible, its receipts and payments in each individual currencies. The Group does not use any foreign currency instruments to hedge foreign currency exposure.

v) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

39.2 Fair values

The aggregate net fair values of financial liabilities which are not carried at fair value on the balance sheet of the Group and of the Company as at the end of the financial year are represented as follows :-

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| GROUP | | | | |
| Financial liabilities | | | | |
| Bridging loan and term loans | 28,811,885 | 28,234,752 | 28,103,234 | 27,484,207 |
| ICULS | – | – | 10,396,418 | 19,000,000 |

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| COMPANY | | | | |
| Financial liabilities | | | | |
| ICULS | – | – | 10,396,418 | 19,000,000 |

It is not practical to estimate the fair values of the amounts due from / to Subsidiary Companies due principally to a lack of fixed repayment term entered by the parties involved without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

It is not practical to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

## 39. FINANCIAL INSTRUMENTS (CONT'D)

39.2 Fair values (Cont'd)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments :-

i) Cash and cash equivalents, receivables, payables and short-term borrowings

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

ii) Hire purchase loans

The carrying values of hire purchase loans approximate their fair values.

iii) Quoted loan stocks

The fair value of quoted ICULS are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

iv) Borrowings

The carrying values of long term borrowings approximate their fair values.

## 40. CONTINGENT LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Guarantees given to financial institution in respect of facilities granted to Subsidiary Companies | – | – | 223,269,000 | 116,419,000 |
| Guarantees issued in favour of third parties | 29,939,489 | 25,194,462 | – | – |

## 41. CAPITAL COMMITMENT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Approved but not contracted for | | | | |
| - Land held for property development | – | 6,447,517 | – | – |
| Approved and contracted for | | | | |
| - Land held for property development | 6,447,517 | – | – | – |

## 42. RELATED PARTY TRANSACTIONS

42.1 In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year :-

| Related party | Relationship |
|---|---|
| Farima Sdn Bhd | Company connected to a Director of the Company |
| Grandland Corporation Sdn Bhd | Company connected to certain Directors of the Company |

## 42. RELATED PARTY TRANSACTIONS (CONT'D)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Contract income received / receivable from :- | | | | |
| - Farima Sdn Bhd | 61,448,365 | 34,748,071 | – | – |
| Rental income received from :- | | | | |
| - Farima Sdn Bhd | 36,000 | 36,000 | – | – |
| Rental paid to :- | | | | |
| - Grandland Corporation Sdn Bhd | 156,000 | 156,000 | – | – |

The outstanding year end balances for related party transactions with the related parties in which a Director of the Company has significant financial interest are as follows :-

| | GROUP | |
|---|---|---|
| | 2006 RM | 2005 RM |
| Progress billings receivable | 14,169,244 | 4,040,545 |
| Retention sums | 6,800,291 | 6,166,458 |
| | 20,969,535 | 10,207,003 |

The Directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

42.2 Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Short-term employee benefits | 1,444,512 | 1,294,724 | 131,500 | 91,400 |

Included in the total key management personnel are :-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Directors' remuneration | 1,247,512 | 1,089,524 | 131,500 | 91,400 |

## 43. SIGNIFICANT EVENTS DURING THE YEAR

43.1 On 3 January 2006, the Company's wholly-owned Subsidiary Company, Vertical Success Sdn Bhd entered into a sale and purchase agreement with TM Facilities Sdn Bhd to acquire part of Master Title Geran 75350 Lot No. 38289 Seksyen 40 (previously PT4057), Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan measuring approximately 79,599 square feet for a total cash consideration of RM7,163,910.

43.2 On 24 February 2006, the date of maturity, the remaining RM10,000,000 nominal value of ICULS were fully converted into 10,000,000 new ordinary shares of RM1-00 each.

## 44. SIGNIFICANT SUBSEQUENT EVENTS

44.1 On 8 January 2007, the Company had entered into facility agreement with RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) and Prima Uno Berhad for an unsecured fixed term loan facility under Primary Collateralised Loan Obligation programme up to the maximum principal amount of RM40,000,000.

44.2 On 14 March 2007, the Company had obtained the approval from its shareholders for the establishment of an employee share option scheme for the eligible employees and Directors of the Company and its Subsidiary Companies.

## 45. SEGMENTAL REPORTING

45.1 Business Segments :-

The Group is organised into four major business segments :-

i) Construction - general construction, mechanical and electrical engineering services;

ii) Investment holding - investment in shares, properties and other investment related activities;

iii) Property development - development of residential and commercial properties; and

iv) Others - other activities.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. Inter-segment pricing is determined based on terms mutually agreed between the respective companies.

| As at 31 December 2006 | Construction RM | Investment holding RM | Property development RM | Others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External sales | 266,897,383 | 193,752 | 51,175,364 | – | – | 318,266,499 |
| Inter-segment sales | 37,908,544 | 15,607,617 | – | – | (53,516,161) | – |
| Total revenue | 304,805,927 | 15,801,369 | 51,175,364 | – | (53,516,161) | 318,266,499 |
| Results | | | | | | |
| Segment results | 7,080,662 | 284,971 | 28,934,960 | – | – | 36,300,593 |
| Unallocated corporate expenses | | | | | | (141,082) |
| | | | | | | 36,159,511 |
| Finance costs | | | | | | (4,699,142) |
| Share of results of Associated Company | | | | | | – |
| Income tax expense | | | | | | (11,426,033) |
| | | | | | | 20,034,336 |
| Pre-acquisition loss | | | | | | – |
| Net profit for the year | | | | | | 20,034,336 |

## 45. SEGMENTAL REPORTING (CONT'D)

45.1 Business Segments :- (Cont'd)

| As at 31 December 2006 | Construction RM | Investment holding RM | Property development RM | Others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 225,281,892 | 74,821,149 | 100,421,984 | – | – | 400,525,025 |
| Unallocated corporate assets | 2,638,872 | 1,151,247 | 59,312 | – | – | 3,849,431 |
| Consolidated total assets | | | | | | 404,374,456 |
| **Liabilities** | | | | | | |
| Segment liabilities | 106,391,914 | 1,684,132 | 11,734,636 | – | – | 119,810,682 |
| Unallocated corporate liabilities | 26,579,955 | 45,002,164 | 32,669,560 | – | – | 104,251,679 |
| Consolidated total liabilities | | | | | | 224,062,361 |
| **Other information** | | | | | | |
| Capital expenditure | 3,155,316 | – | 16,899,904 | – | – | 20,055,220 |
| Depreciation | 4,899,132 | 1,447 | 56,422 | – | – | 4,957,001 |
| Amortisation | – | – | – | – | – | – |
| Non-cash expenses other than depreciation and amortisation | 875,679 | 346,500 | 3,250 | – | – | 1,225,429 |
| Non-cash income | 381,072 | 896,025 | – | – | – | 1,277,097 |

| As at 31 December 2005 | Construction RM | Investment holding RM | Property development RM | Others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 241,295,064 | 381,714 | 11,329,681 | – | – | 253,006,459 |
| Inter-segment sales | 21,845,075 | 16,951,046 | – | – | (38,796,121) | – |
| Total revenue | 263,140,139 | 17,332,760 | 11,329,681 | – | (38,796,121) | 253,006,459 |
| **Results** | | | | | | |
| Segment results | 26,796,226 | 15,268,532 | 5,595,043 | – | (22,464,438) | 25,195,363 |
| Unallocated corporate expenses | | | | | | (148,467) |
| | | | | | | 25,046,896 |
| Finance costs | | | | | | (4,792,616) |
| Share of results of Associated Company | | | | | | (59,883) |
| Income tax expense | | | | | | (8,456,108) |
| | | | | | | 11,738,289 |
| Pre-acquisition loss | | | | | | 2,304 |
| Net profit for the year | | | | | | 11,740,593 |

## 45. SEGMENTAL REPORTING (CONT'D)

45.1 Business Segments :- (Cont'd)

| As at 31 December 2005 | Construction RM | Investment holding RM | Property development RM | Others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Segment assets | 184,402,047 | 80,755,308 | 85,725,955 | – | – | 350,883,310 |
| Unallocated corporate assets | 1,063,049 | 911,477 | – | – | – | 1,974,526 |
| Consolidated total assets | | | | | | 352,857,836 |
| Liabilities | | | | | | |
| Segment liabilities | 64,243,792 | 1,947,013 | 20,117,798 | – | – | 86,308,603 |
| Unallocated corporate liabilities | 29,229,247 | 55,448,754 | 29,677,837 | – | – | 114,355,838 |
| Consolidated total liabilities | | | | | | 200,664,441 |
| Other information | | | | | | |
| Capital expenditure | 5,026,711 | – | 45,457,312 | – | – | 50,484,023 |
| Depreciation | 4,709,629 | 14,518 | 57,215 | – | – | 4,781,362 |
| Amortisation | 1,525,005 | 1,522,000 | 849 | – | – | 3,047,854 |
| Non-cash expenses other than depreciation and amortisation | 449,658 | 1,876 | – | – | – | 451,534 |
| Non-cash income | 219,131 | – | – | – | – | 219,131 |

b) Geographical Segments

No geographical segment is presented as the Group operates principally in Malaysia.

## 46. COMPARATIVE FIGURES

The comparative figures were extended to comply with the additional disclosure requirements of the new Financial Reporting Standards that are applicable for the financial year ended 31 December 2006.

# LIST OF GROUP PROPERTIES

| Location | Tenure | Approx. Area / Built-up | Description | Year of Expiry | Net Book Value @ 31.12.06 (RM) | Approx. age of building (years) | Date of Valuation / Acquisition |
|---|---|---|---|---|---|---|---|
| EMR 8258, Lot No. 5440<br>Mukim Kapar, Daerah Klang<br>Negeri Selangor | Freehold | 5.3 acres | Agricultural land / company depot (store) | – | 457,697 | – | 2002 |
| No. 28 & 30, Jalan SS 24/13<br>Taman Megah<br>47301 Petaling Jaya<br>Selangor Darul Ehsan | Freehold | 12,939 sq ft | 2 units of 3-storey shop office/office | – | 3,646,018 | 10 | 2002 |
| No. 88 , Jalan Kebudayaan 1<br>Taman Universiti<br>81300 Skudai<br>Johor Darul Takzim | Freehold | 3,080 sq ft | 2-store shop office/office | – | 410,084 | 7 | 2002 |
| Units G-17, G-18 and G-19<br>Vega Square, Bentong<br>held under CT No. 2719<br>P.T. No. 2770<br>Mukim and Daerah Bentong<br>Negeri Pahang Darul Makmur | Freehold | 1,551 sq ft | 3 units of retail outlets | – | 390,000 | 9 | 2007 |
| Units W2-1, W5-1 and W14-1<br>Storey No. 2, West Tower<br>Country Towers Condominium<br>held under Geran 76438<br>Lot 77636 (Old title H.S. (D) 208455<br>PTD 110146), Mukim Plentong<br>Daerah Johor Bahru<br>Negeri Johor | Freehold | 5,868 sq ft | 3 units of condominium | – | 705,000 | 6 | 2007 |
| P.N 19970 (Old title H.S. (D) 44166)<br>P.T. No. 16311, Mukim Setapak<br>Daerah Wilayah Persekutuan<br>Negeri Wilayah Persekutuan | Leasehold | 4,200 sq ft | 3-storey shop office/office | 2075 | 500,000 | 20 | 2007 |
| Q.T. (R) 2006, L.O. No. PJ 63/59<br>Town of Petaling Jaya<br>District of Kuala Lumpur<br>State of Selangor | Leasehold | 5,520 sq ft | Bungalow | 2058 | 920,000 | 6 | 2007 |
| Parcel No. 13-00-00, 13-01-01<br>13-01-02, 13-02-02<br>Phase 1B2, CT 26266, Lot No. 7726<br>Mukim of Klang<br>State of Selangor | Freehold | 3,909 sq ft | 3 storey shop office/office | – | 700,000 | 6 | 2007 |

# LIST OF GROUP PROPERTIES (CONT'D)

| Location | Tenure | Approx. Area / Built-up | Description | Year of Expiry | Net Book Value @ 31.12.06 (RM) | Approx. age of building (years) | Date of Valuation / Acquisition |
|---|---|---|---|---|---|---|---|
| H.S. (D) 46981, Lot No. 11073<br>Mukim Sg. Buloh, Daerah Petaling<br>Negeri Selangor. | Freehold | 9,612 sq ft | 3 storey<br>shop office/office | – | 1,900,000 | 6 | 2007 |
| P.N. 3984, Lot 32<br>Seksyen 36, Bandar Petaling Jaya<br>Daerah Petaling | Leasehold | 5.5 acres | Commercial Land | 2105 | 30,400,000 | – | 2003 |
| GM 1059, Lot No.1863<br>Mukim Batu<br>Daerah Kuala Lumpur | Freehold | 2.33 acres | Cultivation Land | – | 6,200,000 | – | 2004 |
| Geran 30437 (Lot No. 13824) &<br>Geran 30438 (Lor No. 13825)<br>Mukim Damansara, Daerah Petaling<br>Selangor Darul Ehsan | Freehold | 36.8 acres | Residential /<br>Commercial Land | – | 22,354,982 | – | 2005 |

# ANALYSIS OF SHAREHOLDINGS

- As At 17 May 2007

| | | |
|---|---|---|
| Authorised Share Capital | : | RM500,000,000.00 divided into 500,000,000 ordinary shares of RM1.00 each |
| Issued and Paid-up Capital | : | RM123,750,450.00 |
| Class of Shares | : | Ordinary Shares of RM1.00 each |
| Voting rights | : | One vote per ordinary share |

## ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 17 MAY 2007

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 2,518 | 29.32 | 125,088 | 0.10 |
| 100 to 1,000 | 3,277 | 38.15 | 1,304,233 | 1.05 |
| 1,001 to 10,000 | 2,120 | 24.68 | 9,669,217 | 7.81 |
| 10,001 to 100,000 | 571 | 6.65 | 17,389,508 | 14.05 |
| 100,001 to less than 5% of issued shares | 101 | 1.18 | 45,186,096 | 36.51 |
| 5% and above of issued shares | 2 | 0.02 | 50,076,308 | 40.48 |
| **Total** | **8,589** | **100.00** | **123,750,450** | **100.00** |

## THIRTY LARGEST SHAREHOLDERS AS AT 17 MAY 2007

(without aggregating securities from different securities accounts belonging to the same person)

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1 | Yong Soon Chow | 42,418,000 | 34.28 |
| 2 | Yong Tiok Chin | 7,658,308 | 6.19 |
| 3 | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Pertiwi Positif Sdn Bhd | 5,000,000 | 4.04 |
| 4 | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>PHEIM Asset Management Sdn Bhd for Employees Provident Fund | 4,563,500 | 3.69 |
| 5 | Koh Hua Lan | 3,945,500 | 3.19 |
| 6 | Pertiwi Positif Sdn Bhd | 1,807,939 | 1.46 |
| 7 | Malaysia Nominees (Tempatan) Sdn Bhd<br>Great Eastern Life Assurance (Malaysia) Berhad | 1,486,500 | 1.20 |
| 8 | Malaysia Nominees (Tempatan) Sdn Bhd<br>Overseas Assurance Corporation (Malaysia) Berhad | 1,248,000 | 1.01 |
| 9 | Malaysia Nominees (Tempatan) Sdn Bhd<br>Great Eastern Life Assurance (Malaysia) Berhad | 1,232,400 | 1.00 |
| 10 | Cimsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Takrif Jaya Sdn Bhd | 1,169,300 | 0.94 |
| 11 | Malaysia Nominees (Tempatan) Sdn Bhd<br>Great Eastern Life Assurance (Malaysia) Berhad | 947,200 | 0.77 |
| 12 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An For Fortis Banque Luxembourg | 880,000 | 0.71 |
| 13 | Lim Shiu Ho | 837,000 | 0.68 |

## THIRTY LARGEST SHAREHOLDERS AS AT 17 MAY 2007 (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 14 | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB For Mak Ngia Ngia @ Mak Yoke Lum | 741,500 | 0.60 |
| 15 | Kong Tiam | 670,000 | 0.54 |
| 16 | Malaysia Nominees (Tempatan) Sdn Bhd<br>MIDF Amanah Asset Management Berhad for Amanah Millenia Fund Berhad | 636,600 | 0.51 |
| 17 | AMMB Nominees (Tempatan) Sdn Bhd<br>AmTrustee Berhad For Apex Dana Al-Sofi-I | 572,000 | 0.46 |
| 18 | Kon Kin Lip | 550,000 | 0.44 |
| 19 | HSBC Nominees (Asing) Sdn Bhd<br>HSBC-FS for PHEIM - Aizawa Asia Fund | 500,000 | 0.40 |
| 20 | Mayban Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Hasmer Sham bin Abu Hassan | 470,000 | 0.38 |
| 21 | Lai Wooi Giap | 460,000 | 0.37 |
| 22 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For PHEIM Emerging Companies Balanced Fund | 456,000 | 0.37 |
| 23 | Lai Chooi Chan | 434,000 | 0.35 |
| 24 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For DFA Emerging Markets Fund | 394,000 | 0.32 |
| 25 | Chai Yoon Fook | 376,000 | 0.30 |
| 26 | Malaysian Assurance Alliance Berhad<br>AS Beneficial Owner (Growth Fund) | 371,900 | 0.30 |
| 27 | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustees Berhad For PHEIM Asia Ex-Japan Fund | 368,200 | 0.30 |
| 28 | Ngang Ching Tang | 351,000 | 0.28 |
| 29 | OSK Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Khoo Teng Yeow | 350,000 | 0.28 |
| 30 | Malaysia Nominees (Tempatan) Sdn Bhd<br>Great Eastern Life Assurance (Malaysia) Berhad | 347,000 | 0.28 |
| | | 81,241,847 | 65.65 |

## SUBSTANTIAL SHAREHOLDERS AS AT 17 MAY 2007

(In accordance with the Register maintained pursuant to Section 69L of the Companies Act, 1965)

| Name | Direct Interest No. of Shares | % | Indirect Interest No. of Shares | % |
|---|---|---|---|---|
| Yong Soon Chow | 42,418,000 | 34.28% | 11,610,808 | 9.38% |
| Koh Hua Lan | 3,945,500 | 3.19% | – | – |
| Yong Tiok Chin | 7,665,308 | 6.19% | – | – |
| Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah | – | – | 6,807,939 | 5.50% |

## ANALYSIS BY SIZE OF WARRANTHOLDINGS (WARRANTS 2003/2013) AS AT 17 MAY 2007

| Size of Holdings | No. of Warrant Holders | % | No. of Warrants | % |
|---|---|---|---|---|
| Less than 100 | 67 | 7.93 | 2,624 | 0.01 |
| 100 to 1,000 | 303 | 35.86 | 250,360 | 1.04 |
| 1,001 to 10,000 | 298 | 35.27 | 1,767,350 | 7.36 |
| 10,001 to 100,000 | 152 | 17.99 | 4,935,500 | 20.57 |
| 100,001 to less than 5% of issued warrants | 22 | 2.60 | 4,643,300 | 19.35 |
| 5% and above of issued warrants | 3 | 0.35 | 12,399,916 | 51.67 |
| Total | 845 | 100.00 | 23,999,050 | 100.00 |

## THIRTY LARGEST WARRANTHOLDERS AS AT 17 MAY 2007

(without aggregating securities from different securities accounts belonging to the same person)

| No. | Name of Shareholders | No. of Warrants | % |
|---|---|---|---|
| 1 | Yong Soon Chow | 7,999,916 | 33.33 |
| 2 | Pertiwi Positif Sdn Bhd | 3,000,000 | 12.50 |
| 3 | Koh Hua Lan | 1,400,000 | 5.83 |
| 4 | Takrif Jaya Sdn Bhd | 890,000 | 3.71 |
| 5 | Ng Ming Kai | 500,000 | 2.08 |
| 6 | Loh Kok Hoong | 290,000 | 1.21 |
| 7 | Loh Kok Yeow | 254,000 | 1.06 |
| 8 | Kee Hooi Seng | 250,000 | 1.04 |
| 9 | Toh Eng Yee | 200,000 | 0.83 |
| 10 | Lim Fok Chou | 197,600 | 0.82 |
| 11 | Capai Hasil Sdn Bhd | 189,900 | 0.79 |
| 12 | Leong Chon Loong | 180,000 | 0.75 |
| 13 | Mak Ngia Ngia @ Mak Yoke Lum | 176,000 | 0.73 |

## THIRTY LARGEST WARRANTHOLDERS AS AT 17 MAY 2007 (CONT'D)

(without aggregating securities from different securities accounts belonging to the same person)

| No. | Name of Shareholders | No. of Warrants | % |
|---|---|---|---|
| 14 | Siah Thiang Whang | 166,700 | 0.69 |
| 15 | Ow Kee Foo | 165,000 | 0.69 |
| 16 | AmSec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Kwong Keng Wai | 140,000 | 0.58 |
| 17 | Looi Wai Chong | 138,000 | 0.58 |
| 18 | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Sim Mui Khee | 131,000 | 0.55 |
| 19 | Chew Chin Swee | 121,900 | 0.51 |
| 20 | Liew Siew Chin | 118,000 | 0.49 |
| 21 | ECM Libra Avenue Nominees (Tempatan) Sdn Bhd<br>Ling Yoke Tek (PCS) | 110,000 | 0.46 |
| 22 | ECM Libra Avenue Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Hah Pin Kiew | 110,000 | 0.46 |
| 23 | Soo Kee Loon | 109,000 | 0.45 |
| 24 | Mak Ngia Ngia @ Mak Yoke Lum | 105,000 | 0.44 |
| 25 | Mayban Nominees (Asing) Sdn Bhd<br>Pledged Securities Account For Liew Moi Wah | 101,200 | 0.42 |
| 26 | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Wong Sieh Ming | 100,000 | 0.42 |
| 27 | Lim Kang Seng | 95,000 | 0.40 |
| 28 | Susanto Effendy | 92,900 | 0.39 |
| 29 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Lim Kian Chai | 90,000 | 0.38 |
| 30 | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Lim Tiem Chai | 85,000 | 0.35 |
| | | **17,506,116** | **72.95** |

## STATEMENT OF DIRECTORS' INTERESTS IN SHARES AND WARRANTS IN THE COMPANY AS AT 17 MAY 2007

### DIRECTORS' SHAREHOLDINGS

(In accordance with the Register maintained pursuant to Section 134 of the Companies Act, 1965)

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Name | No. of Shares | % | No. of Shares | % |
| Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah | – | – | 6,807,939 | 5.50% |
| Yong Soon Chow | 42,418,000 | 34.28% | 11,610,808 | 9.38% |
| Koh Hua Lan | 3,945,500 | 3.19% | – | – |
| Lee Sooi Teng | 200,000 | 0.16% | 12,000 | 0.01% |
| Loo Shen Chang | – | – | – | – |
| Keong Choon Keat | 20,000 | 0.02% | 30,000 | 0.02% |
| Mohd Khasan bin Ahmad | – | – | – | – |
| Kam Yong Kan | 30,000 | 0.02% | – | – |

### DIRECTORS' WARRANTHOLDINGS

(In accordance with the Register maintained pursuant to Section 134 of the Companies Act, 1965)

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Name | No. of Warrants | % | No. of Warrants | % |
| Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah | – | – | 3,000,000 | 12.50% |
| Yong Soon Chow | 7,999,916 | 33.33% | 1,400,000 | 5.83% |
| Koh Hua Lan | 1,400,000 | 5.83% | – | – |
| Loo Shen Chang | – | – | – | – |
| Keong Choon Keat | – | – | – | – |
| Mohd Khasan bin Ahmad | – | – | – | – |
| Kam Yong Kan | – | – | – | – |

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# CREST BUILDER HOLDINGS BERHAD

(573382-P)

## PROXY FORM

| No. of Ordinary Shares Held | |
|---|---|

I/We ...............................................................................

NRIC No. ......................................................................./Passport No. ..........................................................

of ...............................................................................

being a member/members of the abovenamed Company hereby appoint

............................................................................... [holding shares]

of...............................................................................

NRIC No. ......................................................................./Passport No. ..........................................................

And/or failing him/her

............................................................................... [holding shares]

of...............................................................................

NRIC No. ......................................................................./Passport No. ..........................................................

as *my/our proxy to vote for *me/us and on *my/our behalf at the 5th Annual General Meeting of the Company, to be held at Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 26th June, 2007 at 9:30 a.m. or at any adjournment thereof.

| **Ordinary business** | | **For** | **Against** |
|---|---|---|---|
| 1. | Receive and adopt the duly audited accounts for the financial year ended 31 December 2006. | | |
| 2. | To declare a final dividend of 5% less 27% tax for the financial year ended 31 December 2006. | | |
| 3. | To re-elect the Non-Executive Chairman<br>• Tengku Dato' Sulaiman Shah | | |
| 4. | To re-elect the Executive Director<br>• Lee Sooi Teng | | |
| 5. | To re-elect the Independent Non-Executive Director<br>• Kam Yong Kan | | |
| 6. | To appoint Messrs GEP Associates (AF1030), Chartered Accountants, as auditors for the ensuing financial year ending 31 December 2007 and authorise the fixing of their remuneration by directors. | | |
| **Special business** | | **For** | **Against** |
| 7. | To approve payment of directors' remunerations for the year ended 31 December 2006 in accordance with Article 88 of the Company's Articles of Association. | | |
| 8. | To empower the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 and in compliance with the Listing Requirements of Bursa Securities | | |
| 9. | To approve the recurrent related party transactions of a revenue or trading nature and which are necessary for the day-to-day operations up to the next annual general meeting | | |

Please indicate with a cross [x] in the box provided, how you wish to cast your votes. If no specific instruction as to voting is given, the proxy may vote or abstain at his discretion.

...............................................................................

Signature of member

Dated:

*Notes:-*

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *Shareholders' attention is hereby drawn to the Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at No.14-2, Jalan 4A/27A, Section 2, Wangsa Maju, 53300 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

Common seal affixed in the presence of

............................................................................... ...............................................................................

*Director* *Director/Secretary*

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AFFIX
STAMP

*THE COMPANY SECRETARY*
***CREST BUILDER HOLDINGS BERHAD (573382-P)***
*NO. 14-2, JALAN 4A/27A,*
*SECTION 2, WANGSA MAJU,*
*53300 KUALA LUMPUR.*

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