



ANNUAL REPORT

'13

AHMAD ZAKI RESOURCES BERHAD (432768-X)

ANNUAL REPORT 2013



Menara AZRB
No. 71, Persiaran Gurney,
54000 Kuala Lumpur, Malaysia.
Tel : +603-2698 7171
Fax : +603-2694 8181
email : azrb@azrb.com





Ayer@8

Precinct 8, Putrajaya





CONTENTS

- 2** Notice of Annual General Meeting
- 5** Statement Accompanying Notice of Annual General Meeting
- 6** Corporate Information
- 7** Corporate Structure
- 8** 5-Year Financial Highlights
- 12** Directors' Profile
- 24** Statement on Risk Management and Internal Control
- 27** Corporate Governance Statement
- 35** Statement of Directors' Responsibilities in Preparing the Financial Statements
- 36** Report of the Audit Committee
- 40** Other Information
- 42** Quality, Health, Safety and Environment
- 44** Chairman's Statement
- 50** Review of Operations
- 54** Calendar of Events
- 63** Financial Statements
- 165** Notice of Nomination of Auditors
- 166** Analysis of Shareholdings
- 169** List of Properties
 - Proxy Form

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of the Company will be held at Taming Sari 3, Ground Floor, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 26 June 2014 at 10.00 am for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. Please refer to Note A
2. To approve the payment of Directors' fees for the year ended 31 December 2013. Resolution 1
3. To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association:
 - (i) Raja Dato' Seri Aman Bin Raja Haji Ahmad Resolution 2
 - (ii) Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng Resolution 3
 - (iii) Dato' W Zulkifli Bin Haji W Muda Resolution 4
4. To re-elect Dato' Wan Ahmad Farid Bin Haji Wan Salleh who retires in accordance with Article 87 of the Company's Articles of Association. Resolution 5
5. To appoint Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 6

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, as set out on page 165 of the Annual Report, has been received by the Company for the nomination of Messrs Deloitte for appointment as Auditors and of the intention to propose the following ordinary resolution:-

"THAT, Messrs Deloitte be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."

Special Business

To consider and if thought fit, to pass with or without modifications, the following resolutions:-

Ordinary Resolutions

6. **Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965** Resolution 7

"THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approval from the relevant authorities, where such approval is necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. **Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 4 June 2014 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms.

Resolution 8

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

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 18th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 18th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earliest,

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

8. **Authority to Continue in Office as Independent Non-Executive Director**

"THAT authority be and is hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company":

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

Resolution 9
Resolution 10
Resolution 11

By Order of the Board

Haji Bahari Bin Johari (LS 0008773)
Seuhailey Binti Shamsudin (MAICSA 7046575)
Wong Maw Chuan (MIA 7413)
Company Secretaries

Kuala Lumpur
4 June 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be presented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her 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.
4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 20 June 2014 shall be eligible to attend, speak and vote at the 17th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes on Special Business:

6. **Resolution 7 - Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

The ordinary resolution proposed under item 6, if passed will give powers to the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors would consider in the best interest of the Company. The approval is sought to avoid any delay and cost involved in convening a general meeting for such issuance of shares. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for the purpose of repayment of bank borrowings, funding future investment and working capital.

7. **Resolution 8 - Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The ordinary resolution proposed under item 7, if passed will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

8. **Resolutions 9 to 11 – Authority to Continue in Office as Independent Non-Executive Director**

In line with the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A. Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- (i) Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A. Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia, and hence, they would be able to provide an element of objectivity, independent judgement and balance to the Board;
- (ii) Their length of services on the Board of more than nine (9) years does not in any way interfere with their exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, Raja Dato' Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A. Rahman @ Omar Bin Abdullah and Dato' Haji Ismail @ Mansor Bin Said, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have devoted sufficient time and commitment to their role and responsibilities as an Independent Director for informed and balance decision making; and
- (iii) They have exercised due care during their tenures as Independent Director of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Board Meetings held in the financial year ended 31 December 2013

There were seven (7) Board Meetings held during the financial year ended 31 December 2013. Details of the attendance of the Directors are as follows:-

Executive Directors	Total Meetings Attended	% of Attendance
Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	6/7	86%
Dato' Wan Zakariah Bin Haji Wan Muda	7/7	100%
Dato' Haji Mustaffa Bin Mohamad	7/7	100%
Dato' W Zulkifli Bin Haji W Muda	6/7	86%

Non-Executive Directors	Total Meetings Attended	% of Attendance
Raja Dato' Seri Aman Bin Raja Haji Ahmad	7/7	100%
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	7/7	100%
Datuk (Prof.) A Rahman @ Omar Bin Abdullah	7/7	100%
Dato' Haji Ismail @ Mansor Bin Said	6/7	86%
Dato' Wan Ahmad Farid Bin Haji Wan Salleh (Appointed w.e.f. 12 July 2013)	3/3	100%

2. Place, date and time of Meeting

The 17th Annual General Meeting of the Company will be held at Taming Sari 3, Ground Floor, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 26 June 2014 at 10.00 am.

3. Directors who are seeking for re-election at the 17th Annual General Meeting of the Company

The Directors who are offering themselves for re-election at the 17th Annual General Meeting of the Company are as follows:-

- (i) Raja Dato' Seri Aman Bin Raja Haji Ahmad (Article 80)
- (ii) Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Article 80)
- (iii) Dato' W Zulkifli Bin Haji W Muda (Article 80)
- (iv) Dato' Wan Ahmad Farid Bin Haji Wan Salleh (Article 87)

Details of the Directors are set out on pages 12 to 20 of this Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 166.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- 1. Raja Dato' Seri Aman Bin Raja Haji Ahmad**
(Independent Non-Executive Chairman)
- 2. Dato' Sri Haji Wan Zaki Bin Haji Wan Muda**
(Executive Vice Chairman)
- 3. Dato' Wan Zakariah Bin Haji Wan Muda**
(Managing Director)
- 4. Dato' Haji Mustaffa Bin Mohamad**
(Executive Director)
- 5. Dato' W Zulkifli Bin Haji W Muda**
(Executive Director)
- 6. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
(Independent Non-Executive Director)
- 7. Datuk (Prof.) A Rahman @ Omar Bin Abdullah**
(Independent Non-Executive Director)
- 8. Dato' Haji Ismail @ Mansor Bin Said**
(Independent Non-Executive Director)
- 9. Dato' Wan Ahmad Farid Bin Haji Wan Salleh**
(Independent Non-Executive Director)

AUDIT COMMITTEE

- 1. Raja Dato' Seri Aman Bin Raja Haji Ahmad**
(Chairman)
- 2. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
(Member)
- 3. Dato' Haji Ismail @ Mansor Bin Said**
(Member)
- 4. Datuk (Prof.) A Rahman @ Omar Bin Abdullah**
(Member)

COMPANY SECRETARIES

- 1. Haji Bahari Bin Johari**
(LS 0008773)
- 2. Seuhailey Binti Shamsudin @ Azraain**
(MAICSA 7046575)
- 3. Wong Maw Chuan**
(MIA 7413)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 03-2283 6050
Fax : 03-2283 6072

REGISTRAR

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

PRINCIPAL BANKERS

Alliance Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
UOB Bank Berhad

AUDITORS

KPMG
KPMG Tower, 8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor

STOCK EXCHANGE

Main Market of Bursa Malaysia
Securities Berhad

CORPORATE STRUCTURE

ENGINEERING AND CONSTRUCTION

1.	AHMAD ZAKI SDN BHD	100%
2.	AZSB MACHINERIES SDN BHD	100%
3.	UNGGUL ENERGY & CONSTRUCTION SDN BHD	100%
4.	AHMAD ZAKI SAUDI ARABIA CO LTD	100%
5.	AZRB CONSTRUCTION (INDIA) PVT LTD	100%
6.	PENINSULAR PRECAST SDN BHD	80%
7.	FASA TIMUR SDN BHD	50%
8.	MAXI HERITAGE SDN BHD	20%

CONCESSION

1.	EKVE SDN BHD	100%
2.	PENINSULAR MEDICAL SDN BHD	100%

PROPERTY DEVELOPMENT

1.	KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD	60%
2.	AZRB PROPERTIES SDN BHD	100%
3.	TREND VISTA DEVELOPMENT SDN BHD	100%
4.	TEMALA DEVELOPMENT SDN BHD	70%
5.	BETANAZ PROPERTIES SDN BHD	51%

OIL & GAS

1.	INTER-CENTURY SDN BHD	100%
2.	ASTRAL FAR EAST SDN BHD	100%

PLANTATION

1.	PT ICHTIAR GUSTI PUDI	95%
----	-----------------------	-----

OVERSEAS INVESTMENT

1.	AZRB INTERNATIONAL VENTURES SDN BHD	100%
----	-------------------------------------	------

QUARRY OPERATION

1.	TADOK GRANITE MANUFACTURING SDN BHD	100%
----	-------------------------------------	------

PROJECT MANAGEMENT

1.	PENINSULAR PROKONSULT SDN BHD	100%
----	-------------------------------	------

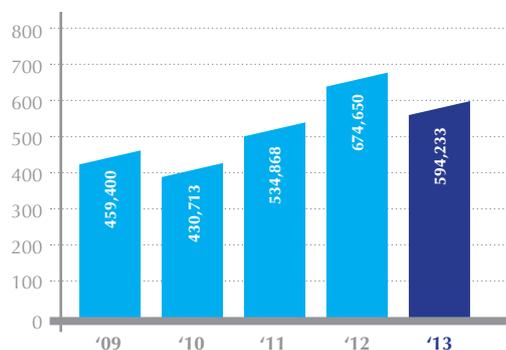
INTEGRATED FACILITIES MANAGEMENT

1.	PENINSULAR IFM SDN BHD	34%
----	------------------------	-----

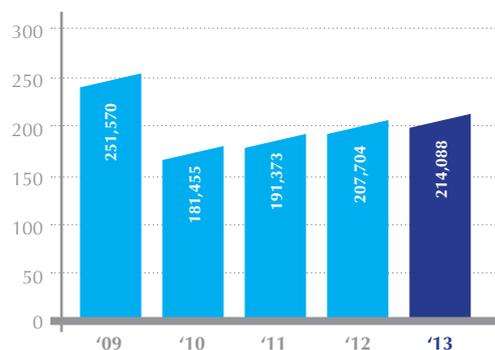
5-YEAR FINANCIAL HIGHLIGHTS

	Year ended 31 December				
	2009	2010	2011	2012	2013
Group Five Year Summary	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	459,400	430,713	534,868	674,650	594,233
Profit/(loss) before taxation	32,429	(49,914)	24,429	37,775	24,464
Profit/(loss) attributable to owners of the Company	20,765	(61,630)	11,860	18,679	5,526
Paid up Capital	138,318	138,348	138,382	138,471	138,471
Shareholders' Funds	251,570	181,455	191,373	207,704	214,088
Net tangible assets per share (sen)	90	65	68	72	75

REVENUE (RM'000)



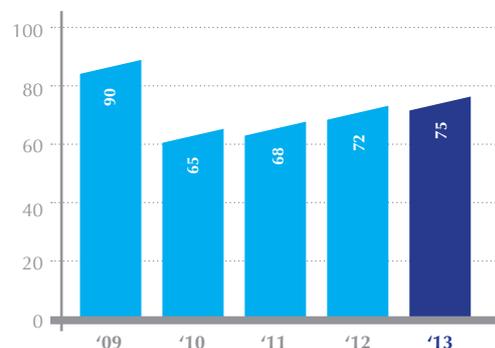
SHAREHOLDERS' FUNDS (RM'000)



PROFIT/(LOSS) BEFORE TAXATION (RM'000)



NET TANGIBLE ASSETS PER SHARE (Sen)





Kompleks Kerja Raya 2, Kuala Lumpur





**Universiti Darul Iman
Malaysia**

Campus Besut, Terengganu.



DIRECTORS' PROFILE



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

Raja Dato' Seri Aman, a Malaysian, aged 68, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee on 26 February 2004. Subsequently, he assumed the Chairmanship of the Audit Committee on 8 April 2004. He is also the Chairman of Board Risk Committee and sits on the Remuneration and Nomination Committees as an ordinary member.

Raja Dato' Seri Aman is a Fellow of the Institute of Chartered Accountants in England and Wales and also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad (formerly known as Perwira Habib Bank Malaysia Berhad) in 1985 as Executive Director/CEO. He left Affin Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer. He was re-appointed as Chief Executive Officer of Affin Bank Berhad in 1995 and retired in 2003.

Raja Dato' Seri Aman is also an Independent Non-Executive Director of Affin Holdings Berhad, Tomei Consolidated Berhad and Affin Investment Bank Berhad.

During the financial year ended 31 December 2013, he attended 7 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



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

Dato' Sri Haji Wan Zaki, a Malaysian, aged 65, was appointed the Executive Vice Chairman of the Company on 24 March 1999. Subsequently, he held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of the Company on 26 February 2004. He is presently the Chairman of Remuneration Committee and an ordinary member of the Board Risk Committee.

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

Dato' Sri Haji Wan Zaki had served as the Chairman of Chuan Huat Resources Bhd from 2002 until 2013. He sits on the board of directors of several private limited companies and has no directorship in other public companies.

During the financial year ended 31 December 2013, he attended 6 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



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

Dato' Wan Zakariah, a Malaysian, aged 54, joined the board of the Company as an Executive Director on 24 March 1999 and subsequently was appointed to the post of Managing Director on 1 January 2003. He is presently the Chairman of the Establishment Committee and a member of the Remuneration Committee.

Dato' Wan Zakariah obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom (now known as University of Greenwich) in 1986. He started his career as Quantity Surveyor with the construction subsidiary, AZSB and in 1996 was promoted to the post of Managing Director of AZSB until 2003.

Dato' Wan Zakariah also sits on the board of directors of several private limited companies and has no directorship in other public companies.

During the financial year ended 31 December 2013, he attended 7 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



DATO' HAJI MUSTAFFA BIN MOHAMAD

DPMT, PJK

Dato' Haji Mustaffa, a Malaysian, aged 63, was appointed an Executive Director of the Company on 24 March 1999 and is an ordinary member of the Establishment Committee.

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

Currently, Dato' Haji Mustaffa sits on the boards of directors of several private limited companies and has no directorship in other public companies.

During the financial year ended 31 December 2013, he attended 7 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



DATO' W ZULKIFLI BIN HAJI W MUDA *DIMP*

Dato' W Zulkifli, a Malaysian, aged 52, was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee as an ordinary member.

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

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

During the financial year ended 31 December 2013, he attended 6 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG

PSM, DPMT, ASM, JP

Tan Sri Dato' Lau, a Malaysian, aged 65, was appointed as an Independent Non-Executive Director of the Company on 15 November 2010. He was appointed as a member of the Board Risk Committee and Audit Committee on 29 November 2010 and 1 March 2011 respectively.

Tan Sri Dato' Lau obtained his Diploma in Commerce with distinction from Tunku Abdul Rahman College, Malaysia in 1974.

Tan Sri Dato' Lau has been a member of the Malaysian Institute of Accountants since 1979. He was made a fellow of the Association of Chartered Certified Accountants, United Kingdom in 1981 and became a graduate member of the Institute of Chartered Secretaries and Administrators, United Kingdom in 1987. He was formerly a Senator of Dewan Negara, appointed by Seri Paduka Baginda Yang diPertuan Agong, Malaysia.

Tan Sri Dato' Lau had served as a Non-Independent Non-Executive Director and Chairman of the Board of Directors of Nanyang Press Holdings Berhad and Star Publications (Malaysia) Berhad. He also served on the Board of Directors of Tenaga Nasional Berhad in various capacities, as Chairman of Audit Committee, Member of Board Disciplinary Committee, Board Tender Committee and Board Member of several subsidiary companies.

Tan Sri Dato' Lau is currently an Independent Non-Executive Director of YTL Power International Berhad, a listed company in Malaysia and Media Chinese International Limited, a company listed in Malaysia and Hong Kong.

During the financial year ended 31 December 2013, he attended 7 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



DATUK (PROF.) A RAHMAN @ OMAR

BIN ABDULLAH

PJN, DPMT, JSM, SMT, AMN

Datuk (Prof.) A Rahman, a Malaysian, aged 69, was appointed an Independent Non-Executive Director on 1 January 2003. He sits on the Audit Committee, Remuneration Committee and Nomination Committee as an ordinary member.

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

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

Datuk (Prof.) A Rahman does not hold directorship in any other public companies but sits on the boards of directors of several private limited companies.

During the financial year ended 31 December 2013, he attended 7 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



DATO' HAJI ISMAIL @ MANSOR BIN SAID

DPMT, AMN

Dato' Haji Ismail, a Malaysian, aged 65, was appointed a Non-Executive Director on 26 May 1997 and subsequently assumed the responsibility as an Independent Director. He presently sits on the Audit Committee, Board Risk Committee and Remuneration Committee as an ordinary member and is the Chairman of the Nomination Committee.

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

Dato' Haji Ismail had served as an Independent Non-Executive Director of Lion Diversified Holdings Berhad. He sits on the board of directors of several private limited companies and has no directorship in other public companies.

During the financial year ended 31 December 2013, he attended 6 out of 7 Board meetings held.

DIRECTORS' PROFILE (CONT'D)



DATO' WAN AHMAD FARID BIN HAJI WAN SALLEH *DPMT, SMT*

Dato' Wan Ahmad Farid, a Malaysian, aged 52, was appointed as an Independent Non-Executive Director of the Company on 12 July 2013.

Dato' Wan Ahmad Farid graduated with a Bachelor of Laws (Hons) degree from the University of West London in 1985. He obtained his Certificate in Legal Practice (Hons) in 1986 and was admitted to the Malaysian Bar as an Advocate & Solicitor in 1987.

Dato' Wan Ahmad Farid is currently the Managing Partner in Messrs Wan Farid & Surin. He has no directorship in other public companies.

During the financial year ended 31 December 2013, he attended 3 out of 3 Board meetings held since his appointment.

Notes:

FAMILY RELATIONSHIP

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

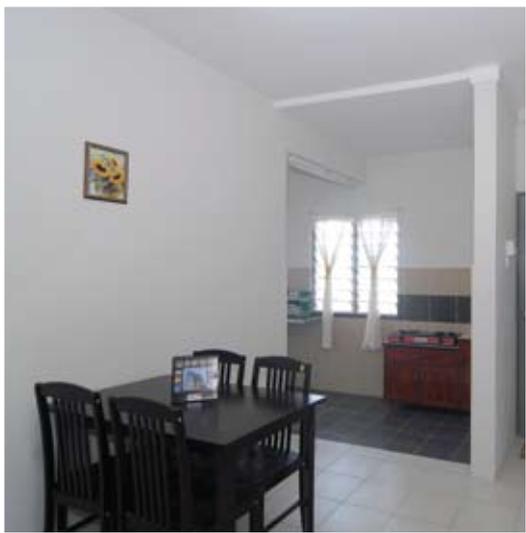
CONFLICT OF INTEREST

Save as disclosed in the related party transactions on page 156 to 157 (note 39) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

CONVICTIONS FOR OFFENCES

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





Projek Perumahan Rakyat

Kuala Terengganu





STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In compliance with the Main Market Listing Requirements Paragraph 15.26(b), which requires inclusion of a statement about the state of internal control of the listed issuer as a group and fulfilling the revised guideline requirement, the Board is pleased to provide the Statement on Risk Management and Internal Control for the financial year under review.

A. RESPONSIBILITY

The Board is fully committed to its responsibility in establishing a sound risk management and internal control system for the Group with few main objectives such as to promote good governance practices, enhancing transparency, proper management of Group's assets and ultimately to safeguard shareholders' interest.

Nevertheless, due to the inherent limitations of any risk management approach and internal control system, the actions taken in managing the risks and implementing internal control system throughout the business activities could only provide reasonable and not absolute assurance against any material losses, frauds, misstatements or violations of laws or regulations in achieving the Group's objectives.

B. CONTROL ENVIRONMENT AND ACTIVITIES

Enterprise Risk Management Policy

The Group has continued with its Enterprise Risk Management Policy ("ERMP") to ensure that business risks are properly identified, assessed and managed.

The key objectives of the Group's ERMP are as follows:

- To facilitate identification of key business risks for AZRB and its major subsidiaries;
- To facilitate assessment of key controls in managing the relevant key business risks identified;
- To enhance the documentation and communication of risks and promote awareness of risk management; and
- To develop a framework to monitor and report risks and controls, with the assignment of responsibilities among the companies within the Group for managing risks.

Internal Audit Function

- The Internal Audit function of the Group is performed in-house by its Internal Audit Department. The Internal Audit Department reports directly to the Audit Committee. The Internal Audit adopts risk-based audit approach when executing each audit assignment which is carried out in accordance with the annual audit plan. The annual audit plan covers the major subsidiaries of the Group.
- The principal role of the Internal Audit is to provide independent and objective reports on the effectiveness of the system of internal controls within the major subsidiaries of the Group. The audit findings were discussed with Management of respective entities for their corrective actions. The audit reports were presented to the Audit Committee during the Audit Committee Meeting in January 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- A summary of the Internal Audit activities during the financial year under review is as follows:
 - i. Performed 9 operational audits on major subsidiaries of the Group to ascertain the adequacy and compliance with the system of internal controls and made recommendations for improvement where weaknesses were found.
 - ii. Conducted 7 follow-up audits to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit Committee.

Board of Directors

- The Board meets quarterly at a minimum, and more frequently when required, to review and evaluate the Group's operations and performance and to address key issues.
- The pre-requisite to decisions made in the meeting is the deliberation and discussion by the Board, together with recommendations and feedbacks from Management. In addition to quarterly financial results, project tender status and progress reports on business operations are also tabled at the Board's quarterly meetings.

Independence of the Audit Committee

- The Audit Committee comprises four (4) Independent Non-Executive Directors. The Audit Committee has full access to both Internal Auditors and External Auditors and has the right to convene meetings with auditors without the presence of Executive Directors and senior management.
- The Audit Committee reviews the reports of the Internal Auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance in respect to the adequacy of the internal controls.

Business Plan and Budget

- Annual business plan and budget are prepared by the Group's major subsidiaries, and are reviewed and approved by the Board. The performance of each major subsidiary is assessed against budget by the Chief Financial Officer with explanation on significant variances presented to the Board on a quarterly basis.

Documented Policies and Procedures

- Policies and procedures of business processes are documented and set out in a series of Standard Operating Procedures ("SOP") or Integrated Management System ("IMS") and implemented throughout the Group. These policies and procedures are subject to reviews, updates and improvements to reflect the changing business risks and operational needs.
- Policies and procedures developed and implemented during the financial year are Management of Sundry Wages and Fire Prevention & Action.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Human Resource Policy

- The Group has in place, a Human Resource Policy which is approved by the Establishment Committee. The Human Resource Policy sets the tone of compliance with the Group's rules and regulations and employee conduct as set out in the Employee Handbook.

Performance Management

- Performance appraisals are carried out annually in a Performance Management System to gauge the employee's performance for any promotion, bonus payment and annual increment exercise.
- In order to nurture the quality and competencies of employees, training and development programmes are established.

Business Ethics

- The Standing Instruction on Business Ethics ("the Code") is communicated to all employees and compliance to the Code is mandatory. The Code provides guidance and serves as the main source of reference to assist employees to live up to ethical business standards and explains how business and duties should be conducted.

The Board believes that the development of the internal control system is an on-going process. The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively.

The Board is satisfied with the risk management and internal control system implemented throughout the Group. Nonetheless, the Board shall continue to review and monitor the effectiveness of the Group's risk management and internal control system in ensuring continuous and acceptable level of assurance in conducting daily business activities.

Based on the assessment of the Group's risk management and internal control system for the financial year under review and up to the approval date of this statement, there were no significant control failures or weaknesses that would result in material losses, contingencies or uncertainties requiring separate disclosure in the Group's Annual Report.

This statement, prepared for inclusion in the Annual Report of the Company for the year ended 31 December 2013 has been reviewed by the Audit Committee prior to their recommendation to the Board for approval.

This statement is made on the recommendation of the Audit Committee to the Board of Directors and as per the Board's resolution dated 20 May 2014.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ahmad Zaki Resources Berhad (“AZRB”) is committed towards the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance (“MCCG”) throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders’ value. The Group has adopted and complied with the principles and Best Practices set out in MCCG 2012 throughout the financial year ended 31 December 2013.

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

BOARD OF DIRECTORS

Board Composition

The Board is currently led by an Independent Non-Executive Chairman and has nine (9) members comprising four (4) Executive Directors and five (5) Independent Non-Executive Directors. The Board is composed of members with experience in business, construction, legal and finance, required for effective and independent decision-making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group’s business operations. A brief description on the background of each Director is presented on pages 12 to 20 of the Annual Report.

The present five (5) Independent Non-Executive Directors do not participate in the day-to-day management or in the daily business of the Company or Group. They shall provide unbiased, independent views and judgment in the decision-making process at the Board level and ensure that the interest of minority shareholders are safeguarded.

The MCCG 2012 has recommended that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Based on the independent assessment made, the independence of Raja Dato’ Seri Aman Bin Raja Haji Ahmad, Datuk (Prof.) A Rahman @ Omar Bin Abdullah and Dato’ Haji Ismail @ Mansor Bin Said, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years each, remain objective and independent-minded in their participation in deliberations and decision making of the Board and Audit Committee. The length of their service does not in any way interfere with their exercise of independent judgment. Hence, the Board has recommended to retain those independent directors whose tenure has exceeded nine (9) years and shall seek shareholders’ approval at the forthcoming AGM.

The positions of the Chairman and the Managing Director are held by two (2) different individuals. There is a clear division of responsibilities between the Chairman and the Managing Director which will ensure a balance of power and authority. Generally, the Chairman is responsible for the orderly conduct and working of the Board while the Managing Director is responsible for the day to day management of the Group as well as to implement policies and strategies adopted by the Board. The Board exercises its responsibilities collectively.

All the Directors have given their undertaking to comply with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Roles and Responsibilities

The Board recognises its roles and responsibilities in discharging its fiduciary and leadership functions. The Board is also firmly committed to ensuring the highest standards of corporate governance and corporate conduct are adhered to. The Board delegates the day-to-day management of the Company to the Executive Directors but reserves for its consideration pertaining to significant matters, amongst others as follows:-

- Approving the quarterly results and year end financial statements;
- Approving the annual budget;
- Reviewing and adopting a strategic plan for the AZRB Group;
- Overseeing the Company's business operation and financial performance;
- Risk appetite framework/setting;
- Declaration of dividends;
- Succession planning by ensuring all candidates appointed to senior management positions are of sufficient caliber;
- Overseeing the development and implementation of a shareholder communications policy for AZRB Group; and
- Reviewing and ensuring the adequacy and the integrity of the management information controls and regulatory compliance are in place and properly complied with.

The Board has laid down a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. The Board delegates and confers some of the Board's authorities and discretion to the Executive Vice Chairman as well as to the Managing Director. The Managing Director is also responsible to ensure that the Management adheres to the guidelines and policies set by the Board.

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

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

All Directors have access to the advice and services of the Company Secretary who ensures compliance on procedural and regulatory requirements such as statutory obligations, Listing Requirements or other regulatory requirements. The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The removal of the Company Secretary shall be a matter for the Board as a whole.

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

Board Appointment Process

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors' Re-election

In accordance with the Company's Articles of Association, one-third of the Directors, including Managing Director, shall retire from office by rotation each year and all Directors are subject to retire at least once in every three (3) years. Retiring Directors may offer themselves for re-election at the AGM. Any Director who is appointed by the Board during the year is required to retire and seek re-election by shareholders at the following AGM held following his appointment. Any Director over seventy (70) years of age is required to submit himself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Meetings

During the financial year ended 31 December 2013, seven (7) Board meetings were held. The date and details of attendance of each Board meeting held are as follows:-

Date of meeting	Venue	Total Board Members	Attendance by Directors (Percentage Attendance)	
			Independent	Non Independent
27 February 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	8	4 (100%)	4 (100%)
26 March 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	8	3 (75%)	3 (75%)
26 April 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	8	4 (100%)	4 (100%)
30 May 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	8	4 (100%)	4 (100%)
28 August 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	9	5 (100%)	3 (75%)
29 August 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	9	5 (100%)	4 (100%)
28 November 2013	Board Room, 7th Floor, Menara AZRB, Persiaran Gurney, 54000 Kuala Lumpur	9	5 (100%)	4 (100%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2013 are set out in the Statement Accompanying Notice of AGM on page 5 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors' Remuneration

The Board believes that the level of remuneration offered by the Company is sufficient to attract and retain Directors needed to run the Company. The component part of remuneration has been structured to link rewards to corporate and individual performance for Executive Directors whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities.

The details of the remuneration of the Directors of the Company received from the Group during the financial year ended 31 December 2013 are as follows:

	Salaries* RM	Allowances RM	Fees RM	Bonuses RM	Benefits- in-kind RM	Total RM
Executive Directors	3,579,512	36,200	419,000	581,955	291,833	4,908,500
Non-Executive Directors	0	32,500	611,476	0	66,350	710,326

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

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	2
RM50,001 – RM100,000	-	1
RM100,001 – RM200,000	-	-
RM200,001 – RM250,000	-	1
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	1
RM350,001 – RM900,000	-	-
RM900,001 – RM950,000	1	-
RM950,001 – RM1,100,000	-	-
RM1,100,001 – RM1,150,000	1	-
RM1,150,001 – RM1,200,000	-	-
RM1,200,001 – RM1,250,000	1	-
RM1,250,001 – RM1,600,000	-	-
RM1,600,001 – RM1,650,000	1	-

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors' Training

Every Director of the Company undergoes continuous training as an on-going process to equip himself to effectively discharge his duties as a Director. For that purpose, he ensures that he attends such training programs to continually develop and update himself from time to time. The Company also provides briefings for new members of the Board, to ensure that they have a comprehensive understanding on the operations of the Group and the Company.

Conferences, seminars and training programmes attended by Directors in 2013 included the following areas:

Board Leadership	<ul style="list-style-type: none">• Leading High Performing Management Teams• Group Quality Initiatives 2013 - The Leadership Code for Asia
Risk Management	<ul style="list-style-type: none">• Risk Management Forum - Embracing Risks for Long-Term Corporate Success - Boosting your Risk Governance
Corporate Governance	<ul style="list-style-type: none">• Minority Shareholder Watchdog Group – Special Dialogue• Nominating Committee Program
Finance & Taxation	<ul style="list-style-type: none">• FIDE Core Program Module• Financial Services Act 2013 – Key Implications; Basel III & its Impact on Capital & Liquidity; New Audit Opinion: Accounting & Other Regulatory Updates• MIA International Accountants Conference 2013• Islamic Finance Conference• Malaysia – China Economic Cooperation Summit
Others	<ul style="list-style-type: none">• Wealth Creation & Preservation• Biomass SME Recognition Programme & Knowledge Exchange Seminar

Board Charter

The Board Charter was established in year 2002 to set out the strategic intent and outlines the Board's structure and procedures, roles and responsibilities and relationship of the Board to Management. The Board has assessed the current Board Charter and its conformity in accordance with MCCG 2012. The Board is of the opinion that the Board Charter conforms in all material aspects to the MCCG 2012. Nevertheless, the Board recognises the importance of the Board Charter thus will take steps to enhance the Board Charter to bridge any gaps that may arise out of the MCCG 2012 so as to ensure its continuous relevance in the corporate governance of the Group.

BOARD COMMITTEES

1. NOMINATION COMMITTEE

Primary function

The Nomination Committee was established on 16 January 2002 and operates within clearly defined terms of reference. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendations to the Board for any new candidate as Board member or Board committee member. Due consideration is given to the required mix of skills, expertise and experience of the new candidate to meet the needs and complement the Board. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group and continues to ensure that new Board members undergoes the necessary Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The decision as to who shall be appointed as Board member will be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

During the year, the Nomination Committee has recommended to the Board for consideration, the appointment of Dato' Wan Ahmad Farid Bin Haji Wan Salleh as Independent Non-Executive Director of the Company.

Member

The present members of the Nomination Committee who are the Independent Non-Executive Directors of the Company are as follows:

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

The Company Secretary is the secretary of the Nomination Committee.

2. REMUNERATION COMMITTEE

Primary function

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

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

Member

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

- Dato' Sri Haji Wan Zaki Bin Haji Wan Muda (Chairman)
- Raja Dato' Seri Aman Bin Raja Haji Ahmad
- Dato' Wan Zakariah Bin Haji Wan Muda
- Datuk (Prof.) A Rahman @ Omar Bin Abdullah
- Dato' Haji Ismail @ Mansor Bin Said

The Company Secretary is the secretary of the Remuneration Committee.

3. ESTABLISHMENT COMMITTEE

Primary function

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Member

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

- Dato' Wan Zakariah Bin Haji Wan Muda (Chairman)
- Dato' Haji Mustaffa Bin Mohamad
- Dato' W Zulkifli Bin Haji W Muda
- Dato' Haji Roslan Bin Tan Sri Jaffar

The Head of Group Human Resource and Administration Department is the secretary of the Establishment Committee.

4. BOARD RISK COMMITTEE

Primary Function

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

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

Member

The present members of the Committee are as follows:

- Raja Dato' Seri Aman Bin Raja Haji Ahmad (Chairman)
- Dato' Sri Haji Wan Zaki Bin Haji Wan Muda
- Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
- Dato' Haji Ismail @ Mansor Bin Said

EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

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

The Board values its dialogue with shareholders, public, media, authorities and private investors and recognises that equal and timely dissemination of relevant information be provided to them.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The AGM serves as an important means for shareholders communication. Notice of the AGM and Annual Reports are sent to shareholders twenty one (21) days prior to the meeting. At each AGM, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The AGM is also an avenue for the Chairman and the Board to respond personally to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

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

Other mediums of communication used by the Group to communicate information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public are as follows:-

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

The Board is fully committed in providing and presenting a true and fair view of the financial performances and future prospects in the industry. This is provided through the quarterly, half yearly and annual financial statements as well as the Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 35 of this Annual Report.

Internal Control and Risk Management

The Statement on Risk Management and Internal Control furnished on pages 24 to 26 of this Annual Report provides an overview on the state of internal controls within the Group.

Relationship with the External Auditors

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

This Corporate Governance Statement is made in accordance with the resolution of the Board dated 20 May 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN PREPARING THE FINANCIAL STATEMENTS

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

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

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- prepared the financial statements on the going concern basis unless it is no longer appropriate to presume that the Company will continue in business due to unavailable resources.

The Directors are responsible for ensuring that proper accounting and other records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This Statement of Directors' Responsibilities is made in accordance with the resolution of the Board of Directors dated 20 May 2014.

REPORT OF THE AUDIT COMMITTEE

MEMBERSHIP

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

- Raja Dato' Seri Aman Bin Raja Haji Ahmad (Chairman)
- Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
- Datuk (Prof.) A Rahman @ Omar bin Abdullah
- Dato' Haji Ismail @ Mansor bin Said

TERMS OF REFERENCE

Membership

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

Meetings

1. Meetings shall be held at least four (4) times a year.
2. The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments as deemed necessary.
3. The Committee shall meet with the external auditors at least once a year without Executive Board members or management present. Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

Quorum

The quorum shall be at least two (2) persons, both of whom are to be Independent Directors.

Secretary

The Company Secretary shall act as secretary of the Committee.

Reporting Procedure

The Audit Committee regulates its own procedures:-

- the notice to be given of such meetings;
- the voting and proceedings of such meetings;
- the keeping of minutes; and
- the custody, protection and inspection of such minutes

Minutes of the meetings were tabled for confirmation at the following Audit Committee meeting. In 2013, the Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements. The Chairman also conveyed to the Board, matters of significant concern as and when raised by the external or internal auditors.

Duties and Responsibilities

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

1. to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. to discuss with the external auditors before the audit commences, the nature and scope of the audit;
3. to discuss with the external auditors on the evolution of the system of internal controls and the assistance given by the employees to the external auditors;
4. to review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
5. to review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - any changes in the accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
6. to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);

REPORT OF THE AUDIT COMMITTEE (CONT'D)

7. to review the external auditor's management letter and the management's response;
8. to do the following where there is an internal audit function:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
9. to consider any related party transactions that may arise within the Company or the Group;
10. to consider the major findings of internal investigations and the management's response; and
11. to consider other topics as defined by the Board.

Authority

In carrying out their duties and responsibilities, the Audit Committee shall:

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external and internal auditors;
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Review

The Board of Directors has ensured that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

The details of attendance of each member at the Committee meetings held during the financial year ended 31 December 2013 are as follows:

Name of Directors	Meetings						Total Attendance
	23.1	27.2	26.4	30.5	29.8	28.11	
Raja Dato' Seri Aman Bin Raja Haji Ahmad	✓	✓	✓	✓	✓	✓	6/6 (100%)
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	✓	✓	✓	✓	✓	✓	6/6 (100%)
Datuk (Prof.) A Rahman @ Omar Bin Abdullah	✓	✓	✓	✓	✓	✓	6/6 (100%)
Dato' Haji Ismail @ Mansor Bin Said	✓	✓	✓	✓	✓	✓	6/6 (100%)

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee met six (6) times. Activities carried out by the Committee included the deliberation and review of:

1. the Group's year end audited financial results presented by the external auditors prior to submission to the Board for approval;
2. the Group's quarterly financial results presented by the management prior to submission to the Board for approval;
3. the Audit Planning Memorandum of the external auditors in a meeting to discuss their audit strategy, audit focus and resources prior, to commencement of their annual audit;
4. matters arising from the audit of the Group in a meeting with the external auditors without the presence of any executive directors or members of the Group's management;
5. related party transactions within the Group pursuant to Bursa Malaysia Listing Requirements prior to submission for the Board's consideration and, where appropriate, shareholders' approval; and
6. the internal audit plan, consider the major findings of internal audit reports and recommendations in relation to weaknesses in the internal controls and discussion with management on corrective actions to be taken.

OTHER INFORMATION

SHARE BUY BACK

During the financial year, there was no share buy back transacted, resale or cancellation of treasury shares. As at 31 December 2013, the treasury shares stood at 1,478,100. The purchased shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

OPTION, WARRANTS OR CONVERTIBLE SECURITIES

The Company does not have an Employees' Share Option Scheme and as such, there were no options over ordinary shares exercised during the financial year.

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

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

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

SANCTIONS AND/ PENALTIES

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

PROFIT GUARANTEE

The Company did not implement any corporate proposals to raise funds for the financial year ended 31 December 2013.

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties are held for long term investment purpose.

AUDIT FEES

The amount of audit fees and non-audit fees paid to the external auditors and their affiliated companies by the Group for the financial year ended 31 December 2013 are as follows:-

	<u>KPMG</u>	<u>Non KPMG</u>
Audit fees	428,000	118,860
Non audit fees	30,000	-

VARIATION IN RESULTS

There is no significant difference between the Audited and Unaudited Results released to Bursa Malaysia in respect of the financial year ended 31 December 2013.

OTHER INFORMATION (CONT'D)

MATERIALS CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of the transactions with related party	Entered by	Period covered from 1 January to 30 June of Year 2013 RM'000	Period covered from 1 July to 31 December of Year 2013 RM'000
a) Purchase of building materials from subsidiaries of CHRB			
i. Chuan Huat Industrial Marketing Sdn Bhd	AZSB	3,459	3,128
ii. Chuan Huat Hardware Sdn Bhd	AZSB	1,044	217
a) Purchase of building materials from subsidiaries of ZHSB			
i. Kemaman Quarry Sdn Bhd	AZSB	112	-
ii. QMC Sdn Bhd	AZSB	135	38
b) Insurance premium paid/payable to ZHSB	AZRB, AZSB, ICSB, AMSB	472	423
c) Administrative charges paid/payable to ZHSB	AZSB	60	60
d) Rental of premise paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
e) Accommodation charges paid/payable to RIM	AZSB	21	13

Relationship of the related parties:

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

QUALITY, HEALTH, SAFETY AND ENVIRONMENT

Quality, health, safety and environment (“QHSE”) continues to be a very important aspect in the operations of our Engineering and Construction Division (“Division”). The Directors and Senior Management of the Division continue to emphasise complete compliance and adherence to the QHSE procedures and processes adopted by the Division.

QHSE PERFORMANCE

As part of the division’s continuous improvement to the QHSE, changes to the existing IMS procedure are made in line with the requirements of present day demands. Additional procedures have been established in order to increase operational efficiency and indirectly, it will provide more satisfaction to the client/ customer.

We also successfully validated our IMS by complying and passing the Surveillance Audit conducted by SIRIM QAS Berhad which was held in September 2013.

Further, with the aim of continuous improvement, a variety of activities have been carried out by the Division as follows:

- a) To educate and create awareness amongst our employees by organising campaigns and providing trainings, either by internal or external parties, that involved staffs from all departments in the Division.
- b) Implementation of assessment and evaluation of QHSE matters at all departments or project site by conducting Internal Audit as per ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 requirement.



- c) Participation in The Malaysian Construction Industry Excellence Award (“MCIEA”) and Safety & Health Assessment System in Construction (“SHASSIC”) organised by Construction Industry Development Board Malaysia (“CIDB”) in order to assess our system from a variety points of view.

Our commitment to the continuous improvement was recognised by the various authorities. The highlights of such recognition were as follows:

- a) We were awarded with 5 stars in SHASSIC assessment conducted by CIDB for KVMRT V6 Project (infra category) and PNB Project (building category).

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (CONT'D)

- b) Kompleks Kerja Raya 2 (“KKR2”) Project has been provisionally certified with the Green Building Index (“GBI”) Platinum for the high-rise office building under Non-Residential New Construction (“NRNC”) Category. Platinum status is the highest GBI rating.
- c) The Menara AZRB project was declared the Gold Winner at the PAM Awards 2013 for Commercial High-Rise Office Category. The jury attributed the award to the fact that the Menara AZRB was “a well-executed, served and servant space planning strategy to achieve a desirable workplace”.
- d) In 2013, the division achieved 6,683,345 man hours without any lost time due to work related injuries. This achievement spanned across all projects for the AZRB Group.

Project	Man Hours Without LTI
Kertih Polymer Park 1	26,020
Kertih Polymer Park 2	6,020
East Coast Expressway Phase 2 – Package 2	526,500
Waterfront Shop Office, Lot 8C1, Putrajaya	132,060
Public Housing Scheme, Chabang Tiga, Kuala Terengganu	1,182,280
Universiti Darul Iman Malaysia (“UDM”), Besut	906,700
Kompleks Kerja Raya 2, Kuala Lumpur	1,484,000
IIUM Teaching Hospital, Kuantan	759,990
KVMRT Package V6	1,226,937
PNB Hotel & Officer Tower, Kuala Lumpur	426,630
Royal Malaysian Police Air Wing Unit (Package 3), Selangor	6,208
TOTAL	6,683,345

Man Hours Without Any Lost Time Tabulation For Year 2013



Although our primary concern is to promote the health, safety and environment in our daily operation, we have not neglected the need to meet our clients’ expectations with respect to the quality of our products and services.

With the regards of the clients’ satisfaction achievement, AZRB successfully handed over various projects in the year of 2013 such as the maternity complex, Hospital Sultanah Nur Zahirah, Kuala Terengganu, the Sultan Zainal Abidin University (“UNISZA”), Besut Campus, Terengganu and the Ayer@8 commercial complex, Putrajaya to our clients.



CHAIRMAN'S STATEMENT

Dear Valued

Shareholders,

On behalf of the Board of Directors (“the Board”), it is my pleasure and privilege to present the Annual Report and Financial Statements of Ahmad Zaki Resources Berhad (“AZRB” or “the Group”) for the year ended 31 December 2013.

CHAIRMAN'S STATEMENT (CONT'D)

OVERVIEW

The year under review was a momentous year for the Group. It was a year of achievement and redemption. Achievement came in the form of a Concession Agreement (“CA”) with the Government of Malaysia (“Government”) on 13 February 2013, when we finally signed our long awaited CA for the Design, Build, Operate and Transfer of the East Klang Valley Expressway (“EKVE”) or as it was also known, the Kuala Lumpur Outer Ring Road – Eastern Link (“KLOOR”). We found redemption when the International Chamber of Commerce (“ICC”) found the case for wrongful termination against our former clients, the King Faisal Foundation and Al-Faisal University (“AFU Case”) to be in our favour with the award of substantial damages to be paid to AZRB. We received notice of the award by the ICC on 29 July 2013. In the award, the ICC Arbitrator having examined the case carefully, finally delivered his judgment and duly awarded us a total of SAR93 million in damages. Both the achievement of EKVE and redemption in the AFU Case came about due to the sheer determination, commitment, effort and ‘never say die’ attitude of the Company and I on behalf of the Board would like to take this opportunity to congratulate the Management for the momentous achievements they attained during the year.

Let's take a look at some details on both EKVE and the AFU Case. EKVE is an expressway that has been long coming, having been on the drawing board since the mid 1980s. In 2007, the Government had called for a selective tender for KLOOR under the Build, Operate and Transfer (“BOT”) model. AZRB was selected based on its competitive tender via a Letter of Interest (“LoI”) by the Government in 2008. Following the LoI, the Group was invited to further discuss with the Selangor state government on the most suitable alignment of the expressway especially along the forest reserve corridors. Negotiations involving the Group and various state agencies took into account various environmental and social concerns. In April 2011, the Selangor state government gave its approval for the alignment of EKVE. Thereafter, the Group entered into

earnest negotiations with the Federal Government to conclude the CA. Since the signing of the CA, arrangements for the financing of EKVE have been made and the Group is now looking to fulfil the last of the conditions precedent stipulated in the CA to achieve financial close. The Group expects construction for this expressway to commence in the second half of 2014.

We believe we have an expressway that not only meets the economic needs of the people and country, but also an expressway that can be a model for the future. For the Group, EKVE is a milestone project that will be the catalyst for the transformation and growth of the Group beyond its builders' roots. The construction of the expressway will keep us busy for the next three (3) years or so and will be an opportunity for the Group to showcase its expertise in construction. Thereafter, the Group will have the opportunity to operate and manage the expressway for the remaining period of the concession. By diversifying the Group's revenue base whilst leveraging on the Group's core expertise in construction, the Board hopes the Group's long term future will be on better footing and less susceptible to cyclical swings in the construction industry.



CHAIRMAN'S STATEMENT (CONT'D)

In charting the Group's future path, it is important to reach closure on some of its past issues. The largest of such issues was the Group's case against its former clients for the Al-Faisal University project ("AFU Project"). In 2010, the client unilaterally seized our performance bond and advanced payment bond for the AFU Project, which constituted a breach of contract from our perspective.

In 2011, the Group filed a notice of arbitration with the International Chamber of Commerce in Paris ("the ICC"). We reported to you in our 2010 Annual Report that based on our lawyers' advice, we had strong grounds for the arbitration. It is my pleasure to report to you that in 2013, the ICC issued a judgment and awarded the Group a total of SAR93 million in damages. The Group is now in the process of submitting this award and judgment to the local courts in Saudi Arabia for enforcement. We look forward to recovering the monies wrongly seized from us once the enforcement order is executed. The success at the ICC was no mean feat and did not come without the sheer determination and hard work invested by the Board and Management of the Group.



FINANCIAL HIGHLIGHTS

The year in review saw the Group posting lower results than the previous year. For 2013, the Group posted revenue of RM594.2 million (2012: RM674.6 million), a profit before tax of RM24.5 million (2012: RM37.8 million) and comprehensive income for the year of RM10.5 million (2012: RM16.1 million). Our Engineering and Construction Division continues to be the main driver and contributor to the Group results with a revenue of RM524 million (2012: RM597 million) or 88% of total Group consolidated revenue. The Engineering and Construction Division also contributed a profit before tax of RM49.1 million in 2013 (2012: RM42.8 million). The increase in reported results from our Engineering and Construction Division was mainly due to differences in the project mix and stages of completion of the various projects of the Group in 2012 and 2013.

The Oil and Gas Division continues to contribute significantly to the overall Group results with revenue of RM53.7 million (2012: RM69.5 million) or 9.0% of total Group consolidated revenue.



CHAIRMAN'S STATEMENT (CONT'D)

Profit before tax for 2013 was RM20.2 million (2012: RM20.3 million). The Oil and Gas Division saw its revenue affected by the increasing congestion at Kemaman Supply Base which saw its direct bunkering sales decrease. However, the Division recorded better volume of throughput revenue with Petronas, which helped the Division maintain its profitability for the year.

The Plantation Division in 2013 recognised revenue of RM4.1 million (2012: RM2.5 million) and loss before tax of RM27.1 million (2012: RM12.4 million). The higher losses recognised in the Plantation Division for 2013 was mainly due to unrealised foreign exchange losses due to weakening of the Rupiah versus US Dollar, generally lower prices for palm oil and higher employee expenses due to rise in minimum wage in Indonesia. The Board and Management are closely monitoring the performance of the Plantation Division, and we remain confident that the Division will improve progressively and will be an important contributor to Group's results in the future.

DELIVERING PROJECTS AND SECURING NEW WINS

The year under review was an eventful year for our Engineering and Construction Division which saw the Division deliver five (5) projects to our clients. Amongst the notable projects delivered to our clients were the new Maternity Complex at the Hospital Sultanah Nur Zahirah, Kuala Terengganu; the Sultan Zainal Abidin University ("UniSZA") campus at Besut, Terengganu; and the Ayer@8 commercial complex in Putrajaya. 2013 also saw one of our iconic projects, the new Ministry of Works headquarters ("KKR2 Project") in Kuala Lumpur, being substantially complete. This project, which is an engineering marvel, is presently undergoing internal fit out and is on track for handover to our client by second quarter of 2014. Our undertaking of the KKR2 Project showcases our ability to undertake complex projects. Comprising 38 floors, it boasts twisting columns and a total number of 6,248 window panes, of which no two (2) pieces are identical. The KKR2 Project was our first high rise project and we are proud to see it take its place in the skyline of Kuala Lumpur.



CHAIRMAN'S STATEMENT (CONT'D)



Beyond delivering projects, the Group was successful in procuring two (2) construction projects during the year. On 11 July 2013, the Group secured the design and build of a Student Accommodation Complex at UTM Kuala Lumpur ("UTM Student Complex") worth RM171.5 million. Whilst on 11 October 2013, the Group was awarded the construction of the new Royal Malaysian Police Air Wing Unit base at Subang ("PDRM Air Base") for Perbadanan Perwira Harta Malaysia ("PPHM") worth RM163 million. Both projects were awarded on a tender basis and demonstrates the market's continuing confidence in the Group's ability as well as the Group's competitiveness in its tenders and pricing.

Last but not least, as at the date of this report, the Board is also pleased to announce the award of Langat 2 Water Treatment Plant Project ("Langat 2") to the Salcon MNCB AZSB JV Sdn Bhd ("the JV") for RM994 million. The JV, of which, our construction subsidiary Ahmad Zaki Sdn Bhd ("AZSB") holds a share of 30%, was given the Letter of Award on 16 April 2014. Together with our partners, Salcon Engineering Berhad and MMC Corporation Berhad, we are proud to be entrusted with a project of such national importance.

The present balance order book stands at RM2.0 billion. Together with our EKVE project, worth RM1.55 billion, the Group will be fairly occupied for the next three (3) to four (4) years. Nevertheless, the Group is continuously on the lookout for sizeable new projects, both to replenish the Group's balance order book as well as to raise its profile.



Whilst the Engineering and Construction Division works hard in winning new construction projects, the Group is keen to pursue projects that provide a combination of immediate construction opportunities and long term earnings. Our EKVE project, exemplifies such projects the Group is keen on for long term growth strategy.

CONTINUOUS CHANGE AND STRATEGIC DIVERSIFICATION

As we move forward, the growth of the Group's businesses is a key focus area for the Board and Management. We have charted out a path that diversifies our revenue base but which leverages on our core strength, that is construction. Whilst we have seen some aspects of that strategy, primarily through our agreement with the Government for EKVE, we hope to roll out more projects of such nature in the near future.

Both our Oil and Gas and Plantation Divisions remain important segments in our Group. In particular, we wish to reiterate our commitment on Plantation Division and we look to this Division contributing positively in the future. We have had to face certain challenges along the way and whilst the Division has impacted negatively on our Group results, in the long term we are positive that this Division will be an important segment to the Group. For both the Oil and Gas and Plantation Divisions, we are very much on the lookout for new opportunities that would augment and enhance the value of both Divisions.

CHAIRMAN'S STATEMENT (CONT'D)



SPECIAL MENTION

I take pleasure in welcoming Y.Bhg Dato' Wan Ahmad Farid Bin Haji Wan Salleh as our Independent Non-Executive Director to our Board of Directors.

Dato' Wan brings with him a wealth of experience, which I believe will add value to the Group. A successful lawyer, Dato' Wan was also a former Senator and Deputy Minister in the Ministry of Home Affairs.

We are grateful to Dato' Wan for agreeing to join and contribute to the Board. The Group will undoubtedly benefit from his wise counsel for many years to come.

NOTE OF APPRECIATION

On behalf of the Board, I wish to express my sincerest gratitude and appreciation to the shareholders, various government agencies, clients, consultants, suppliers and business partners who have contributed significantly to our success and for the continuous support and confidence in the AZRB Group.

I would also like to register my deepest gratitude to all the people at AZRB and its Group of Companies for their dedication and commitment to the Group's cause.

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

Raja Dato' Seri Aman Bin Raja Haji Ahmad
Chairman

REVIEW OF OPERATIONS



The year 2013 marked another successful year for the Group particularly for the Engineering and Construction (“E&C”) Division. The E&C Division has secured two new projects during the year namely the design and build of a Student Accommodation Complex at UTM Kuala Lumpur (“UTM Student Complex”) and a project to build a new Royal Malaysian Police Air Wing Unit base at Subang (“PDRM Air Base”) for Perbadanan Perwira Harta Malaysia (“PPHM”).

As at to date, our order book outstanding value surpass RM3 billion.

REVIEW OF OPERATIONS (CONT'D)

ENGINEERING AND CONSTRUCTION DIVISION

The E&C Division continued to be the major contributor to the Group's results by recording revenue of RM524 million (2012: RM597 million); a decrease of 12% over the previous year. The decrease is due to completion and delivery of five (5) projects during the year and also due to new projects that have yet to reach the peak of its completion progress.

The profit before tax increased to RM49.1 million (2012: RM42.8 million) as a result of differences in the project mix and stages of completion of the various projects of the Group in 2012 and 2013.

In 2013, projects secured by the Group; namely the UTM Student Complex as well as the new PDRM Air Base with a combined contract value worth RM334 million, are expected to contribute positively to the Group for years to come. In addition, the Group inked the concession agreement with the Government of Malaysia, via the Ministry of Works, for the proposed design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway ("EKVE"). EKVE entails the building and operation of an expressway totalling 36km along the eastern corridor of Klang Valley from Sungai Long in Kajang to Ukay Perdana in Ampang.

Buoyed by the coveted high multiplier industry classification, the Group is confident that the construction industry will be seeing the churning out of new infrastructure projects by the Malaysian Government particularly in public transportation, which will spur the Group in the future.

The existing ongoing projects include:

No.	Project name (as at 30 April 2014)	Type of work	Contract Value (RM' million)	Balance of contract value (RM' million)
1.	MY Rapid Transit Package V6 & S6	Infrastructure – Viaduct & Station	607	403
2.	PNB Hotel & Office Towers, Jalan Sultan Ismail	Building – Hotel and High Rise Office	673	644
3.	IIUM Teaching Hospital, Kuantan, Pahang	Building – Hospital	413	287
4.	East Coast Expressway Phase 2 - Package 2	Infrastructure – Highways	145	43
5.	Universiti Teknologi Malaysia ("UTM") Jalan Semarak, Kuala Lumpur	Building – Student Complex	172	168
6.	Royal Malaysian Police Air Wing Unit, Subang	Building – Hangar & 5-storey Building	162	158
7.	Langat 2 Water Treatment Plant	Infrastructure – Water treatment & reticulation plant	298*	298*

* Based on 30% shareholding in the JV

REVIEW OF OPERATIONS (CONT'D)

OIL & GAS DIVISION

The Oil & Gas Division recorded a slight decrease in revenue for the year 2013 compared to the previous year. For 2013, revenue was RM53.7 million, a decrease of 22.7% from the RM69.5 million recorded in 2012. However, the profit before tax were not impacted by the decrease of revenue during the year. The Division continues to contribute significantly to the bottom line of the Group. Profit before tax contribution was RM20.2 million (2012: RM20.3 million).

The Oil & Gas Division saw its revenue affected by the increasing congestion at Kemaman Supply Base which saw its direct bunkering sales decrease. However, the Division recorded better volume of throughput revenue with Petronas, which helped the Division maintain its profitability for the year.

The expected increase in demand and consumption of oil and oil related products in the downstream activities of Oil & Gas industry in the coming years augurs well for the Oil & Gas Division and we foresee it to be a strong indication of revenue growth and profitability.

PLANTATION DIVISION

The Division contributed revenue of RM4.1 million (2012: RM2.5 million) and a loss before taxation of RM27.1 million (2012: RM12.4 million). The losses are generally resulted from unrealised foreign exchange and higher operational costs. We are confident that the contributions from this Division will improve over the next few years as the trees become more mature.



REVIEW OF OPERATIONS (CONT'D)



The Group has secured a financing agreement with a major regional bank to further embark on the plantation by doubling more than the size of the planted area from the present area of approximately 5,000 ha. The plan also includes the building of a mill to produce our own crude palm oil, which will further enhance the value chain of the Division in the future.

The Group has steered the Division's activities to be geared towards enhancing productivity throughout the value-chain to achieve process and performance excellence. The Group embraces continuous improvement which involves innovations in implementing best management practices. Together with the plans currently being put in place, the Group believes that the Division will improve progressively and will be an important contributor to the Group's results in the future.

PROPERTY DEVELOPMENT DIVISION

The Group, via its subsidiary, Kemaman Technology & Industrial Park Sdn Bhd ("KTIP") has continued to develop Paka Industrial Park in Terengganu as the preferred choice of area for local and international oil & gas and petrochemical companies to set up their offices and facilities.

The Division is currently finalising a new housing project in Ajil, Terengganu via its new subsidiary, Temala Development Sdn Bhd. The development will kick off in 2014 and the total estimated gross development value is worth RM177 million over the five (5) years period.

The Division recorded an improvement of revenue of RM11.5 million, an increase of 105% (2012: RM5.6 million). In tandem with the increase of revenue, profit before tax also increased to RM3.9 million (2012: RM1.3 million). The revenue bounced back as compared to prior year due to the completion of the current phases that were launched in 2011.

The Division is also actively looking at opportunities to work with the Government of Malaysia in realising the development of affordable houses. The Group believes that this Division can be developed into a major division of the Group once all the plans have been executed.

CALENDAR OF EVENTS

Corporate Events



4 February | The Official Launching of Menara AZRB



13 February | Signing of Concession Agreement between EKVE Sdn Bhd with Government of Malaysia



27 June | AZRB 16th Annual General Meeting at The Royale Chulan Kuala Lumpur

CALENDAR OF EVENTS (CONT'D)



23 July | AZRB Staff Breaking Fast 2013 at The Royale Chulan Kuala Lumpur



25 August | AZRB Hari Raya Open House 2013 at Saloma Bistro, Kuala Lumpur

CALENDAR OF EVENTS (CONT'D)

Corporate Events



2 October | Joint Venture Signing Ceremony between AZRB, Malaysian Harvest Sdn Bhd and Primary Horizon to establish Peninsular IFM Sdn Bhd



22 October | Master Builder Association Malaysia ("MBAM") Visit to Kompleks Kerja Raya 2



23 November | Best Student Awards Ceremony

CALENDAR OF EVENTS (CONT'D)



13 December | Signing of Contract Document Between Universiti Teknologi Malaysia (“UTM”) and Ahmad Zaki Sdn Bhd (“AZSB”)



29 November – 2 December | Directors & Senior Management Retreat 2013 at The Andaman Langkawi

Corporate Social Responsibilities (“CSR”) Events



21 June | Networking Session with SYABAS



28 July | ‘Baju Raya’ Shopping with the children from Rumah Baitul Ummah



29 July | Breaking fast with the children of Rumah Silaturrahim Nurul Qanaah

CALENDAR OF EVENTS (CONT'D)



1 August | Breaking fast with the children of Rumah Baitul Ummah



31 October | 'Majlis Doa Selamat dan Solat Hajat' for MRT V6 Project



3 August | 'Baju Raya' Shopping with the children from Rumah Silaturrahim Nurul Qanaah

Corporate Social Responsibilities ("CSR") Events



15 December | AZRB Flood Relief Operations

AZRB Recreational & Sports Club Events



1 May – 4 May | Mount Kinabalu Expedition 2013



21 - 29 December | SPORTS CARNIVAL ZONE A – KLANG VALLEY / KUALA LUMPUR

AZRB Recreational & Sports Club Events



21 - 29 December | SPORTS CARNIVAL ZONE B – EAST COAST



FINANCIAL STATEMENTS

- 64 Directors' Report
- 69 Statements of Financial Position
- 71 Statements of Profit or Loss and other Comprehensive Income
- 73 Consolidated Statements of Changes in Equity
- 75 Statements of Changes in Equity
- 76 Statements of Cash Flows
- 79 Notes to the Financial Statements
- 162 Statement by Directors
- 162 Statutory Declaration
- 163 Independent Auditors' Report

Maternity Hospital

Kuala Terengganu, Malaysia



DIRECTORS' REPORT

for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit/(Loss) for the year attributable to:		
Owners of the Company	5,525,874	(30,621,423)
Non-controlling interests	(122,666)	-
	<u>5,403,208</u>	<u>(30,621,423)</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

- i) an interim dividend of 2.00 sen per ordinary share, less tax at 25%, totalling RM4,131,961 (1.50 sen net per ordinary share) in respect of the financial year ended 31 December 2013 on 23 August 2013.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Sri Haji Wan Zaki bin Haji Wan Muda
Dato' Wan Zakariah bin Haji Wan Muda
Dato' Haji Mustaffa bin Mohamad
Dato' W Zulkifli bin Haji W Muda
Datuk (Prof.) A Rahman @ Omar bin Abdullah
Dato' Haji Ismail @ Mansor bin Said
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
Dato' Wan Ahmad Farid bin Wan Salleh (Appointed on 12 July 2013)

DIRECTORS' REPORT

for the year ended 31 December 2013 (Cont'd)

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	Bought	(Sold)	At 31.12.2013
Direct interest in the Company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	2,066,760	2,900	-	2,069,660
Dato' Wan Zakariah bin Haji Wan Muda	2,101,096	250,000	-	2,351,096
Dato' Haji Mustaffa bin Mohamad	1,937,148	-	-	1,937,148
Dato' W Zulkifli bin Haji W Muda	2,642,696	1,055,000	-	3,697,696
Datuk (Prof.) A Rahman @ Omar Bin Abdullah	1,200,000	-	-	1,200,000
Dato' Haji Ismail @ Mansor bin Said	102	-	-	102
Indirect interest in the Company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	163,061,136	750,000	-	163,811,136
Dato' Haji Mustaffa bin Mohamad**	1,050,000	-	-	1,050,000
Dato' Haji Ismail @ Mansor bin Said**	10,000	-	-	10,000

	Number of ordinary shares of RM1.00 each			
	At 1.1.2013	Bought	(Sold)	At 31.12.2013
Direct interest in the ultimate holding company:				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	-	-	500,001
Dato' Wan Zakariah bin Haji Wan Muda	100,000	-	-	100,000
Dato' W Zulkifli bin Haji W Muda	100,000	-	-	100,000

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

** Shares held through person connected to the Director

By virtue of his interests in the shares of the ultimate holding company, Dato' Sri Haji Wan Zaki bin Haji Wan Muda is also deemed interested in the shares of the Company and its subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2013 (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) 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 other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

At an extraordinary general meeting held on 17 March 2014, the Company's shareholders approved the establishment of an Employee Share Scheme ("ESS") of up to 15% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of the Company and its subsidiaries which are not dormant at any point in time.

The salient features of the ESS are, inter alia, as follows:

- i) Eligible employees are those full time employees whose employment with the Group has been confirmed while eligible Directors are those Directors including non-executive and/or independent Directors of the Group. The maximum allocation of ESS awards to the Directors have been approved by the shareholders of the Company in a general meeting.
- ii) The aggregate number of shares to be issued under the ESS shall not exceed 15% of the issued and paid-up share capital of the Company at any time throughout the duration of the ESS.
- iii) ESS shall be for a period of five (5) years and may be further extended for a maximum period of five (5) years.
- iv) The ESS grant price and option exercise price shall not be at a discount of more than 10% (or such other percentage of discount as may be permitted by the relevant authorities) from the five (5) market days volume weighted average market price of the shares of the Company immediately preceding the grant date and shall in no event be less than the par value of the shares of the Company.

DIRECTORS' REPORT

for the year ended 31 December 2013 (Cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

- v) The allocation of ESS to any individual eligible employee or Director who either singly or collectively through persons connected with the eligible employee or Director, hold twenty percent (20%) of more of the issued and paid-up share capital of the Company, shall not exceed ten percent (10%) of the new shares of the Company to be issued and awarded pursuant to the ESS.
- vi) The new shares to be issued under the ESS shall rank pari passu in all respect with the existing shares except that they shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of the allotment of the new shares.

As at the date of this report, no ESS has been awarded yet.

TREASURY SHARES

There was no repurchase of the Company's shares during the financial year under review.

As at 31 December 2013, the Company held as treasury shares a total of 1,478,100 of its 276,942,189 issued and paid-up ordinary shares. Such treasury shares are held at carrying amount of RM1,025,787 and further relevant details are disclosed in Note 19 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

for the year ended 31 December 2013 (Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

In the opinion of the Directors, other than as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENTS AFTER THE YEAR END

Subsequent events after the year end are disclosed in Note 41 to the financial statements.

HOLDING COMPANY

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

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Raja Dato' Seri Aman bin Raja Haji Ahmad

Dato' Wan Zakariah bin Haji Wan Muda

Kuala Lumpur
Date: 30 April 2014

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Assets					
Property, plant and equipment	3	80,897,559	86,113,177	2,110,544	2,413,563
Prepaid lease payments	4	8,398,951	9,190,342	-	-
Land held for development	5	8,958,539	8,657,433	-	-
Biological assets	6	123,251,574	125,585,877	-	-
Investment property	7	18,000,000	18,000,000	-	-
Intangible assets	8	2,796,085	5,002,546	-	-
Goodwill	9	3,747,557	3,747,557	-	-
Investments in subsidiaries	10	-	-	86,002,077	97,536,689
Investments in associates	11	160,885	159,115	-	-
Interests in joint ventures	12	(254,352)	(288,352)	34,000	-
Available-for-sale investments	13	115,500	115,500	68,000	68,000
Deferred tax assets	22	10,911,561	2,976,412	-	-
Trade and other receivables	14	11,573,208	8,722,322	-	-
Total non-current assets		268,557,067	267,981,929	88,214,621	100,018,252
Inventories	15	12,314,854	14,654,961	-	-
Property development costs	16	11,994,798	8,823,623	-	-
Current tax assets		4,771,079	4,899,797	4,759,292	11,117,852
Trade and other receivables	14	450,548,485	330,080,809	226,411,140	247,897,181
Cash and cash equivalents	17	102,840,044	98,101,075	4,004,268	3,995,049
Total current assets		582,469,260	456,560,265	235,174,700	263,010,082
Total Assets		851,026,327	724,542,194	323,389,321	363,028,334

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013 (Cont'd)

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Equity					
Share capital	18	138,471,095	138,471,095	138,471,095	138,471,095
Reserves	19	75,616,563	69,232,762	(96,812,942)	(62,250,938)
Equity attributable to owners of the Company		214,087,658	207,703,857	41,658,153	76,220,157
Non-controlling interests		5,326,675	5,345,872	-	-
Total equity		219,414,333	213,049,729	41,658,153	76,220,157
Liabilities					
Loans and borrowings	20	230,155,175	145,959,332	1,143,409	1,414,774
Employee benefits	21	1,294,851	-	-	-
Deferred tax liabilities	22	23,663,382	13,460,425	2,510,979	4,613,348
Total non-current liabilities		255,113,408	159,419,757	3,654,388	6,028,122
Loans and borrowings	20	60,724,745	39,484,173	700,064	608,583
Trade and other payables	23	304,451,913	304,052,901	277,376,716	280,171,472
Current tax liabilities		11,321,928	8,535,634	-	-
Total current liabilities		376,498,586	352,072,708	278,076,780	280,780,055
Total liabilities		631,611,994	511,492,465	281,731,168	286,808,177
Total equity and liabilities		851,026,327	724,542,194	323,389,321	363,028,334

The notes on pages 79 to 160 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	24	594,233,380	674,649,586	18,686,692	31,099,167
Cost of sales	25	(491,347,870)	(575,885,215)	-	(3,574,448)
Gross profit		102,885,510	98,764,371	18,686,692	27,524,719
Other operating income		4,481,297	1,027,038	27,503	52,000
Administrative expenses		(55,620,263)	(43,086,796)	(12,024,085)	(11,492,089)
Other operating expenses		(15,465,287)	(7,345,899)	(27,901,836)	(787,337)
Results from operating activities		36,281,257	49,358,714	(21,211,726)	15,297,293
Finance income	26	2,551,203	1,946,763	73,245	84,451
Finance costs	27	(14,370,137)	(13,529,167)	(4,138,794)	(4,739,096)
Net finance costs		(11,818,934)	(11,582,404)	(4,065,549)	(4,654,645)
Share of gain/(loss) of equity-accounted investees, net of tax		1,770	(1,541)	-	-
Profit/(Loss) before tax	28	24,464,093	37,774,769	(25,277,275)	10,642,648
Income tax expense	30	(19,060,885)	(19,187,690)	(5,344,148)	(251,388)
Profit/(Loss) for the year		5,403,208	18,587,079	(30,621,423)	10,391,260
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Actuarial gain from employee benefits		211,561	-	-	-
Foreign currency translation differences for foreign operations		4,901,134	(2,488,778)	191,380	80,726
Total other comprehensive income/(loss) for the year		5,112,695	(2,488,778)	191,380	80,726
Total comprehensive income/(loss) for the year		10,515,903	16,098,301	(30,430,043)	10,471,986

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013 (Cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) attributable to:					
Owners of the Company		5,525,874	18,678,564	(30,621,423)	10,391,260
Non-controlling interests		(122,666)	(91,485)	-	-
Profit/(Loss) for the year		<u>5,403,208</u>	<u>18,587,079</u>	<u>(30,621,423)</u>	<u>10,391,260</u>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		10,515,762	16,230,588	(30,430,043)	10,471,986
Non-controlling interests		141	(132,287)	-	-
Total comprehensive income/(loss) for the year		<u>10,515,903</u>	<u>16,098,301</u>	<u>(30,430,043)</u>	<u>10,471,986</u>
Basic earnings per ordinary share (sen)	31	<u>2.00</u>	<u>6.75</u>		

The notes on pages 79 to 160 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Group	Attributable to owners of the Company									
	Non-distributable					Distributable				
Note	Share capital RM	Share premium RM	Foreign exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM		
At 1 January 2012	138,381,722	13,910	1,165,886	(1,025,787)	52,837,439	191,373,170	5,903,135	197,276,305		
Foreign currency translation differences for foreign operations as previously reported	-	-	(2,447,976)	-	-	(2,447,976)	(40,802)	(2,488,778)		
Total other comprehensive loss for the year	-	-	(2,447,976)	-	-	(2,447,976)	(40,802)	(2,488,778)		
Profit for the year	-	-	-	-	18,678,564	18,678,564	(91,485)	18,587,079		
Total comprehensive income for the year	-	-	(2,447,976)	-	18,678,564	16,230,588	(132,287)	16,098,301		
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	149,224	149,224		
Dividend paid by subsidiary	-	-	-	-	-	-	(574,200)	(574,200)		
Total transactions with non controlling interests	-	-	-	-	-	-	(424,976)	(424,976)		
Share-based payment transactions	89,373	-	-	-	-	89,373	-	89,373		
Total contribution from owners of the Company	89,373	-	-	-	-	89,373	-	89,373		
Transfer to share premium for share options exercised	-	10,726	-	-	-	10,726	-	10,726		
At 31 December 2012	138,471,095	24,636	(1,282,090)	(1,025,787)	71,516,003	207,703,857	5,345,872	213,049,729		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013 (Cont'd)

Group	Note	Attributable to owners of the Company							Total equity RM
		Share capital RM	Share premium RM	Foreign exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	
At 1 January 2013		138,471,095	24,636	(1,282,090)	(1,025,787)	71,516,003	207,703,857	5,345,872	213,049,729
Foreign currency translation differences for foreign operations		-	-	4,788,905	-	-	4,788,905	112,229	4,901,134
Actuarial gain from employee benefits		-	-	-	-	200,983	200,983	10,578	211,561
Total other comprehensive income for the year		-	-	4,788,905	-	200,983	4,989,888	122,807	5,112,695
Profit for the year		-	-	-	-	5,525,874	5,525,874	(122,666)	5,403,208
Total comprehensive income for the year		-	-	4,788,905	-	5,726,857	10,515,762	141	10,515,903
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	172,062	172,062
Dividend paid by subsidiary		-	-	-	-	-	-	(191,400)	(191,400)
Total transactions with non controlling interests		-	-	-	-	-	-	(19,338)	(19,338)
Dividends to owners of the Company	32	-	-	-	-	(4,131,961)	(4,131,961)	-	(4,131,961)
Total distribution to owners of the Company		-	-	-	-	(4,131,961)	(4,131,961)	-	(4,131,961)
At 31 December 2013		138,471,095	24,636	3,506,815	(1,025,787)	73,110,899	214,087,658	5,326,675	219,414,333

The notes on pages 79 to 160 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Company	Note	Attributable to owners of the Company						Total equity RM
		Non-distributable		Foreign exchange translation reserve RM	Treasury shares	(Accumulated losses) RM		
		Share capital RM	Share premium RM					
At 1 January 2012		138,381,722	13,910	238,001	(1,025,787)	(71,959,774)	65,648,072	
Foreign currency translation differences for foreign operations		-	-	80,726	-	-	80,726	
Total other comprehensive income for the year		-	-	80,726	-	-	80,726	
Profit for the year		-	-	-	-	10,391,260	10,391,260	
Total comprehensive income for the year		-	-	80,726	-	10,391,260	10,471,986	
Share-based payment transactions		89,373	-	-	-	-	89,373	
Total contribution from owners of the Company		89,373	-	-	-	-	89,373	
Transfer to share premium for share options exercised		-	10,726	-	-	-	10,726	
At 31 December 2012/ 1 January 2013		138,471,095	24,636	318,727	(1,025,787)	(61,568,514)	76,220,157	
Foreign currency translation differences for foreign operations		-	-	191,380	-	-	191,380	
Total other comprehensive income for the year		-	-	191,380	-	-	191,380	
Loss for the year		-	-	-	-	(30,621,423)	(30,621,423)	
Total comprehensive loss for the year		-	-	191,380	-	(30,621,423)	(30,430,043)	
Dividends to owners of the Company	32	-	-	-	-	(4,131,961)	(4,131,961)	
Total distribution to owners of the Company		-	-	-	-	(4,131,961)	(4,131,961)	
At 31 December 2013		138,471,095	24,636	510,107	(1,025,787)	(96,321,898)	41,658,153	

The notes on pages 79 to 160 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities					
Profit /(Loss) before tax		24,464,093	37,774,769	(25,277,275)	10,642,648
Adjustments for:-					
Amortisation of prepaid lease payments		445,616	205,540	-	-
Depreciation of property, plant and equipment		9,904,692	9,913,158	814,644	762,653
Amortisation of biological assets		8,566,761	5,349,434	-	-
Bad debts written off		11,980,978	26,733	11,159,305	-
Property, plant and equipment written off		6	10,845	-	-
Interest expense	27	13,221,707	9,385,557	4,138,794	4,738,407
Loss on foreign exchange - unrealised		2,945,698	411,834	114,108	411,848
Negative goodwill recognised		(608,245)	-	-	-
Change in fair value of investment property		-	500,000	-	-
Employees benefits provision		1,784,233	-	-	-
Impairment of investment in subsidiary		-	-	12,034,610	-
Impairment of amount due from a subsidiary		-	-	3,911,500	-
Intangible assets written off		2,484,611	-	-	-
Dividend income		-	(3,900)	(13,176,692)	(25,000,110)
(Gain)/Loss on disposal of property, plant and equipment - net		(1,283,942)	(423,317)	1	(52,000)
Amortisation of transaction costs		121,825	-	-	-
Interest income	26	(2,551,203)	(1,946,763)	(73,245)	(84,451)
Share of (gain)/loss of equity-accounted investees, net of tax		(1,770)	1,541	-	-
Operating profit/(loss) before working capital changes		71,475,060	61,205,431	(6,354,250)	(8,581,005)
Changes in working capital:					
Decrease/(Increase) in inventories		2,340,107	(4,703,151)	-	-
(Increase)/Decrease in amount due from contract customers		(83,317,692)	(29,576,587)	7,497,547	(3,897,907)
Increase in property development costs		(3,171,175)	(2,544,585)	-	-
Increase in intangible assets		(278,150)	(5,002,546)	-	-
Decrease in amount due to contract customers		(1,855,583)	(2,089,640)	-	-
(Increase)/Decrease in trade and other receivables		(52,467,446)	(89,452)	15,799,298	9,203,753
Increase/(Decrease) in trade and other payables		497,029	3,832,613	(6,494,232)	40,896
Cash (used in)/generated from operations		(66,777,850)	21,032,083	10,448,363	(3,234,263)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2013 (Cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash (used in)/generated from operations (Cont'd)		(66,777,850)	21,032,083	10,448,363	(3,234,263)
Interest paid		(12,532,507)	(8,632,807)	(4,138,794)	(4,738,407)
Interest received		1,956,506	1,613,139	73,665	81,409
Income tax paid		(15,692,535)	(12,476,696)	(1,087,957)	(6,169,274)
Net cash (used in)/from operating activities		(93,046,386)	1,535,719	5,295,277	(14,060,535)
Cash flows from investing activities					
Effect of acquisition of subsidiaries, net of cash received		30,498	150,489	-	(350,512)
Investment in joint venture		(34,000)	-	(34,000)	-
Dividend received		-	3,900	-	-
New planting expenditure incurred	6	(4,597,491)	(9,907,216)	-	-
Addition of land held for development	5	(301,106)	(8,657,433)	-	-
Increase of investments in subsidiaries	10	-	-	(499,998)	(14,724,998)
Proceeds from disposal of property, plant and equipment		1,384,747	484,662	1	52,000
Acquisition of property, plant and equipment	(i)	(1,891,587)	(26,438,551)	(49,865)	(219,926)
Net cash used in investing activities		(5,408,939)	(44,364,149)	(583,862)	(15,243,436)
Cash flows from financing activities					
(Repayments to)/Advances from ultimate holding company		(127,724)	(241,686)	(149)	1,276
(Repayments to)/Advances from affiliates		(449,942)	181,419	-	24
(Repayments to)/Advances from subsidiaries		-	-	(119,822)	20,107,917
Decrease/(Increase) in pledged fixed deposits		18,206,682	3,342,062	(72,641)	(65,764)
Dividend paid	32	(4,131,961)	-	(4,131,961)	-
Dividend paid by subsidiary		-	(191,400)	-	-
Repayments of finance lease liabilities		(4,966,149)	(5,505,456)	(641,684)	(589,557)
Proceeds from drawdown of loans and borrowings		153,209,122	67,231,578	-	-
Repayments of loans and borrowings		(43,841,642)	(39,866,820)	-	-
Proceeds from issuance of shares		-	100,099	-	100,099
Net cash from/(used in) financing activities		117,898,386	25,049,796	(4,966,257)	19,553,995

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013 (Cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Net increase/(decrease) in cash and cash equivalents		19,443,061	(17,778,634)	(254,842)	(9,749,976)
Effects of exchange rate fluctuations on cash held		5,249,260	(1,565,275)	191,420	80,769
Cash and cash equivalents at beginning of the year		15,946,953	35,290,862	1,173,465	10,842,672
Cash and cash equivalents at end of the year	(ii)	<u>40,639,274</u>	<u>15,946,953</u>	<u>1,110,043</u>	<u>1,173,465</u>

(i) *Acquisition of property, plant and equipment*

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM4,020,467 (2012: RM31,968,751) and RM511,665 (2012: RM919,926) respectively, which were satisfied as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Finance lease liabilities	2,128,880	5,530,200	461,800	700,000
Cash payments	1,891,587	26,438,551	49,865	219,926
	<u>4,020,467</u>	<u>31,968,751</u>	<u>511,665</u>	<u>919,926</u>

(ii) *Cash and cash equivalents*

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Deposits placed with licensed banks	17	63,492,697	70,153,424	2,899,384	2,826,590
Cash and bank balances	17	39,347,347	27,947,651	1,104,884	1,168,459
		<u>102,840,044</u>	<u>98,101,075</u>	<u>4,004,268</u>	<u>3,995,049</u>
Less: Bank overdrafts	20	(17,564,069)	(19,310,739)	-	-
Pledged deposits	17	(44,636,701)	(62,843,383)	(2,894,225)	(2,821,584)
		<u>40,639,274</u>	<u>15,946,953</u>	<u>1,110,043</u>	<u>1,173,465</u>

The notes on pages 79 to 160 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Ahmad Zaki Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Menara AZRB
No. 71, Persiaran Jalan Gurney
54000 Kuala Lumpur

Registered office

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2013 do not include other entities.

The Company is principally engaged in investment holding, providing management services and as contractors of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

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

These financial statements were authorised for issue by the Board of Directors on 30 April 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRSs”) and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

FRSs, Interpretations and amendments effective for a date yet to be confirmed

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- FRS 9, *Financial Instruments – Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21 which is not applicable to the Group and the Company; and
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) **FRS 9, *Financial Instruments***

FRS 9 replaces the guidance in FRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of FRS 9.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(ii) FRS 132, *Financial Instruments: Presentation*

The amendments to FRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Company falls within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate* and MFRS 141, *Agriculture*. Therefore, the Company is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRSs") and is referred to as a "Transitioning Entity". Being a Transitioning Entity, the Company will adopt the MFRS and present its first set of MFRS financial statements when adoption of the aforesaid IC and MFRS is mandated by the MASB.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

As at 31 December 2013, the Company's current liabilities exceeded its current assets by RM42,902,080 mainly arising from amount due to subsidiaries. The Directors believe that the Group has the ability to provide the necessary liquidity to enable the Company to meet its obligations as and when they fall due.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(h)(ii) - valuation of investment property
- Note 2(n) - impairment of financial and other assets
- Note 2(r)(ii) - construction contracts revenue
- Note 2(t) - recognition of deferred tax assets

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted FRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of FRS 10. The adoption of FRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) Associates (Cont'd)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of the investments includes transaction costs.

(iv) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted FRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group and the Company accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of FRS 11. The adoption of FRS 11 has no significant impact to the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets

(a) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment (see note 2(n)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

The estimated useful lives for the current and comparative periods are at the following annual rates:

• Building	2%
• Renovation	20%
• Machinery and equipment	10% - 33.3%
• Motor vehicles	20% - 33.3%
• Furniture, fittings and equipment	6.7% - 20%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

As lessee

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As lessor

The Group shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

Initial direct costs are often incurred by the Group and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. These costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Land held for development

Land held for development consists of land or such portions thereof on which no development activity has been carried out or where development activities are not expected to be completed within the Company's operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for development is classified as 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 Group's operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(g) Biological assets

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised at cost as biological assets and is not amortised. Replanting expenditure is charged to profit or loss in the financial year in which the expenditure is incurred.

However, the capitalised costs will be amortised to profit or loss if the land on which the trees are planted is on a lease term. The amortisation is on a straight-line basis over the economic useful lives of the trees, or the remaining period of the lease, whichever is shorter.

(h) Investment property

(i) Investment property carried at fair value

Investment property is property which is owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investment property (Cont'd)

(i) Investment property carried at fair value (Cont'd)

Investment property is measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(i) Intangible assets

(i) Concession asset

Concession asset comprising highway concession is stated at cost less any accumulated amortisation and any impairment losses.

Highway concession cost include expenditure that is directly incurred in the design and construction of the East Klang Valley Expressway. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial year in which they are incurred.

The highway concession cost will be amortised when the highway is ready for its intended use or when toll collection starts whichever is earlier.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the highway concession is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(n)(ii) to the financial statements on the impairment of other assets.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangible assets (Cont'd)

(ii) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investees.

(j) Inventories

(i) Marine fuels and lubricants

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(ii) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportion of common costs attributable to developing the properties to completion.

(k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(l) Property development costs

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Property development costs (Cont'd)

When the financial outcome of a development activity can be reliably estimated, development revenue and costs are recognised in the profit or loss by reference to the stage of development activity at the reporting date.

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

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

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

Accrued billings as current assets represent the excess of revenue recognised in the profit or loss over billings to purchasers. Progress billings as current liabilities represent the excess of billings to purchasers over revenue recognised in the profit or loss.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(n) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries, investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

For the determination of impairment on receivables, the Company assesses individually each receivables whether objective evidence of impairment exists at the end of each reporting period. An impairment loss in respect of loans and receivables is recognized in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment (Cont'd)

(i) Financial assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment (Cont'd)

(ii) Other assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(o) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

As a result of FRS 119 (2011), *Employee Benefits*, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

The Group's net obligation in respect of defined benefit plan of an overseas subsidiary calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments, if any.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (Cont'd)

(iii) Defined benefit plans (Cont'd)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Shared-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Provisions (Cont'd)

(ii) Performance guarantees and bonds

Provisions for performance guarantees and bonds are recognised when crystallisation is probable. When crystallisation is possible, the performance guarantees and bonds are disclosed as contingent liabilities.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(r) Revenue and other income recognition

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue and other income recognition (Cont'd)

(iii) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the developed units 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 immediately in profit or loss.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) **Borrowing costs (Cont'd)**

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) **Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

When investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Fair value measurements

From 1 January 2013, the Group adopted FRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of FRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of FRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures in Notes 7 and 34.7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings and renovation	Machinery and equipment	Motor vehicles	Furniture, fittings and equipment	Building under construction	Total
	RM	RM	RM	RM	RM	RM	RM
Cost							
At 1 January 2012	11,731,241	10,247,579	37,307,639	32,412,386	5,479,407	24,464,120	121,642,372
Additions	-	-	2,012,306	5,150,108	1,219,876	23,586,461	31,968,751
Disposals	-	-	(85,000)	(1,283,227)	-	-	(1,368,227)
Written off	-	-	-	-	(41,908)	-	(41,908)
Transfer to/(from)	-	48,050,581	-	-	-	(48,050,581)	-
Effect of movements in exchange rates	-	(408,762)	(517,207)	(99,268)	(76,131)	-	(1,101,368)
At 31 December 2012/ 1 January 2013	11,731,241	57,889,398	38,717,738	36,179,999	6,581,244	-	151,099,620
Reclassification	-	-	3,776,899	(3,776,899)	-	-	-
Acquisition of new subsidiary	-	-	887,056	229,161	44,516	-	1,160,733
Additions	-	107,047	1,316,931	2,193,746	298,343	104,400	4,020,467
Disposals	-	-	(1,496,900)	(5,177,723)	-	-	(6,674,623)
Written off	-	(45,365)	(498,070)	-	(161,118)	-	(704,553)
Effect of movements in exchange rates	-	(582,420)	(111,359)	(120,084)	(67,172)	-	(881,035)
At 31 December 2013	11,731,241	57,368,660	42,592,295	29,528,200	6,695,813	104,400	148,020,609

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Buildings and renovation RM	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Accumulated depreciation							
At 1 January 2012	-	4,300,065	29,922,305	18,220,952	4,543,329	-	56,986,651
Depreciation for the year	-	547,697	5,023,563	3,905,196	451,316	-	9,927,772
Disposals	-	-	(65,167)	(1,241,715)	-	-	(1,306,882)
Written off	-	-	-	-	(31,063)	-	(31,063)
Effect of movements in exchange rates	-	(99,304)	(392,986)	(42,937)	(54,808)	-	(590,035)
At 31 December 2012/ 1 January 2013	-	4,748,458	34,487,715	20,841,496	4,908,774	-	64,986,443
Reclassification	-	-	758,468	(758,468)	-	-	-
Depreciation for the year	-	1,378,000	3,968,948	3,997,361	560,383	-	9,904,692
Disposals	-	-	(1,461,852)	(5,111,966)	-	-	(6,573,818)
Written off	-	(45,364)	(498,070)	-	(161,113)	-	(704,547)
Effect of movements in exchange rates	-	(222,756)	(139,290)	(59,934)	(67,740)	-	(489,720)
At 31 December 2013	-	5,858,338	37,115,919	18,908,489	5,240,304	-	67,123,050
Carrying amounts							
At 31 December 2012	11,731,241	53,140,940	4,230,023	15,338,503	1,672,470	-	86,113,177
At 31 December 2013	11,731,241	51,510,322	5,476,376	10,619,711	1,455,509	104,400	80,897,559

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
Cost				
At 1 January 2012	47,322	4,305,569	362,636	4,715,527
Additions	-	919,926	-	919,926
Disposals	-	(264,973)	-	(264,973)
Effect of movements in exchange rates	(2,007)	-	(1,455)	(3,462)
At 31 December 2012/1 January 2013	45,315	4,960,522	361,181	5,367,018
Additions	-	511,665	-	511,665
Disposal	-	(919,227)	-	(919,227)
Effect of movements in exchange rates	(2,212)	-	(1,604)	(3,816)
At 31 December 2013	43,103	4,552,960	359,577	4,955,640
Accumulated depreciation				
At 1 January 2012	47,322	2,070,178	341,702	2,459,202
Depreciation for the year	-	751,928	10,725	762,653
Written off	-	(264,973)	-	(264,973)
Effect of movements in exchange rates	(2,007)	-	(1,420)	(3,427)
At 31 December 2012/1 January 2013	45,315	2,557,133	351,007	2,953,455
Depreciation for the year	-	805,249	9,395	814,644
Disposal	-	(919,225)	-	(919,225)
Effect of movements in exchange rates	(2,944)	-	(834)	(3,778)
At 31 December 2013	42,371	2,443,157	359,568	2,845,096
Carrying amounts				
At 31 December 2012	-	2,403,389	10,174	2,413,563
At 31 December 2013	732	2,109,803	9	2,110,544

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment are:

- (i) the cost and the net carrying amount of property, plant and equipment under finance lease arrangements as follows:

	Machinery and equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
Group				
2013				
Cost	6,961,260	20,614,776	54,123	27,630,159
Net carrying amount	4,083,140	10,474,480	42,813	14,600,433
2012				
Cost	10,294,578	19,117,146	-	29,411,724
Net carrying amount	3,802,792	12,019,298	-	15,822,090
Company				
2013				
Cost	-	4,348,443	-	4,348,443
Net carrying amount	-	2,109,798	-	2,109,798
2012				
Cost	-	3,836,779	-	3,836,779
Net carrying amount	-	2,403,383	-	2,403,383

- (ii) freehold land and buildings of the Group with total net carrying amounts of RM60,065,625 (2012: RM59,638,403) charged to financial institutions as securities for banking facilities granted to its subsidiaries as disclosed in Note 20(a)(ii).

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

4. PREPAID LEASE PAYMENTS

	Group	
	2013	2012
	RM	RM
Cost		
At 1 January	12,014,517	12,289,552
Effect of movements in exchange rates	(391,882)	(275,035)
At 31 December	<u>11,622,635</u>	<u>12,014,517</u>
Accumulated amortisation		
At 1 January	2,824,175	2,385,078
Amortisation during the year	445,616	452,756
Effect of movements in exchange rates	(46,107)	(13,659)
At 31 December	<u>3,223,684</u>	<u>2,824,175</u>
Carrying amount		
At 31 December	<u>8,398,951</u>	<u>9,190,342</u>
Analysed as follows:		
Short term leasehold land	<u>8,398,951</u>	<u>9,190,342</u>

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

5. LAND HELD FOR DEVELOPMENT

The land held for development represents freehold land that was acquired in 2012 and earmarked for future commercial development. It is pledged to the bank for the term loan facility granted to the Group as disclosed in Note 20(a)(vi).

	Group	
	Freehold land	
	2013	2012
	RM	RM
At 1 January	8,657,433	-
Addition	301,106	8,657,433
At 31 December	<u>8,958,539</u>	<u>8,657,433</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

6. BIOLOGICAL ASSETS

	Group	
	2013	2012
	RM	RM
Cost		
At 1 January	131,428,182	121,259,136
Additions	4,597,491	9,907,216
Effect of movement in exchange rates	1,505,082	261,830
At 31 December	<u>137,530,755</u>	<u>131,428,182</u>
Accumulated amortisation		
At 1 January	5,842,305	492,871
Amortisation during the year	8,566,761	5,349,434
Effect of movement in exchange rates	(129,885)	-
At 31 December	<u>14,279,181</u>	<u>5,842,305</u>
Carrying amount		
At 31 December	<u>123,251,574</u>	<u>125,585,877</u>

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

Included in the additions of biological assets (before amortisation) for the year are:

	Group	
	2013	2012
	RM	RM
Amortisation of prepaid lease payments	-	247,216
Depreciation of property, plant and equipment	-	14,614
Staff costs	1,055,671	1,751,832
	<u>1,055,671</u>	<u>1,751,832</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

7. INVESTMENT PROPERTY

	Group	
	2013	2012
	RM	RM
At fair value		
At 1 January	18,000,000	18,500,000
Change in fair value recognised in profit or loss	-	(500,000)
At 31 December	<u>18,000,000</u>	<u>18,000,000</u>
Included in the above are:		
Hotel property		
Freehold land	793,912	793,912
Hotel buildings	<u>17,206,088</u>	<u>17,206,088</u>
At 31 December	<u>18,000,000</u>	<u>18,000,000</u>

Investment property comprises a hotel property that is leased to a third party. The lease contains an initial non-cancellable period of ten (10) years. Subsequent renewals are negotiated with the lessee and on average renewal periods are for three (3) years. The lease has a minimum base rental and a contingent rental based on an agreed percentage of the net profit of the lessee. The fair value of investment property is determined based on market value.

The following are recognised in profit or loss in respect of investment property:

	2013	2012
	RM	RM
Rental income	(24,000)	(172,365)
Direct operating expenses	<u>134,884</u>	<u>1,499,815</u>

The hotel property is charged to financial institutions as security for facilities granted to a subsidiary as disclosed in Note 20(c).

Fair value information

Fair value of investment property is categorised as follows:

	2013			
	Level 1	Level 2	Level 3	Total
Group				
Freehold land and Hotel buildings	-	-	18,000,000	<u>18,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

7. INVESTMENT PROPERTY (CONT'D)

Fair value information (cont'd)

There is no comparative figure of fair value information presented, by virtue of transactional provision given in Appendix C2 of FRS 13.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment property that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property. The reconciliation of Level 3 fair value is not disclosed as there were no transfers in or out, additions and disposals of investment property carried at Level 3 fair value.

Level 3 fair values are generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment property is determined by independent property valuers, having appropriate recognised professional qualifications, using the comparison approach where comparison is made of the property under valuation with sale of other similar properties. The independent property valuer provides the fair value of the Group's investment property portfolio every twelve (12) months. Changes in Level 3 fair values are analysed by the management every twelve (12) months after obtaining valuation report from the independent property valuer.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

8. INTANGIBLE ASSETS

	Group	
	2013	2012
	RM	RM
At cost		
At 1 January	5,002,546	-
Additions	278,150	5,002,546
Write off	(2,484,611)	-
At 31 December	<u>2,796,085</u>	<u>5,002,546</u>

This represents the expenditure incurred to procure the concession rights (license) for collection of toll over a concession period of fifty (50) years from the Government of Malaysia in exchange for services to be rendered in connection with the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway pursuant to the Concession Agreement signed on 13 February 2013.

9. GOODWILL

	Group	
	2013	2012
	RM	RM
At cost		
At 1 January	3,747,557	3,744,605
Addition arising from acquisition of new subsidiary	-	2,952
At 31 December	<u>3,747,557</u>	<u>3,747,557</u>

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

The aggregate carrying amounts of goodwill allocated to each subsidiary are as follows:

	Group	
	2013	2012
	RM	RM
Malaysian quarry business unit	2,893,983	2,893,983
Multiple business units without significant goodwill	853,574	853,574
	<u>3,747,557</u>	<u>3,747,557</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

9. GOODWILL (CONT'D)

The recoverable amount of the Malaysian quarry business unit is calculated at fair value less costs of disposal using the quarry land held as basis. The fair value less costs of disposal is estimated based on the bid price of other quarry land within the vicinity of where the Group's quarry land is located.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost		
At 1 January	97,536,689	82,461,179
Addition of new subsidiary	80,000	350,512
Capital injection for existing subsidiary/(ies)	419,998	14,724,998
At 31 December, at cost	98,036,687	97,536,689
Less : Allowance for impairment loss	(12,034,610)	-
Net	86,002,077	97,536,689

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest	
			2013 %	2012 %
Ahmad Zaki Sdn. Bhd.	Contractors of civil and structural construction works	Malaysia	100	100
Inter-Century Sdn. Bhd.	Dealer of marine fuels and lubricants	Malaysia	100	100
Tadok Granite Manufacturing Sdn. Bhd.	Dormant	Malaysia	100	100
AZRB International Ventures Sdn. Bhd.	Investment holding	Malaysia	100	100
Trend Vista Development Sdn. Bhd.	Dormant	Malaysia	100	100
P.T. Ichtiar Gusti Pudi**	Oil palm cultivation	Republic of Indonesia	95	95
Ahmad Zaki Saudi Arabia Co. Ltd.**@	Contractors of civil and structural works	Kingdom of Saudi Arabia	95	95

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest	
			2013 %	2012 %
Peninsular Medical Sdn. Bhd.	Undertake design, development and the construction of a teaching hospital as well as to carry out the related maintenance services subsequent to the completion of teaching hospital	Malaysia	100	100
AZRB Properties Sdn. Bhd.	Dormant	Malaysia	100	100
EKVE Sdn. Bhd.	Engaged in the business of construction, establishment, operation, maintenance and management of highway	Malaysia	100	100
Unggul Energy & Construction Sdn. Bhd.	Dormant	Malaysia	100	100
Temala Development Sdn. Bhd.*	Dormant	Malaysia	70	70
Betanz Properties Sdn. Bhd.	Property development	Malaysia	51	51
Peninsular Prokonsult Sdn. Bhd.	Project management services	Malaysia	100	100
Held through Ahmad Zaki Sdn. Bhd.				
Kemaman Technology & Industrial Park Sdn. Bhd.*	Property development	Malaysia	60	60
AZSB Machineries Sdn. Bhd.	Rental of machineries	Malaysia	100	100
Peninsular Precast Sdn. Bhd.	Fabricating and marketing of Industrial Building Products and System ("IBS")	Malaysia	80	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest	
			2013 %	2012 %
Held through Inter-Century Sdn. Bhd.				
Astral Far East Sdn. Bhd.	Dealer of lubricants and petroleum-based products	Malaysia	100	100
Held through AZRB International Ventures Sdn. Bhd.				
AZRB Construction (India) Pvt. Ltd.**	Dormant	India	100	100
Ahmad Zaki Saudi Arabia Co. Ltd.**@	Contractors of civil and structural works	Kingdom of Saudi Arabia	5	5

* Not audited by KPMG Malaysia.

** Not audited by member firms of KPMG International.

@ Wholly owned subsidiary of the Group. The disposal in prior year was in respect of the transfer of 5,000 shares of Saudi Riyal 500 each in Ahmad Zaki Saudi Arabia Co. Ltd. to its wholly owned subsidiary, AZRB International Ventures Sdn. Bhd. The transfer of shares is still in progress.

11. INVESTMENTS IN ASSOCIATES

	Group	
	2013 RM	2012 RM
Unquoted shares, at cost		
At 1 January/31 December	110,000	110,000
Share of post-acquisition reserves	50,885	49,115
	<u>160,885</u>	<u>159,115</u>

Goodwill included within the Group's carrying amount of investments in associates is as follows:

	Group	
	2013 RM	2012 RM
Goodwill on acquisition		
At 1 January/31 December	<u>8,056</u>	<u>8,056</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

11. INVESTMENTS IN ASSOCIATES (CONT'D)

The details of the associates, all incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Effective ownership interest	
		2013 %	2012 %
Held through Ahmad Zaki Sdn. Bhd.			
Fasatimur Sdn. Bhd.	Dormant	50	50
Maxi Heritage Sdn. Bhd.	Dormant	20	20

Summarised financial information of associates, not adjusted for the percentage ownership held by the Group:

	Effective ownership interest	Revenue (100%) RM	Loss (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2013					
Fasatimur Sdn. Bhd.	50%	-	3,539	586,345	(294,674)
Maxi Heritage Sdn. Bhd.	20%	-	-	119,408	(84,400)
2012					
Fasatimur Sdn. Bhd.	50%	-	3,628	594,000	(302,785)
Maxi Heritage Sdn. Bhd.	20%	-	1,100	119,408	(84,400)

12. INTERESTS IN JOINT VENTURES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Investment cost				
At 1 January	-	-	-	-
Investment during the year	34,000	-	34,000	-
At 31 December	34,000	-	34,000	-
Share of post-acquisition results in joint ventures	(288,352)	(288,352)	-	-
At 31 December	(254,352)	(288,352)	34,000	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

12. INTERESTS IN JOINT VENTURES (CONT'D)

The Group has a 50%, 70% and 34% interest in the jointly-controlled entities as mentioned in (i), (ii) and (iii) respectively:

- (i) BumiHiway - Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor; and
 - (ii) Ahmad Zaki - Jasa Bakti Joint Venture which undertakes the design and building of "Sekolah Menengah Sains Hulu Terengganu" in Terengganu.
 - (iii) Peninsular IFM Sdn. Bhd. ("PIFM") which intends to engage in integrated facilities management services. As at the date of reporting period, PIFM remain dormant.
- (a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows:
- (i) Share of the assets and liabilities

	Group	
	2013	2012
	RM	RM
Current assets		
Other receivables, deposits and prepayments	7,860	7,860
Cash and cash equivalents	1,328,646	1,294,646
	1,336,506	1,302,506
Current liabilities		
Trade payables	1,575,072	1,575,072
Other payables and accruals	15,786	15,786
	1,590,858	1,590,858
Share of net liabilities of the joint ventures	(254,352)	(288,352)

- (ii) Share of the revenue and expenses

	Group	
	2013	2012
	RM	RM
Attributable contract revenue	-	-
Attributable contract costs	-	-
Share of profit for the year	-	-

All the projects under the joint ventures (i) and (ii) have been completed in previous years and currently pending finalisation of the joint ventures accounts.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares in Malaysia, at cost				
At 1 January	8,547,500	8,547,500	8,500,000	8,500,000
Less: Allowance for impairment losses	(8,500,000)	(8,500,000)	(8,500,000)	(8,500,000)
At 31 December	47,500	47,500	-	-
Club membership	68,000	68,000	68,000	68,000
	<u>115,500</u>	<u>115,500</u>	<u>68,000</u>	<u>68,000</u>

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

14. TRADE AND OTHER RECEIVABLES

	Group	
	2013 RM	2012 RM
Non - current		
Trade receivable	<u>11,573,208</u>	<u>8,722,322</u>

The amount consists of capital expenditure incurred on behalf of a customer for the construction of a teaching hospital under the Private Financing Initiative that are only due for payment upon completion of the teaching hospital which is expected to be in Year 2016.

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Current					
Trade					
External parties	a	35,961,943	33,006,846	2,822,831	6,467,823
Amount due from contract customers	b	326,202,512	242,593,781	16,095,820	23,593,367
Amount due from a joint venture	c	49,773	49,773	-	-
		<u>362,214,228</u>	<u>275,650,400</u>	<u>18,918,651</u>	<u>30,061,190</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

14. TRADE AND OTHER RECEIVABLES (CONT'D)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-trade					
Amount due from:					
Ultimate holding company	d	333,744	206,020	134,867	134,718
Subsidiaries	d	-	-	150,383,145	150,475,347
Associate	e	20,000	20,000	-	-
Affiliates	f	705,753	420,536	3,697	3,697
		1,059,497	646,556	150,521,709	150,613,762
Other receivables		82,805,224	47,988,468	55,838,019	64,099,781
Deposits		2,278,353	1,726,293	47,861	49,066
Prepayments		2,191,183	4,069,092	1,084,900	3,073,382
		450,548,485	330,080,809	226,411,140	247,897,181

Included in other receivables of current year as shown below is the award issued by the sole arbitrator of the International Court of Arbitration under the International Chamber of Commerce in 2013 pertaining to the arbitration initiated by the Group in year 2011 against a particular contract customer pertaining to the development of a university campus in Saudi Arabia. The Group, through its external legal counsels in Saudi Arabia, has filed the arbitrator award with the local Saudi court on 2 February 2014 in order to obtain an enforcement order. Based on the advice from its external legal counsels, the Group is of the view that it is reasonable to expect that the local court in Saudi Arabia will issue the enforcement order within 6 months from the date the arbitrator award was filed and the Group can proceed with legal recovery.

	Note	Group		Company	
		2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
External parties		-	7.7	-	-
Amount due from contract customers		-	45.5	-	-
Other receivables		78.6	44.7	39.2	44.7
		78.6	97.9	39.2	44.7

Note a

The Group's and the Company's normal credit term granted to customers ranges from 60 to 90 days (2012: 60 to 90 days).

Included in trade receivables from external parties at 31 December 2013 are retention sums of the Group and of the Company of RM18,687,580 (2012: RM17,576,840) and RM2,822,831 (2012: RM2,822,831) respectively relating to construction work-in-progress.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

14. TRADE AND OTHER RECEIVABLES (CONT'D)

Retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle as analysed below:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Within 1 year	2,822,831	2,822,831	2,822,831	2,822,831
1 - 2 years	2,999,450	2,999,450	-	-
2 - 3 years	-	-	-	-
3 - 4 years	-	10,056,963	-	-
More than 5 years	12,865,299	1,697,596	-	-
	<u>18,687,580</u>	<u>17,576,840</u>	<u>2,822,831</u>	<u>2,822,831</u>

Note b

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Aggregate costs incurred to-date		3,328,177,859	2,940,493,421	417,502,189	423,439,032
Add: Attributable profits		303,784,703	259,025,006	30,864,016	31,623,115
Less: Foreseeable losses		(1,450,000)	(210,556)	-	-
		<u>3,630,512,562</u>	<u>3,199,307,871</u>	<u>448,366,205</u>	<u>455,062,147</u>
Less: Progress billings		<u>(3,324,019,379)</u>	<u>(2,978,279,002)</u>	<u>(432,270,385)</u>	<u>(431,468,780)</u>
		<u>306,493,183</u>	<u>221,028,869</u>	<u>16,095,820</u>	<u>23,593,367</u>
Represented by:					
Amount due from contract customers		326,202,512	242,593,781	16,095,820	23,593,367
Amount due to contract customers	23	(19,709,329)	(21,564,912)	-	-
		<u>306,493,183</u>	<u>221,028,869</u>	<u>16,095,820</u>	<u>23,593,367</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

14. TRADE AND OTHER RECEIVABLES (CONT'D)

Included in additions to aggregate costs incurred to-date are the following amounts charged during the year:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff costs	25,038,384	19,919,052	-	-
Rental of premises	463,168	723,785	-	-
Running cost of machinery	22,206,081	19,101,021	-	-
Rental of motor vehicles	4,499	22,330	-	-

Note c

The amount is unsecured, interest-free and repayable on demand.

Note d

These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

Note e

The amount is due from Maxi Heritage Sdn. Bhd. which is unsecured, interest-free and repayable on demand.

Note f

Affiliates are companies which have common Directors and shareholders as that of the Company. The amount is unsecured, interest-free and repayable on demand.

15. INVENTORIES

	Group	
	2013 RM	2012 RM
At cost:		
Completed properties	2,543,238	2,840,963
Marine fuels and lubricants	8,961,703	11,213,915
Consumable goods	809,913	600,083
	<u>12,314,854</u>	<u>14,654,961</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>61,146,280</u>	<u>76,079,296</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

16. PROPERTY DEVELOPMENT COSTS

	Group	
	2013	2012
	RM	RM
Development costs:		
At 1 January	19,439,671	14,873,143
Costs incurred during the year	8,073,058	7,246,052
At 31 December	27,512,729	22,119,195
Costs recognised in profit or loss		
- prior years	(10,616,048)	(8,594,105)
- current year	(4,901,883)	(2,021,943)
	(15,517,931)	(10,616,048)
	11,994,798	11,503,147
Transfer to inventories of completed units	-	(2,679,524)
At 31 December	11,994,798	8,823,623

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Deposits placed with licensed banks	63,492,697	70,153,424	2,899,384	2,826,590
Cash and bank balances	39,347,347	27,947,651	1,104,884	1,168,459
	102,840,044	98,101,075	4,004,268	3,995,049

Included in deposits placed with licensed banks of the Group are deposits of RM44,636,701 (2012: RM62,843,383) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the Group as disclosed in Note 20.

Included in deposits placed with licensed banks of the Company are deposits of RM2,894,225 (2012: RM2,821,584) which have been pledged to financial institutions as security for the overdraft facility granted to its subsidiary as disclosed in Note 20(c).

The deposits placed with licensed banks of the Group and of the Company bear effective interest rates ranging from 2.50% to 3.68% (2012: 2.55% to 3.50%) and 2.55% to 3.05% (2012: 2.55% to 3.05%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

18. SHARE CAPITAL

	Group and Company			
	Amount 2013 RM	Number of shares 2013	Amount 2012 RM	Number of shares 2012
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January/31 December	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Issued and fully paid-up:				
At 1 January	138,471,095	276,942,189	138,381,722	276,763,442
Issue of shares under ESOS Scheme	-	-	89,373	178,747
At 31 December	138,471,095	276,942,189	138,471,095	276,942,189

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

19. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable:				
Share premium	24,636	24,636	24,636	24,636
Foreign exchange translation reserve	3,506,815	(1,282,090)	510,107	318,727
Treasury shares	(1,025,787)	(1,025,787)	(1,025,787)	(1,025,787)
Retained earnings/(Accumulated losses)	73,110,899	71,516,003	(96,321,898)	(61,568,514)
	75,616,563	69,232,762	(96,812,942)	(62,250,938)

The movements of each category of the reserves are disclosed in the statements of changes in equity.

Share premium

Share premium arose from the issuance of shares at a premium.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

19. RESERVES (CONT'D)

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

There was no repurchase of the Company's shares during the financial year.

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

Of the total 276,942,189 (2012: 276,942,189) issued and fully paid-up ordinary shares as at 31 December 2013, 1,478,100 (2012: 1,478,100) shares are held as treasury shares by the Company. As at 31 December 2013, the number of outstanding ordinary shares in issue after the set off is therefore 275,464,089 (2012: 275,464,089) ordinary shares of RM0.50 each.

20. LOANS AND BORROWINGS

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-current					
Term loans	a	222,817,850	136,389,293	-	-
Finance lease liabilities	b	7,337,325	9,570,039	1,143,409	1,414,774
		<u>230,155,175</u>	<u>145,959,332</u>	<u>1,143,409</u>	<u>1,414,774</u>
Current					
Term loans	a	15,664,968	14,968,364	-	-
Finance lease liabilities	b	4,371,506	4,792,089	700,064	608,583
Bank overdrafts	c	17,564,069	19,310,739	-	-
Trust receipts	d	1,168,602	412,981	-	-
Revolving credits and Murabahah facilities	e	21,955,600	-	-	-
		<u>60,724,745</u>	<u>39,484,173</u>	<u>700,064</u>	<u>608,583</u>
		<u>290,879,920</u>	<u>185,443,505</u>	<u>1,843,473</u>	<u>2,023,357</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

20. LOANS AND BORROWINGS (CONT'D)

Note a

		Group	
	Note	2013 RM	2012 RM
Term loan - I	(i)	28,993,824	4,855,944
Term loan - II	(ii)	26,002,290	17,353,636
Term loan - III	(iii)	75,318,396	86,110,000
Term loan - IV	(iv)	92,629,684	28,639,982
Term loan - V	(v)	7,602,735	7,602,735
Term loan - VI	(vi)	6,795,360	6,795,360
Term loan - VII	(vii)	1,140,529	-
		238,482,818	151,357,657

The term loans of the Group comprise the followings:

- (i) **Term loan I** is denominated in USD and IDR which bears interest at 10.25% and 5.04% (2012: Nil and 5.52%) per annum respectively. The term loan is repayable within a period of 108 months upon full disbursement and is secured by corporate guarantee from the Company.
- (ii) **Term loan II** bears interest at 5.35% (2012: 6.70%) per annum. The term loan was refinanced during the year with monthly repayable tenure extended to 84 installments which commenced from July 2013 and is secured and supported by:
 - (a) first legal charge on freehold land and buildings of its subsidiary as disclosed in Note 3; and
 - (b) corporate guarantee from the Company.
- (iii) **Term loan III** bears interest at 5.05% (2012: 5.04%) per annum. The term loan is repayable in equal quarterly installments over 9 years which commenced from September 2011 and is secured and supported by:
 - (a) corporate guarantee from the Company,
 - (b) memorandum of charge on the shares of a subsidiary.
- (iv) **Term loan IV** bears interest ranging from 5.40% - 5.80% (2012: 5.40% - 5.72%) per annum and is repayable on quarterly basis by 44 installments commencing on the 51st month from the first date of loan disbursement in July 2012.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

20. LOANS AND BORROWINGS (CONT'D)

Note a (Cont'd)

- (v) **Term loan V** bears interest ranging from 5.40% - 5.80% (2012: 5.40% - 5.72%) per annum and is repayable on lump sum basis either on the 60th month from the first date of loan disbursement in July 2012 or upon receipt of reimbursable cost from contract customer, whichever is earlier.

Both Term loan IV and V are secured and supported by:

- (a) fixed and floating charges over all present and future assets of a subsidiary,
 - (b) legal assignment over designated bank accounts and rights, titles, interests and benefits under applicable insurance policies; and
 - (c) corporate guarantee from the Company until the expiry of the defect liability period of the project.
- (vi) **Term loan VI** bears interest ranging from 4.80% (2012: 4.79%) per annum. The term loan is repayable on semi-annually basis by sixteen (16) installments commencing from May 2015.

The above term loan is secured by way of:

- (a) a first party legal charge over the land held for development as disclosed in Note 5,
 - (b) legal assignment of rights in rental proceeds to be derived from the future commercial development on the land; and
 - (c) corporate guarantee from the Company.
- (vii) **Term loan VII** is interest free and repayable by sixty (60) monthly installments commencing from July 2014.

The above term loan is secured by way of:

- (a) a debenture on a subsidiary's current and future fixed and floating assets,
- (b) deposit placed with a financial institution of a subsidiary; and
- (c) personal guarantee from the Directors of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

20. LOANS AND BORROWINGS (CONT'D)

Note b

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2013 RM	Interest 2013 RM	Present value of minimum lease payments 2013 RM	Future minimum lease payments 2012 RM	Interest 2012 RM	Present value of minimum lease payments 2012 RM
Group						
Less than one year	4,876,650	(505,144)	4,371,506	5,418,748	(626,659)	4,792,089
Between one and five years	7,818,541	(481,216)	7,337,325	10,295,733	(725,694)	9,570,039
	12,695,191	(986,360)	11,708,831	15,714,481	(1,352,353)	14,362,128
Company						
Less than one year	770,554	(70,490)	700,064	693,212	(84,629)	608,583
Between one and five years	1,209,232	(65,823)	1,143,409	1,503,293	(88,519)	1,414,774
	1,979,786	(136,313)	1,843,473	2,196,505	(173,148)	2,023,357

Note c

The bank overdraft facilities are repayable on demand and bear interest ranging from 6.65% - 8.10% (2012: 6.65% - 7.85%) per annum. One of the bank overdraft facilities is secured by freehold land and hotel building as disclosed in Note 7 and deposits placed with licensed banks of the Company and a subsidiary; while the other bank overdraft facility is secured by a corporate guarantee from the Company.

Note d

The trust receipts of the Group are repayable within 120 - 180 days and bear interest at 7.40% - 7.90% (2012: 7.60%) per annum. These facilities are secured and supported by:

- (i) deposits placed with licensed banks of a subsidiary; and
- (ii) corporate guarantee from the Company.

Note e

The revolving credit and murabahah facilities are repayable on demand and bear profit rates ranging from 5.41% - 6.16% (2012: Nil) per annum. These facilities are secured by corporate guarantee from the Company and assignment of projects proceeds of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

21. EMPLOYEE BENEFITS

Retirement benefits

	Group	
	2013	2012
	RM	RM
Net defined benefit liability	1,294,851	-

The Group's subsidiary in Indonesia makes provision for non-contributory defined benefit plan that provide pension benefits for employees upon retirement, death, disability and voluntary resignation as required under Labour Law No. 13/2003 of the Republic of Indonesia. The plan entitles an employee to receive payment according to the years of service.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

Movement in net defined benefit liability

	Defined benefit obligation	
	2013	2012
	RM	RM
Group		
At 1 January	-	-
Included in profit and loss		
Current service cost	1,652,416	-
Past service credit	131,817	-
	1,784,233	-
Included in other comprehensive income		
Remeasurement loss/(gain)		
- Actuarial (gain)/loss arising from		
- Financial assumptions	(398,517)	-
- Experience adjustments	186,956	-
Effect of movements in exchange rate	(277,821)	-
	(489,382)	-
At 31 December	1,294,851	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

22. DEFERRED TAX ASSETS/(LIABILITIES)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
At 1 January		10,484,013	8,014,475	4,613,348	4,546,169
Arising from acquisition of new subsidiary		91,377	-	-	-
Recognised in profit or loss:					
- Origination and reversal of temporary differences	30	(419,240)	2,128,292	(2,100,048)	66,323
- Under/(Over) provision in prior year	30	1,331,677	246,529	(2,321)	856
Effect of movements in exchange rates		1,263,994	94,717	-	-
At 31 December		<u>12,751,821</u>	<u>10,484,013</u>	<u>2,510,979</u>	<u>4,613,348</u>

Recognised deferred tax assets/(liabilities)

Group	Assets		Liabilities		Net	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
Tax loss carry-forward	10,684,027	2,976,412	-	-	10,684,027	2,976,412
Taxable temporary differences	-	-	(14,176,655)	(5,637,892)	(14,176,655)	(5,637,892)
Property, plant and equipment	319,993	319,993	(2,151,838)	(447,929)	(1,831,845)	(127,936)
Fair value adjustment of investment property	-	-	(494,140)	(494,140)	(494,140)	(494,140)
Employee benefits	267,249	-	-	-	267,249	-
Fair value adjustment in respect of acquisition of subsidiary	-	-	(2,610,777)	(2,610,777)	(2,610,777)	(2,610,777)
Derecognition of results of joint venture in MCHJV*	-	-	(4,589,680)	(4,589,680)	(4,589,680)	(4,589,680)
Tax assets/(liabilities)	<u>11,271,269</u>	<u>3,296,405</u>	<u>(24,023,090)</u>	<u>(13,780,418)</u>	<u>(12,751,821)</u>	<u>(10,484,013)</u>
Set off of tax	(359,708)	(319,993)	359,708	319,993	-	-
Net tax assets/(liabilities)	<u>10,911,561</u>	<u>2,976,412</u>	<u>(23,663,382)</u>	<u>(13,460,425)</u>	<u>(12,751,821)</u>	<u>(10,484,013)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

22. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Recognised deferred tax assets/(liabilities) (Cont'd)

Company	Assets		Liabilities		Net	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
Property, plant and equipment	-	-	(23,668)	(23,668)	(23,668)	(23,668)
Tax loss carry-forward	2,102,369	-	-	-	2,102,369	-
Derecognition of results of joint venture in MCHJV*	-	-	(4,589,680)	(4,589,680)	(4,589,680)	(4,589,680)
Net tax assets/(liabilities)	2,102,369	-	(4,613,348)	(4,613,348)	(2,510,979)	(4,613,348)

*Malaysia China Hydro Joint Venture

A total deferred tax asset of RM6.8 million (2012: RM2.1 million) has been recognised in relation to a loss making subsidiary of the Group. Based on five (5) years financial projections prepared by the subsidiary, it is expected that the subsidiary will be able to generate sufficient taxable profits against which these losses can be utilised.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group and Company	
	2013 RM	2012 RM
Unabsorbed capital allowances	5,810,459	5,962,960
Tax loss carry-forward	3,920,560	8,259,799
	9,731,019	14,222,759

Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profit will be available, against which the Group can utilise the benefits there from.

The unabsorbed capital allowances and tax loss carry-forward do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Trade					
External parties	a	245,924,055	228,524,209	3,519	630
Amount due to contract customers	14	19,709,329	21,564,912	-	-
Advance payments received	b	29,419,421	47,496,001	-	-
		<u>295,052,805</u>	<u>297,585,122</u>	<u>3,519</u>	<u>630</u>
Non-trade					
Amount due to:					
Subsidiaries	c	-	-	275,891,138	278,944,728
Associate	c	53,089	53,089	-	-
Affiliates	d	-	164,725	-	-
		<u>53,089</u>	<u>217,814</u>	<u>275,891,138</u>	<u>278,944,728</u>
Accruals and other payables	e	9,346,019	6,249,965	1,482,059	1,226,114
		<u>9,399,108</u>	<u>6,467,779</u>	<u>277,373,197</u>	<u>280,170,842</u>
		<u>304,451,913</u>	<u>304,052,901</u>	<u>277,376,716</u>	<u>280,171,472</u>

Note a

The normal credit term granted by suppliers of the Group and of the Company ranges from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables of the Group are:

- i) retention sums of RM80,668,723 (2012: RM73,882,543).
- ii) amount due to affiliates as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amount due to subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has a substantial financial interest and also a Director				
- Chuan Huat Industrial Marketing Sdn. Bhd.	1,662,149	798,246	-	-
- Chuan Huat Hardware Sdn. Bhd.	<u>52,170</u>	<u>332,405</u>	<u>-</u>	<u>-</u>

The amount due to affiliates is subject to normal credit term.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

23. TRADE AND OTHER PAYABLES (CONT'D)

Note b

Advance payments received are in respect of interest free advances received by the subsidiaries for mobilisation of its construction contracts. These advances are to be set off against the subsidiaries progress billings on the related contracts.

Note c

This amount is unsecured, interest-free and repayable on demand.

Note d

Affiliates are companies which have common Directors and shareholders as that of the subsidiaries. The amount is unsecured, interest free and repayable on demand.

Note e

Included in accruals and other payables of the Group is interest on borrowings amounting to RM1,199,491 (2012: RM731,433).

24. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Dividend income	-	-	13,176,692	25,000,110
Attributable contract revenue	523,828,255	596,987,181	-	3,899,057
Sale of goods	53,726,884	69,505,668	-	-
Sale of properties	11,499,160	5,624,397	-	-
Sale of fresh fruit bunches	4,076,852	2,472,340	-	-
Management fees	1,102,229	-	5,510,000	2,200,000
Others	-	60,000	-	-
	<u>594,233,380</u>	<u>674,649,586</u>	<u>18,686,692</u>	<u>31,099,167</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. COST OF SALES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Attributable contract costs	429,868,583	499,510,535	-	3,574,448
Cost of goods sold	33,918,715	57,198,535	-	-
Costs of developed properties	6,820,356	3,629,103	-	-
Direct operating costs-plantation	20,740,216	15,547,042	-	-
	<u>491,347,870</u>	<u>575,885,215</u>	<u>-</u>	<u>3,574,448</u>

26. FINANCE INCOME

Recognised in the profit or loss:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income of financial assets that are not at fair value through profit or loss	<u>2,551,203</u>	<u>1,946,763</u>	<u>73,245</u>	<u>84,451</u>

27. FINANCE COSTS

Recognised in the profit or loss:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- overdrafts	1,325,877	1,079,786	-	-
- term loans	9,927,001	6,585,621	-	-
- other borrowings	<u>1,968,829</u>	<u>1,720,150</u>	<u>4,138,794</u>	<u>4,738,407</u>
	13,221,707	9,385,557	4,138,794	4,738,407
- other finance costs	<u>1,148,430</u>	<u>4,143,610</u>	<u>-</u>	<u>689</u>
	<u>14,370,137</u>	<u>13,529,167</u>	<u>4,138,794</u>	<u>4,739,096</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging and (crediting):

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration				
Audit fees				
KPMG Malaysia	428,000	416,000	150,000	150,000
Over provision in prior year	(7,000)	-	-	-
Other auditors	118,860	63,030	6,159	4,052
Non-audit fees				
KPMG Malaysia	30,000	40,000	30,000	30,000
Amortisation of prepaid lease payments	445,616	205,540	-	-
Impairment loss on :				
- investments in subsidiaries	-	-	12,034,610	-
- amount due from a subsidiary	-	-	3,911,500	-
Amortisation of biological assets	8,566,761	5,349,434	-	-
Bad debts written off	11,980,978	26,733	11,159,305	-
Change in fair value of investment property	-	500,000	-	-
Depreciation of property, plant and equipment	9,904,692	9,913,158	814,644	762,653
Interest expense	13,221,707	9,385,557	4,138,794	4,738,407
Intangible assets written off	2,484,611	-	-	-
Loss on foreign exchange				
- unrealised	2,945,698	411,834	114,108	411,848
Property, plant and equipment written off	6	10,845	-	-
Rental of motor vehicles	120,729	90,719	159	-
Rental of premises	2,075,532	1,091,972	-	5,180
Rental and running cost of machinery and equipment	20,538,208	19,101,021	-	-
Employee benefits expense	60,934,552	47,250,872	7,956,209	6,934,322
Dividend income				
- unquoted shares	-	(3,900)	(13,176,692)	(25,000,110)
(Gain)/Loss on disposal of property, plant and equipment - net	(1,283,942)	(423,317)	1	(52,000)
Interest income	(2,551,203)	(1,946,763)	(73,245)	(84,451)
Rental income	(202,765)	(178,765)	-	-

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

28. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Included in employee benefits expense is:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Contributions to defined contribution plan	6,550,230	5,602,846	1,038,932	885,989
Retirement benefits	1,784,233	-	-	-
	<u>8,334,463</u>	<u>5,602,846</u>	<u>1,038,932</u>	<u>885,989</u>

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM4,616,667 (2012: RM4,199,273) and RM2,322,741 (2012: RM2,088,305) respectively as further disclosed in Note 29.

29. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive Directors				
- fees	419,000	419,000	-	-
- emoluments	4,197,667	3,780,273	2,322,741	2,088,305
Total remuneration (excluding benefit-in-kind)	4,616,667	4,199,273	2,322,741	2,088,305
Estimated monetary value of benefit-in-kind	291,833	159,720	156,998	80,600
	<u>4,908,500</u>	<u>4,358,993</u>	<u>2,479,739</u>	<u>2,168,905</u>
Non-Executive Directors				
- fees	593,476	560,250	593,476	560,250
- emoluments	32,500	32,900	28,300	31,100
Total remuneration (excluding benefit-in-kind)	625,976	593,150	621,776	591,350
Estimated monetary value of benefit-in-kind	66,350	66,350	35,200	35,200
Total remuneration (including benefit-in-kind)	<u>692,326</u>	<u>659,500</u>	<u>656,976</u>	<u>626,550</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

30. INCOME TAX EXPENSE

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Recognised in profit or loss					
Current tax expense					
Malaysia					
- current year		18,771,211	16,295,879	4,926,667	-
- (over)/under provision in prior year		(622,763)	516,990	2,519,850	184,209
		18,148,448	16,812,869	7,446,517	184,209
Deferred tax expense					
- origination and reversal of temporary differences	22	(419,240)	2,128,292	(2,100,048)	66,323
- under/(over) provision in prior year	22	1,331,677	246,529	(2,321)	856
Total income tax expense		19,060,885	19,187,690	5,344,148	251,388

Reconciliation of tax expense

		Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) for the year		5,403,208	18,587,079	(30,621,423)	10,391,260
Total income tax expense		19,060,885	19,187,690	5,344,148	251,388
Profit/(Loss) before tax		24,464,093	37,774,769	(25,277,275)	10,642,648
Income tax calculated using Malaysian tax rate of 25% (2012: 25%)		6,116,023	9,443,692	(6,319,319)	2,660,662
Non-taxable income		-	-	-	(6,250,028)
Non-deductible expenses		13,402,422	6,093,457	10,318,610	2,159,096
Deferred tax assets not recognised		-	2,887,022	-	1,496,593
Utilisation of deferred tax assets previously not recognised		(1,166,474)	-	(1,172,672)	-
(Over)/Under provision of current tax in prior year		(622,763)	516,990	2,519,850	184,209
Under/(Over) provision of deferred tax in prior year		1,331,677	246,529	(2,321)	856
Total income tax expense		19,060,885	19,187,690	5,344,148	251,388

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

31. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders of RM5,525,874 (2012: RM18,678,564) and weighted average number of ordinary shares outstanding during the year of 276,942,189 (2012: 276,880,222).

Weighted average number of ordinary shares

	2013	Group 2012
Issued ordinary shares at 1 January	276,942,189	276,763,442
Effect of ordinary shares issued during the year	-	116,780
Weighted average number of ordinary shares at 31 December	<u>276,942,189</u>	<u>276,880,222</u>

Diluted earnings per ordinary share

There was no dilutive potential ordinary shares as at 31 December 2013.

32. DIVIDENDS

Dividends recognised and paid by the Company during the year was:

	Sen per share (net of tax)	Amount RM	Date of payment
2013			
Interim dividend	1.50	<u>4,131,961</u>	23 August 2013

No dividend was declared or recommended by the Company in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

33. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business strategies. For each of the strategic business units, the Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- | | |
|--|---|
| (i) Construction | - civil and structural works. |
| (ii) Trading in oil and gas and other related products | - dealing in marine fuels, lubricants and petroleum based products. |
| (iii) Cultivation | - oil palm. |

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

Performance is measured based on segment profit before tax, interest, depreciation and amortisation as included in the internal management reports that are reviewed by the Managing Director (the chief operating decision maker). Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographical segments

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

33. OPERATING SEGMENTS (CONT'D)

Major segment by activity

	Note	Construction		Trading In Oil & Gas & Other Related Products		Cultivation		Other Operations		Eliminations		Consolidated	
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2013													
Revenue													
External revenue		523,828,255	53,726,884	4,076,852	12,601,389	-	-	-	-	-	-	-	594,233,380
Inter-segment revenue		-	8,704,325	-	5,510,000	(14,214,325)	-	-	-	-	-	-	-
Total revenue		523,828,255	62,431,209	4,076,852	18,111,389	(14,214,325)	-	-	-	-	-	-	594,233,380
Results													
Segment results		49,100,454	20,175,034	(27,094,599)	(9,399,989)	(8,316,806)	-	-	-	-	-	-	24,464,094
Interest income		2,365,276	87,652	3,288	94,987	-	-	-	-	-	-	-	2,551,203
Interest expense		(8,045,515)	(71,512)	(632,674)	(4,472,006)	-	-	-	-	-	-	-	(13,221,707)
Share of profit of associates		1,770	-	-	-	-	-	-	-	-	-	-	1,770
Other non-cash expenses	(i)	(11,609,605)	(3,776)	(12,699,582)	(3,537,596)	3,911,500	-	-	-	-	-	-	(23,939,059)
Depreciation		(7,068,311)	(1,026,632)	(908,352)	(901,397)	-	-	-	-	-	-	-	(9,904,692)
Other Information													
Segment assets		553,861,056	33,037,921	154,366,255	114,348,077	(4,586,982)	-	-	-	-	-	-	851,026,327
Additions to non-current assets	(ii)	2,337,732	704,055	4,927,419	648,752	-	-	-	-	-	-	-	8,617,958
Investments in associates		160,885	-	-	-	-	-	-	-	-	-	-	160,885

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

33. OPERATING SEGMENTS (CONT'D)

Major segment by activity (Cont'd)

2012	Note	Trading In Oil & Gas & Other Related Products					Eliminations	Consolidated
		Construction	Cultivation	Operations	Other	RM		
Revenue	RM	RM	RM	RM	RM	RM	RM	
External revenue		596,987,181	2,472,340	5,684,397	-	-	674,649,586	
Inter-segment revenue		-	-	2,200,000	(17,574,138)	-	-	
Total revenue		596,987,181	2,472,340	7,884,397	(17,574,138)	(17,574,138)	674,649,586	
Results								
Segment results		42,785,706	(12,377,640)	12,231,841	(25,128,950)		37,774,769	
Interest income		1,585,245	1,613	158,274	-	-	1,946,763	
Interest expense		(4,524,516)	(28,222)	(4,758,840)	-	-	(9,385,557)	
Share of loss of joint ventures		(1,541)	-	-	-	-	-	
Share of loss of associates		(911,420)	(5,548,029)	(7,359)	-	-	(6,493,541)	
Other non-cash expenses	(i)	(7,095,303)	(1,024,870)	(824,985)	-	-	(9,913,158)	
Depreciation								
Other Information								
Segment assets		431,952,259	146,300,047	141,588,587	(6,570,020)		724,542,194	
Additions to non-current assets	(ii)	29,280,826	10,175,031	925,094	-	-	42,137,797	
Investments in associates		159,115	-	-	-	-	159,115	

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

33. OPERATING SEGMENTS (CONT'D)

Major segment by geographical area

	Malaysia RM	Republic of Indonesia RM	India RM	Kingdom of Saudi Arabia RM	Eliminations RM	Consolidated RM
2013						
Total revenue from external customers	595,666,528	4,076,852	-	-	(5,510,000)	594,233,380
Segment assets	658,367,330	154,366,255	2,218,425	40,661,300	(4,586,983)	851,026,327
Additions to non-current assets	3,690,539	4,927,419	-	-	-	8,617,958
Investments in associates	160,885	-	-	-	-	160,885
2012						
Total revenue from external customers	680,833,089	2,472,340	-	(6,455,843)	(2,200,000)	674,649,586
Segment assets	516,504,102	146,300,047	7,937,969	60,370,096	(6,570,020)	724,542,194
Additions to non-current assets	31,968,751	10,169,046	-	-	-	42,137,797
Investments in associates	159,115	-	-	-	-	159,115

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

33. OPERATING SEGMENTS (CONT'D)

- (i) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2013	2012
	RM	RM
Bad debts written off	11,980,978	26,733
Amortisation of planting expenditures	8,566,761	5,349,434
Amortisation of prepaid lease payments	445,616	205,540
Property, plant and equipment written off	6	-
Change in fair value of investment property	-	500,000
Loss on foreign exchange - unrealised	2,945,698	411,834
	<u>23,939,059</u>	<u>6,493,541</u>

- (ii) Additions to non-current assets consist of the following items:

	Group	
	2013	2012
	RM	RM
Property, plant and equipment	4,020,467	31,968,751
Planting expenditure incurred	4,597,491	10,169,046
	<u>8,617,958</u>	<u>42,137,797</u>

34. FINANCIAL INSTRUMENTS

34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Categories of financial instruments (Cont'd)

	Carrying amount		Group		Carrying amount		Company	
	RM	RM	L&R/(FL)	AFS	RM	RM	L&R/(FL)	AFS
			RM	RM	RM	RM	RM	RM
2013								
Financial assets								
Club membership and unquoted shares	115,500	-	-	115,500	68,000	-	-	68,000
Trade and other receivables, excluding prepayments	459,930,510	459,930,510	-	-	225,326,240	225,326,240	-	-
Cash and cash equivalents	102,840,044	102,840,044	-	-	4,004,268	4,004,268	-	-
	562,886,054	562,770,554	115,500	115,500	229,398,508	229,330,508	68,000	68,000
2012								
Financial assets								
Club membership and unquoted shares	115,500	-	-	115,500	68,000	-	-	68,000
Trade and other receivables #	244,323,237	244,323,237	-	-	200,144,160	200,144,160	-	-
Cash and cash equivalents	98,101,075	98,101,075	-	-	3,995,049	3,995,049	-	-
	342,539,812	342,424,312	115,500	115,500	204,207,209	204,139,209	68,000	68,000
2013								
Financial liabilities								
Trade and other payables	(304,451,913)	(304,451,913)	-	-	(277,376,716)	(277,376,716)	-	-
Loans and borrowings	(290,879,920)	(290,879,920)	-	-	(1,843,473)	(1,843,473)	-	-
	(595,331,833)	(595,331,833)	-	-	(279,220,189)	(279,220,189)	-	-
2012								
Financial liabilities								
Trade and other payables	(304,052,901)	(304,052,901)	-	-	(280,171,472)	(280,171,472)	-	-
Loans and borrowings	(185,443,505)	(185,443,505)	-	-	(2,023,357)	(2,023,357)	-	-
	(489,496,406)	(489,496,406)	-	-	(282,194,829)	(282,194,829)	-	-

Excluded the amounts owing by a contract customer as disclosed in Note 14 to the financial statements and prepayments.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Net gains/(losses) on:				
Loans and receivables	(12,375,473)	1,508,196	(11,200,168)	(327,397)
Financial liabilities measured at amortised costs	(13,221,707)	(9,385,557)	(4,138,794)	(4,738,407)
	<u>(25,597,180)</u>	<u>(7,877,361)</u>	<u>(15,338,962)</u>	<u>(5,065,804)</u>

34.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

34.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instruments fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables, bank balances and deposits placed with licensed banks, amount due from joint venture and advances to ultimate holding company, associate and affiliates. The Company's exposure to credit risk arises principally from trade and other receivables, bank balances and deposits placed with licensed banks and advances to ultimate holding company, subsidiaries and affiliates.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (current and non-current) as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Net RM
2013			
Not past due	33,008,386	-	33,008,386
Past due 0 – 30 days	7,123,007	-	7,123,007
Past due 31 – 120 days	5,723,340	-	5,723,340
Past due more than 120 days	1,680,418	-	1,680,418
	47,535,151	-	47,535,151
2012			
Not past due	23,077,726	-	23,077,726
Past due 0 – 30 days	4,185,212	-	4,185,212
Past due 31 – 120 days	976,881	-	976,881
Past due more than 120 days	6,074,664	-	6,074,664
	34,314,483 #	-	34,314,483

The ageing of trade receivables (current and non-current) excludes the amounts owing by a contract customer as disclosed in Note 14.

Company	Gross RM	Individual impairment RM	Net RM
2013			
Not past due	2,822,831	-	2,822,831
Past due 0 – 30 days	-	-	-
Past due 31 – 120 days	-	-	-
Past due more than 120 days	-	-	-
	2,822,831	-	2,822,831

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (Cont'd)

Company (Cont'd)	Gross RM	Individual impairment RM	Net RM
2012			
Not past due	2,822,831	-	2,822,831
Past due 0 – 30 days	-	-	-
Past due 31 – 120 days	-	-	-
Past due more than 120 days	3,644,992	-	3,644,992
	<u>6,467,823</u>	<u>-</u>	<u>6,467,823</u>

There is no allowance made for impairment losses of trade receivables for the Group and the Company during the financial year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM559,436,003 (2012: RM511,711,685) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company makes payment on behalf of and/or provides advances to its ultimate holding company, subsidiaries, associate, joint ventures and affiliates. The Company monitors the results of the subsidiaries regularly except for the amounts due from ultimate holding company, associate, joint ventures and affiliates which are not material.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Credit risk (cont'd)

Inter-company balances (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as shown in Note 14.

Impairment losses

As at the end of the reporting period, there was no indication that the amounts due from ultimate holding company, subsidiaries, associate, joint ventures and affiliates are not recoverable, except for an amount due from a subsidiary of RM3.9 million which has been fully impaired.

34.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2013							
Financial liabilities							
Trade and other payables	304,451,913	-	304,451,913	304,451,913	-	-	-
Bank overdrafts	17,564,069	6.65% - 8.10%	18,940,605	18,940,605	-	-	-
Trust receipts	1,168,602	7.40% - 7.90%	1,193,234	1,193,234	-	-	-
Finance lease liabilities	11,708,831	2.15% - 6.98%	12,695,191	4,876,650	3,783,593	3,736,576	298,372
Revolving credit/ Murabahah facilities	21,955,600	5.41% - 6.16%	22,221,783	22,221,783	-	-	-
Term loans	238,482,818	0% - 5.80%	318,107,902	28,563,990	28,557,210	106,066,726	154,919,976
	<u>595,331,833</u>		<u>677,610,628</u>	<u>380,248,175</u>	<u>32,340,803</u>	<u>109,803,302</u>	<u>155,218,348</u>
2012							
Financial liabilities							
Trade and other payables	304,052,901	-	304,052,901	304,052,901	-	-	-
Bank overdrafts	19,310,739	6.65% - 7.85%	20,715,528	20,715,528	-	-	-
Trust receipts	412,981	7.60%	414,528	414,528	-	-	-
Finance lease liabilities	14,362,128	2.15% - 6.98%	15,714,481	5,418,748	4,390,934	5,904,799	-
Term loans	151,357,657	4.80% - 6.70%	174,913,981	22,565,508	21,421,118	57,548,679	73,378,676
	<u>489,496,406</u>		<u>515,811,419</u>	<u>353,167,213</u>	<u>25,812,052</u>	<u>63,453,478</u>	<u>73,378,676</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (Cont'd)

Company	Carrying amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2013							
Financial liabilities							
Trade and other payables	277,376,716	-	277,376,716	277,376,716	-	-	-
Finance lease liabilities	1,843,473	2.29% - 3.50%	1,979,786	770,554	616,587	286,368	306,277
	<u>279,220,189</u>		<u>279,356,502</u>	<u>278,147,270</u>	<u>616,587</u>	<u>286,368</u>	<u>306,277</u>
2012							
Financial liabilities							
Trade and other payables	280,171,472	-	280,171,472	280,171,472	-	-	-
Finance lease liabilities	2,023,357	2.15% - 3.50%	2,196,505	693,212	676,522	826,771	-
	<u>282,194,829</u>		<u>282,367,977</u>	<u>280,864,684</u>	<u>676,522</u>	<u>826,771</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

34.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group presently does not hedge its foreign currency exposures. Nevertheless, the management regularly monitor its exposure and keep this policy under review.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2013 USD	2012 USD
Group		
<i>In RM</i>		
Loans and borrowings	(22,583,011)	(4,855,944)
Exposure in the statement of financial position	<u>(22,583,011)</u>	<u>(4,855,944)</u>

Currency risk sensitivity analysis

A 10% (2012: 10%) strengthening of RM against the following currency at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	2013		2012	
	Equity	Profit or loss	Equity	Profit or loss
USD	1,693,726	1,693,726	(364,196)	(364,196)

A 10% (2012: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.6 Market risk (Cont'd)

34.6.2 Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's excess cash is invested in fixed deposits with tenure of less than twelve (12) months, hence exposure to risk of change in their fair values due to changes in interest rates is not significant.

Risk management objectives, policies and processes for managing the risk

The Company does not have a formal policy for managing interest rate risk. The exposure to interest rate risk is monitored closely by the management.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	63,492,697	70,153,424	2,899,384	2,826,590
Financial liabilities	(14,017,962)	(14,775,109)	(1,843,473)	(2,023,357)
	<u>49,474,735</u>	<u>55,378,315</u>	<u>1,055,911</u>	<u>803,233</u>
Floating rate instruments				
Financial liabilities	<u>(276,861,958)</u>	<u>(170,668,396)</u>	-	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group only has fixed rate deposits placed with licensed banks with tenure of less than twelve (12) months. The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.6 Market risk (Cont'd)

34.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of one (1) percent in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		Group Profit or loss	
	1% increase	1% decrease	1% increase	1% decrease
	RM	RM	RM	RM
2013				
Floating rate instruments				
Term loans	(1,782,470)	1,782,470	(1,782,470)	1,782,470
Bank overdrafts	(131,731)	131,731	(131,731)	131,731
Revolving credits/ Murabahah facilities	(164,667)	164,667	(164,667)	164,667
Cash flow sensitivity (net)	<u>(2,078,868)</u>	<u>2,078,868</u>	<u>(2,078,868)</u>	<u>2,078,868</u>
2012				
Floating rate instruments				
Term loans	(1,135,183)	1,135,183	(1,135,183)	1,135,183
Bank overdrafts	(144,830)	144,830	(144,830)	144,830
Cash flow sensitivity (net)	<u>(1,280,013)</u>	<u>1,280,013</u>	<u>(1,280,013)</u>	<u>1,280,013</u>

34.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.7 Fair value information (Cont'd)

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Total Fair Value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2013						
Financial asset						
Club membership	-	-	100,000	100,000	100,000	68,000
Financial liabilities						
Term loans	-	-	235,814,268	235,814,268	235,814,268	238,482,818
Finance lease liabilities	-	-	11,907,798	11,907,798	11,907,798	11,708,831
2012						
Financial asset						
Club membership				68,000	68,000	
Financial liabilities						
Term loans				151,357,657	151,113,519	
Finance lease liabilities				14,362,128	14,326,237	

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.7 Fair value information (Cont'd)

Company	Fair value of financial instruments not carried at fair value				Total	Total Fair Value	Carrying amount
	Level 1	Level 2	Level 3				
2013	RM	RM	RM	RM	RM	RM	
Financial asset							
Club membership	-	-	100,000	100,000	100,000	68,000	
Financial liabilities							
Finance lease liabilities	-	-	1,846,522	1,846,522	1,846,522	1,843,473	
2012				Carrying amount	Fair value of financial instruments not carried at fair value *		
				RM	RM		
Financial asset							
Club membership				68,000	68,000		
Financial liabilities							
Finance lease liabilities				2,023,357	2,030,373		

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of FRS 13.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.7 Fair value information (Cont'd)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2012: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of finance lease liabilities and term loans are estimated using discounted cash flows at the following interest rates:

	2013	2012
Group		
Finance lease liabilities	2.56%	3.18%
Term loans	5.05% - 6.70%	4.80% - 6.70%
Company		
Finance lease liabilities	2.56%	3.18%

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

The Group monitors capital using a gearing ratio, which is computed by using total borrowings over shareholder's equity.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

35. CAPITAL MANAGEMENT (CONT'D)

The net debt-to-capital ratio at 31 December 2013 and 31 December 2012 were as follows:

	Note	2013 RM	2012 RM
Total loans and borrowings	20	290,879,920	185,443,505
Less: Cash and cash equivalents	17	(102,840,044)	(98,101,075)
Net debt		188,039,876	87,342,430
Total equity		219,414,333	213,049,729
Debt-to-equity ratio		0.86	0.41

Under the requirements of Bursa Malaysia Practice No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

36. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2013 RM	2012 RM
Less than one year	131,024	121,720
Between one and five years	324,182	162,330
More than 5 years	-	-
	455,206	284,050

This is in respect of lease rental payable for leasing of office equipment with lease tenure of five (5) years.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

36. OPERATING LEASES (CONT'D)

Leases as lessor

The Group leases out its investment property (see Note 7). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2013	2012
	RM	RM
Less than one year	24,000	12,000
Between one and five years	36,000	-
	<u>60,000</u>	<u>12,000</u>

37. CAPITAL COMMITMENTS

	Group	
	2013	2012
	RM	RM
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	<u>968,250</u>	<u>345,500</u>

38. CONTINGENT LIABILITIES

Group

The Directors are of the opinion that provisions are not required as at the year end in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

38. CONTINGENT LIABILITIES (CONT'D)

Company	2013 RM	2012 RM
Unsecured		
Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to subsidiaries	13,486,844	21,325,393
Secured		
Corporate guarantee given to financial institutions in respect of credit facilities granted to subsidiaries	546,504,169	499,755,280
	<u>559,991,013</u>	<u>521,080,673</u>

39. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures, affiliates, Directors and key management personnel.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 29), are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Subsidiaries				
Dividend income receivable	-	-	(13,176,692)	(25,000,110)
Management fees receivable	-	-	(5,510,000)	(2,200,000)
Ultimate holding company				
Administrative service payable	120,000	120,000	-	-
Insurance premium payable	894,863	855,975	55,306	61,429
			<u>55,306</u>	<u>61,429</u>

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

39. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

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

	2013	Group
	RM	2012 RM
Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interests and is also a Director		
- Chuan Huat Industrial Marketing Sdn. Bhd.	6,677,542	18,952,970
- Chuan Huat Hardware Sdn. Bhd.	1,261,077	1,232,130
Rental income receivable from related company, Residence Inn & Motels Sdn. Bhd.	24,000	172,365
Rental premises paid to a Director, Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	36,000
Sale of motor vehicle to a Director, Dato' Sri Haji Wan Zaki bin Haji Wan Muda	1	-
Professional fees paid to a Director, Dato' Haji Ismail@ Mansor bin Said	18,000	18,000
Professional fees paid to a Director, Dato' Wan Ahmad Farid bin Wan Salleh	5,000	-
Purchase of materials from subsidiaries of ultimate holding company	285,094	2,391,407

The outstanding balances arising from the above transactions have been disclosed in Note 14 and Note 23 to the financial statements.

40. SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the year are as follows:

- (i) On 13 February 2013, EKVE Sdn. Bhd., a wholly owned subsidiary of the Company signed a Concession Agreement with the Government of Malaysia for the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway for a concession period of fifty (50) years. Expenditure incurred in relation to this concession as at 31 December 2013 is disclosed in Note 8.
- (ii) On 30 May 2013, Inter-Century Sdn Bhd ("ICSB"), a wholly owned subsidiary of the Company entered into a new Agreement with Petronas Dagangan Berhad to extend its provision of marine high speed bunkering services at the Kemaman Supply Base in Terengganu Darul Iman.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

40. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

The significant events during the year are as follows: (Cont'd)

- (iii) On 11 July 2013, Ahmad Zaki Sdn. Bhd., a wholly owned subsidiary of the Company was awarded a project with a total value of approximately RM172 million for the design and construction of students accommodation complex in Kuala Lumpur.
- (iv) The Group signed a contract agreement with a customer on 28 June 2005 for a development of university campus - project phases 1 and 2 in Riyadh, Saudi Arabia. Although certain development work had been completed, the overall progress of the development project was stalled due to various disputes over the work progress between the Group and the said contract customer. Despite numerous attempts to resolve the disputes, the Group and the customer failed to reach an amicable solution.

Pursuant to the arbitration clause stated in the contract agreement, the Group had initiated arbitration proceedings in March 2011 against the said customer by claiming an amount of SAR170.2 million (equivalent to RM144.2 million). Included in this claim amount is RM53.2 million for contract revenue recognised in previous years and RM44.7 million in respect of the performance and advance payments bonds as disclosed in Note 14 to the financial statements.

In January 2012, the Group submitted its memorial claims to International Court of Arbitration under International Chamber of Commerce ("ICC Court").

In July 2013, the sole arbitrator appointed by the ICC Court to hear the arbitration issued the award of SAR92,570,300 (equivalent to RM78.6 million) in favour of the Group, which is now included in other receivables Note 14.

- (v) Acquisition of subsidiary and joint venture

- (a) Acquisition of Peninsular Precast Sdn. Bhd.

On 30 August 2013, Ahmad Zaki Sdn. Bhd. ("AZSB"), a wholly owned subsidiary of the Company acquired 2 ordinary shares of RM1.00 each representing the entire equity interest in Peninsular Precast Sdn. Bhd. ("Peninsular Precast") for a cash consideration of RM2.00. On 30 August 2013, Peninsular Precast increased its issued and paid-up share capital to RM100,000 comprising of 100,000 ordinary shares of RM1.00 each of which 79,998 ordinary shares were subscribed by AZSB for a total cash consideration of RM79,998. Following the subscription of the new ordinary shares, Peninsular Precast became an 80% owned subsidiary of the Company.

- (b) Joint Venture with Malaysian Harvest Sdn. Bhd. ("MHSB") and Primary Horizon Sdn. Bhd. ("PHSB")

On 2 October 2013, the Company entered into a Joint Venture Agreement with MHSB and PHSB to participate in a joint venture company named Peninsular IFM Sdn. Bhd. ("PIFM") to provide integrated facilities management services for buildings or facilities or projects undertaken by the joint venture parties. Each of the joint venture parties shall participate in the equity of PIFM in the following percentage:

a) The Company	-	34%
b) MHSB	-	33%
c) PHSB	-	33%

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

40. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

The significant events during the year are as follows: (Cont'd)

- (v) Acquisition of subsidiary and joint venture (Cont'd)
 - (b) Joint Venture with Malaysian Harvest Sdn. Bhd. ("MHSB") and Primary Horizon Sdn. Bhd. ("PHSB") (Cont'd)

The acquisition of subsidiary and joint venture did not have any material impact to the financial statements of the Group.

- (vi) On 11 October 2013, Ahmad Zaki Sdn. Bhd., a wholly owned subsidiary of the Company was awarded a project with a total value of approximately RM163 million for the construction of the base of the Royal Malaysian Air Force in Shah Alam.
- (vii) On 18 December 2013, EKVE Sdn. Bhd., a wholly owned subsidiary of the Company obtained the approval from the Securities Commission (the "SC") to establish the Proposed Guaranteed Sukuk Murabahah Facility of up to RM1 billion. The proceeds from the Proposed Guaranteed Sukuk Murabahah Facility will be utilised amongst others, to part-finance all costs associated with the design, construction, completion and operation of the East Klang Valley Expressway.

The Proposed Guaranteed Sukuk Murabahah Facility will be jointly guaranteed by Bank Pembangunan Malaysia Berhad ("BPMB") and Maybank Islamic Berhad.

41. SUBSEQUENT EVENTS AFTER THE YEAR END

- (a) On 15 January 2014, the Company announced the following corporate proposals (collectively referred to as the "Proposals"):
 - (i) proposed reduction of the issued and paid-up share capital of the Company via the cancellation of RM0.25 of the par value of each existing ordinary share of RM0.50 each in the Company ("Proposed Par Value Reduction");
 - (ii) proposed renounceable rights issue of up to 207,706,641 new ordinary shares of RM0.25 each in the Company ("Rights Shares") together with up to 103,853,320 free detachable warrants ("Warrants") at an issue price of RM0.50 per Rights Share on the basis of six (6) Rights Shares together with three (3) free Warrants for every eight (8) existing ordinary shares held after the Proposed Par Value Reduction ("Proposed Rights Issue With Warrants");
 - (iii) proposed establishment of an employees' share scheme of up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of companies within the Group which are not dormant at any point in time ("Proposed ESS"); and
 - (iv) proposed amendments to the Company's Memorandum and Articles of Association to facilitate the Proposed Par Value Reduction ("Proposed Amendments to M&A").

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

41. SUBSEQUENT EVENTS AFTER THE YEAR END (CONT'D)

- (a) On 15 January 2014, the Company announced the following corporate proposals (collectively referred to as the "Proposals"): (Cont'd)

The Proposals are subject to the following approvals being obtained:

- (a) the approval of Bursa Securities for:
- (i) the admission of the Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants; and
 - (ii) the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue With Warrants as well as the new shares to be issued pursuant to the Proposed ESS and the exercise of the Warrants on the Main Market of Bursa Securities;
- (b) the approval of shareholders of the Company at an Extraordinary General Meeting ("EGM") for the Proposals;
- (c) the confirmation of the High Court of Malaya in respect of the Proposed Par Value Reduction; and
- (d) consent or approval of any other authorities and/or parties.

The Proposed Par Value Reduction and Proposed Amendments to M&A are inter-conditional upon one another but not conditional or inter-conditional upon the Proposed Rights Issue With Warrants or Proposed ESS.

The Proposed ESS is not conditional or inter-conditional upon the Proposed Rights Issue With Warrants. The Proposals are not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

The Company obtained approval from Bursa Securities on 19 February 2014 and shareholders on 17 March 2014.

On 15 April 2014, the Company obtained court order from the High Court of Malaya in relation to the Proposed Par Value Reduction.

- (b) On 2 February 2014, the Group, through its external legal counsels in Saudi Arabia, has filed the award with the local Saudi court in order to obtain an enforcement order pursuant to event stated in Note 40 (iv).
- (c) On 25 February 2014, the Company entered into a Sale of Shares Agreement to acquire 750,000 ordinary shares of RM1.00 each representing the entire equity interest in Residence Inn & Motels Sdn Bhd ("RIM") from Zaki Holdings (M) Sdn Bhd at a purchase consideration of RM1,000,000.
- (d) On 16 April 2014, the Consortium, whereby the Company is a joint venture partner, was awarded a project with a total value of approximately RM994 million for the proposed development of Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

42. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings and accumulated losses of the Group and of the Company at 31 December, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries:				
- realised	112,501,866	116,957,097	(93,696,813)	(56,543,318)
- unrealised	(11,121,905)	(4,774,385)	(2,625,085)	(5,025,196)
	<u>101,379,961</u>	<u>112,182,712</u>	<u>(96,321,898)</u>	<u>(61,568,514)</u>
Total share of retained earnings of associated companies				
- realised	50,885	49,115	-	-
Total share of accumulated losses of jointly-controlled entities				
- realised	(254,352)	(288,352)	-	-
Less: Consolidation adjustments	<u>(28,065,595)</u>	<u>(40,427,472)</u>	-	-
Total retained earnings/ (accumulated losses)	<u>73,110,899</u>	<u>71,516,003</u>	<u>(96,321,898)</u>	<u>(61,568,514)</u>

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 69 to 160 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 42 on page 161 has been properly compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Raja Dato' Seri Aman bin Raja Haji Ahmad

.....
Dato' Wan Zakariah bin Haji Wan Muda

Kuala Lumpur,

Date: 30 April 2014

STATUTORY DECLARATION

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

I, **Khairudin Bin Hj Mohd Ali**, the officer primarily responsible for the financial management of Ahmad Zaki Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 161 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 the above named in Kuala Lumpur on 30 April 2014.

Before me:)
)
)
)
)

Khairudin Bin Hj Mohd Ali

INDEPENDENT AUDITORS' REPORT

to the members of Ahmad Zaki Resources Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ahmad Zaki Resources Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 69 to 160.

Directors' Responsibility for the Financial Statements

The Directors of the Group and of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Group and of the Company give a true and fair view of their financial positions as of 31 December 2013 and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965.

INDEPENDENT AUDITORS' REPORT

to the members of Ahmad Zaki Resources Berhad (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 42 on page 161 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya, Malaysia

Date: 30 April 2014

Johan Idris

Approval Number: 2585/10/14(J)
Chartered Accountant



زاکي هولڊينگس ملائسيا سنڊبيرن برحد

ZAKI HOLDINGS (M) SDN BHD

(Company No. 118278-W)

NOTICE OF NOMINATION OF AUDITORS

Date: 27 May 2014

The Board of Directors
Ahmad Zaki Resources Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being a shareholder of the Company, hereby give notice of our intention to nominate Messrs Deloitte for appointment as Auditors of the Company in place of the retiring Auditors, Messrs KPMG and of our intention to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:-

“THAT Messrs Deloitte be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.”

Thank you.

Yours faithfully
For and on behalf of
ZAKI HOLDINGS (M) SDN BHD

Director

K-709, TAMAN MERPATI JAYA, JALAN AIR PUTIH, 24000 KEMAMAN, TERENGGANU.
TEL: 09-859 2337, 8592936 FAX: 09-859 2437

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2014

Authorised Share Capital	: RM250,000,000.00
Class of Shares	: Ordinary Share of RM0.25 each
Issued and Fully Paid-up Share Capital	: RM69,235,547.25
Voting Rights	: One vote per RM0.25 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	Number of Ordinary Shares of RM0.25 each			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Dato' Seri Aman bin Raja Haji Ahmad	0	0	0	0
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	2,069,660	0.75	164,141,136 *	59.59 *
Dato' Wan Zakariah bin Haji Wan Muda	2,351,096	0.85	0	0
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	0	0	0	0
Dato' Haji Mustaffa bin Mohamad	1,937,148	0.70	1,050,000 **	0.38 **
Dato' W Zulkifli bin Haji W Muda	3,697,696	1.34	0	0
Datuk (Prof) A Rahman @ Omar bin Abdullah	1,200,000	0.44	0	0
Dato' Haji Ismail @ Mansor bin Said	102	#	10,000 **	#
Dato' Wan Ahmad Farid bin Haji Wan Salleh	0	0	0	0
Ultimate Holding Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	500,001	50.00	0	0
Dato' Wan Zakariah bin Haji Wan Muda	100,000	10.00	0	0
Dato' W Zulkifli bin Haji W Muda	100,000	10.00	0	0

* shares held through Zaki Holdings (M) Sdn Bhd, spouse and children

** shares held through person connected to the Director

negligible

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

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 April 2014.

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2014 (Cont'd)

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders		No. of Shareholdings		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
LESS THAN 100 SHARES	162	1	3,176	28	0.00	0.00
100 TO 1,000 SHARES	495	1	330,786	1,000	0.12	0.00
1,001 TO 10,000 SHARES	2,726	28	15,833,642	185,140	5.75	0.07
10,001 TO 100,000 SHARES	1,256	27	37,792,494	958,153	13.72	0.35
100,001 TO LESS THAN 5% OF ISSUED SHARES	126	6	60,654,087	974,447	22.02	0.35
5% AND ABOVE OF ISSUED SHARES	3	0	158,731,136	0	57.62	0
TOTAL	4,768	63	273,435,321	2,118,768	99.23	0.77

LIST OF SUBSTANTIAL SHAREHOLDERS (5% and above excluding Bare Trustees)

	No. of Ordinary Shares of RM0.25 each			
	Direct	%	Deemed Interest	%
1. AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD</i>	83,077,000	30.16	0	0
2. ZAKI HOLDINGS (M) SDN BHD	75,654,136	27.46	0	0
3. AMMB NOMINEES (TEMPATAN) SDN BHD <i>AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD</i>	4,330,000	1.57	0	0
4. DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	2,069,660	0.75	164,141,136 *	59.59 *

* Shares held through Zaki Holdings (M) Sdn Bhd, spouse and children

LIST OF 30 LARGEST SHAREHOLDERS

No.	Shareholder	Shares held	%
1.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD</i>	83,077,000	30.16
2.	ZAKI HOLDINGS (M) SDN BHD	38,179,072	13.86
3.	ZAKI HOLDINGS (M) SDN BHD	37,475,064	13.60
4.	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC SELECT TREASURES FUND</i>	6,125,400	2.22
5.	AMMB NOMINEES (TEMPATAN) SDN BHD <i>AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD</i>	4,330,000	1.57
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI BIN HAJI W MUDA</i>	2,858,000	1.04
7.	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	2,786,100	1.01

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2014 (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS (CONT'D)

No.	Shareholder	Shares held	%
8.	AFFIN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DATO' WAN ZAKARIAH BIN HAJI WAN MUDA</i>	2,351,096	0.85
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND</i>	2,337,100	0.85
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA</i>	2,069,660	0.75
11.	NEOH, CHOO EE & COMPANY, SDN BERHAD	1,850,000	0.67
12.	NG TECK LONG	1,339,100	0.49
13.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL</i>	1,261,500	0.46
14.	DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH	1,200,000	0.44
15.	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD</i>	1,200,000	0.44
16.	NAIMAH BINTI HASHIM	1,050,000	0.38
17.	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC TREASURES GROWTH FUND</i>	1,000,400	0.36
18.	NIK MAHANI BINTI NIK MOHD RASHID	833,008	0.30
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)</i>	832,500	0.30
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SU TIING UH</i>	813,700	0.30
21.	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>AXA AFFIN GENERAL INSURANCE BERHAD</i>	797,600	0.29
22.	DATO' HAJI MUSTAFFA BIN MOHAMAD	737,148	0.27
23.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR DATO' W ZULKIFLI BIN HAJI W MUDA</i>	700,000	0.25
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TANG SING LING</i>	672,000	0.24
25.	LOW CHU MOOI	600,000	0.22
26.	WAN AZFA FARAHIAH BINTI HAJI WAN ZAKI	580,000	0.21
27.	CHEW SHEW MIN	540,000	0.20
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR ZAINAL RASHID BIN MOKHTAR</i>	500,000	0.18
29.	LIM BOON LIAT	500,000	0.18
30.	WONG MUN YOONG	500,000	0.18

The analysis of shareholdings is based on the issued and paid-up capital of the Company after deducting 1,478,100 ordinary shares bought back by the Company and held as treasury shares as at 30 April 2014.

LIST OF PROPERTIES

31 December 2013

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/ Prepaid Lease Payment RM'000
GM372 Lot 981 and GM 4708 Lot 985, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	20.01.1994 & 16.02.1994	Menara AZRB	Freehold (1 year)	54,967 sq.ft.	55,135
GM 1012 Lot 22050, Tempat Riffle Range, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	03.08.2007	Menara AZRB, Car Park	Freehold	12,066.34 sq.ft	1,448
EMR 873, Lot 826, Mukim of Sungai Karang District of Kuantan, Pahang Darul Makmur.	30.10.1993	Land and 1-storey buildings held for rental	Freehold (18 years)	202,815/ (64,670)sq.ft.	18,000
HS (M) 1038 Lot PT 4782 and HS (M) 1039 Lot PT 4783, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	05.05.1997	Adjoining 5-storey buildings for own use	Freehold (17 years)	3,498/ (20,728) sq.ft.	2,106
HS (M) 994 Lot 16360, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	28.09.2000	5-storey building for own use	Freehold (27 years)	1,581/ (10,364)sq.ft.	673
Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terengganu	15.07.2003	Vacant land for quarry operation	Leasehold Expiring 18.10.2025	20 hectares	76
HS (M) 929 Lot 16343, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur.	24.11.2005	4-storey building for own use	Freehold (15 years)	1,604/ (8,291) sq.ft	704

LIST OF PROPERTIES

31 December 2013 (Cont'd)

Title & location of property	Date of acquisition	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area)	NBV/ Prepaid Lease Payment RM'000
HGU No. 5, Desa Amboyo Selatan, Kecamatan Ngabang, Kabupaten Pontianak, Kalimantan Barat, Republic of Indonesia.	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	7,740 hectares	8,323
GM 1754 Lot 167, Mukim of Sabai, District of Bentong, Pahang Darul Makmur.	8.10.2010	Vacant land	Freehold	4.6 hectares	697
HS (D) 29915, Lot PT 91677 Mukim Kuala Kuantan Kuantan, Pahang Darul Makmur.	18.12.2012	Commercial Development	Freehold	12.14 hectares	8,959

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

of _____

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

_____ NRIC No. _____

of _____

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

of _____
or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 17th Annual General Meeting of the Company to be held at Taming Sari 3, Ground Floor, The Royale Chulan Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 26 June 2014 at 10.00 am. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

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

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

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		
11.	RESOLUTION 11		

Number of Shares Held	Tel. No/ Handphone No.

NOTES:

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be presented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her 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.
4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services SdnBhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 20 June 2014 shall be eligible to attend, speak and vote at the 17th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

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

This _____ day of _____ 2014

Signature of member(s)/Seal
(*Delete where inapplicable)

STAMP

MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur.

Fold here

Stick and fold here