



MUDAJAYA GROUP BERHAD



Annual Report 2005

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CORPORATE INFORMATION



BOARD OF DIRECTORS

Mr. Ng Ying Loong
Managing Director

Mr. Wee Teck Nam
Executive Director

Mr. Anto A/L SF Joseph
Executive Director

Mr. Chung Tze Hien
Non-Independent Non-Executive Director

En. Aminodin bin Ismail
Non-Independent Non-Executive Director

Mr. Yee Swee Choon
Independent Non-Executive Director

Mr. Henry Choo Hon Fai
Independent Non-Executive Director

COMPANY SECRETARY

Mr. Tan Siak Chuang
(MIA 8804)

REGISTERED OFFICE

No. 17, Jalan Semangat
46100 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7958 7899
Fax : (603) 7958 7900/ 7958 1296
E-mail : info@mudajaya.com
Website : www.mudajaya.com

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (603) 2721 2222
Fax : (603) 2721 2530/1

AUDITORS

Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Mudajaya Group Berhad will be held at Crystal Crown Hotel, 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday 15 June 2006 at 10.00 a.m. for the following purposes:

NOTICE OF ANNUAL GENERAL MEETING

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited financial statements for the financial year ended 31 December 2005 and the Auditors' Report thereon.
2. To approve the payment of a final dividend of 4% less 28% income tax for the financial year ended 31 December 2005.
3. To re-elect the following Directors who retire in accordance with Article 76 of the Company's Articles of Association:

Mr. Wee Teck Nam
En. Aminodin bin Ismail
4. To approve the payment of Directors' fees for the financial year ended 31 December 2005.
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

(Ordinary Resolution 1)

(Ordinary Resolution 2)

(Ordinary Resolution 3)
(Ordinary Resolution 4)

(Ordinary Resolution 5)

(Ordinary Resolution 6)

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions:-

6. Authority to Allot and Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company for the time being and that the Directors be and are hereby further empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Ordinary Resolution 7)

7. Proposed Renewal of Share Buy-Back Authority

"THAT subject to provisions of the Companies Act, 1965, the Articles of Association of the Company, the regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad ("BMSB") or any other regulatory authorities, approval be and is hereby given to the Company to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2005 to purchase such number of ordinary shares of RM0.50 each of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time on BMSB upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed 13,600,000 ordinary shares of RM0.50 each representing ten per cent (10%) of the total issued and paid-up share capital of the Company for the time being.

AND THAT such authority is subject to annual renewal and shall commence upon the passing of this resolution and shall remain in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company unless the authority is renewed either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next Annual General Meeting after the date it is required by law to be held; or
- (c) revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting;

whichever is earlier.

AND THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares, and/or to cancel them, and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient and to enter into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company."

(Ordinary Resolution 8)

8. To transact any other business of which due notice shall have been received.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of shareholders, a final dividend of 4% less 28% income tax for the financial year ended 31 December 2005 will be paid on 30 June 2006 to depositors registered in the Records of Depositors at the close of business at 5.00 p.m. on 20 June 2006.

A depositor shall qualify for entitlement only in respect of :

1. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 20 June 2006 in respect of ordinary transfer; and
2. Shares bought on Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the Rules of BMSB.

BY ORDER OF THE BOARD

TAN SIAK CHUANG
Company Secretary

Petaling Jaya
23 May 2006

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy or proxies may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one thousand (1,000) shares.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. In the case of a corporate member, the Form of Proxy shall be under its Common Seal or under the hand of its attorney.
4. The Form of Proxy must be deposited at the Company's Registered Office situated at No. 17, Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.

Explanatory Notes On Special Business

1. Ordinary Resolution 7

The proposed Resolution is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issued and paid-up share capital of the Company for such purposes as they consider would be in the interest of the Company. This will avoid any delay and cost involved in convening a general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

2. Ordinary Resolution 8

The details on Resolution 8 on the Proposed Renewal of Share Buy-Back Authority are set out in the Statement to Shareholders dated 23 May 2006.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING



1. The Directors who are standing for re-election are as follows:-

Article 76

Mr. Wee Teck Nam	(Ordinary Resolution 3)
En. Aminodin bin Ismail	(Ordinary Resolution 4)

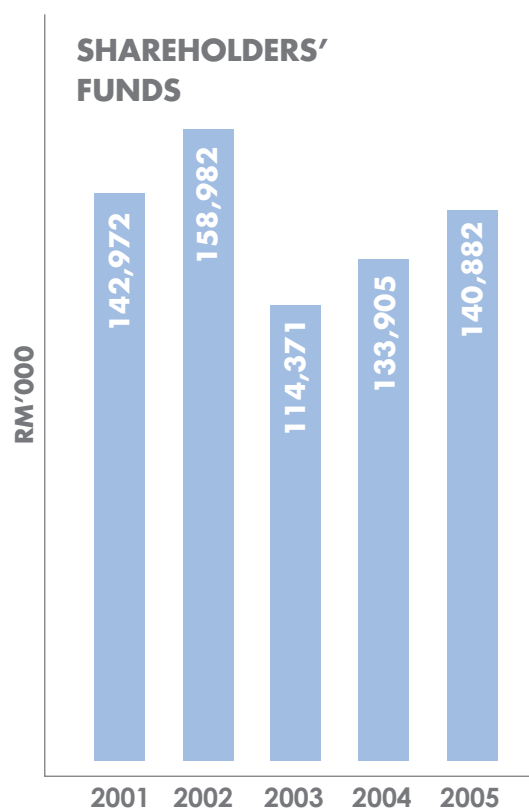
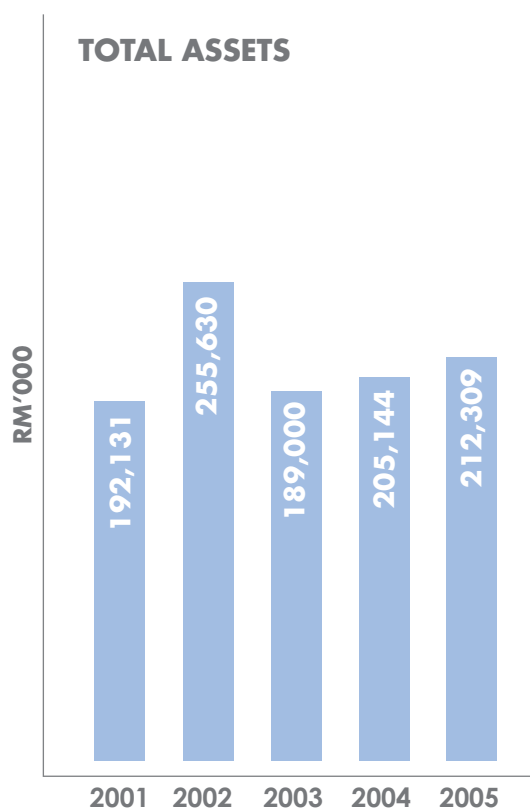
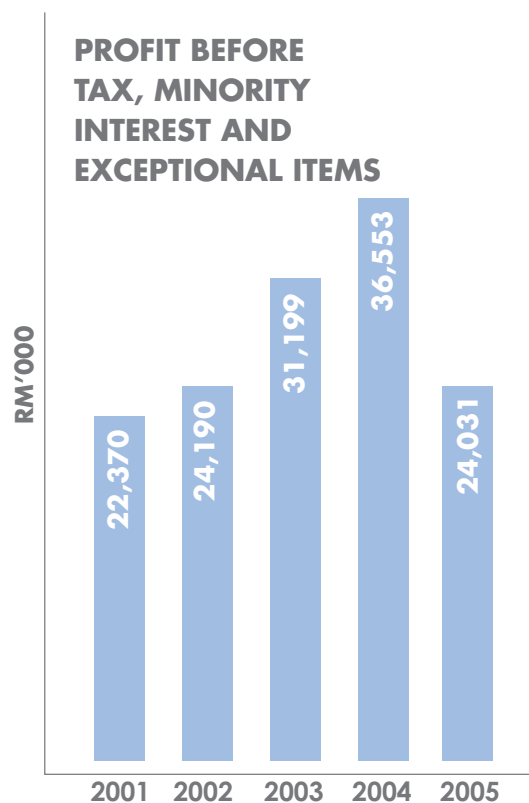
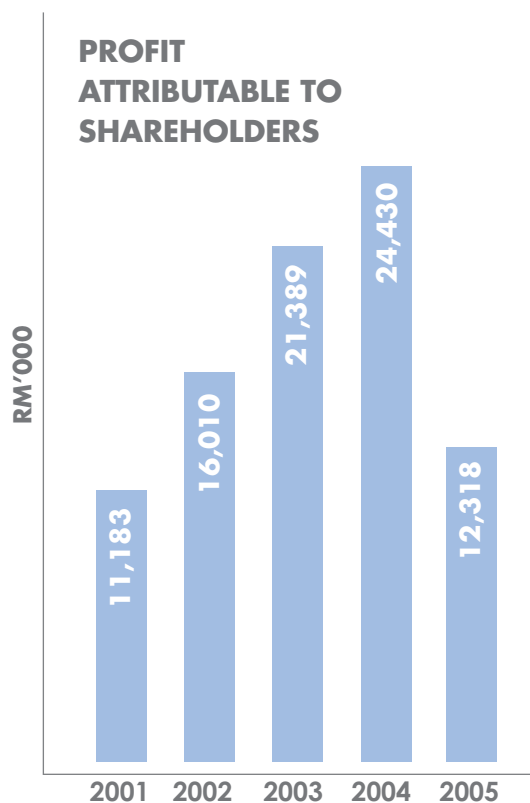
2. The profile of the Directors standing for re-election is presented on pages 9 to 10.
3. The Third Annual General Meeting of the Company will be held at Crystal Crown Hotel, 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday 15 June 2006 at 10.00 a.m.
4. There were four (4) Board Meetings held during the financial year ended 31 December 2005. Details of attendance of Directors at the Board Meetings are set out in the Statement on Corporate Governance on page 11 of this Annual Report.

FIVE YEARS FINANCIAL HIGHLIGHTS

Proforma Consolidated Results					
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
GROUP TOTAL ASSETS					
Property, Plant And Equipment	16,959	20,093	14,155	12,643	11,762
Investments In Jointly Controlled Entities	-	-	430	430	430
Long Term Investments	634	1,134	1,134	134	134
Net Current Assets	136,551	125,743	108,637	154,351	137,451
	154,144	146,970	124,357	167,558	149,777
FINANCED BY					
Share Capital	68,000	68,000	68,000	68,000	68,000
Share Premium	10,106	10,106	10,106	10,106	10,106
Non-distributable Reserves	4,900	4,900	595	595	595
Treasury Shares	(448)	-	-	-	-
Retained Profits	58,324	50,899	35,670	80,281	64,271
Shareholders' Fund	140,882	133,905	114,371	158,982	142,972
Minority Interests	12,270	10,290	8,041	7,434	6,089
Hire Purchase Payable	276	2,059	1,228	426	-
Deferred Taxation	716	716	716	716	716
	154,144	146,970	124,357	167,558	149,777
GROUP RESULTS					
Profit Before Tax, Minority Interest And Exceptional Items	24,031	36,553	31,199	24,190	22,370
Exceptional Items	-	-	-	-	(3,565)
Taxation	(9,307)	(9,874)	(8,902)	(6,835)	(5,363)
Minority Interest	(2,406)	(2,249)	(908)	(1,345)	(2,259)
Profit Attributable To Shareholders	12,318	24,430	21,389	16,010	11,183
SELECTED RATIOS					
Gross Dividend (%)	12.00	12.00	134.80	-	-
Gearing Ratio	-	-	0.08	0.03	-

Note : The proforma consolidated balance sheets and income statements of Mudajaya Group Berhad ("Mudajaya") for the past three (3) financial years ended 31 December 2001 to 2003 are based on the audited financial statements of Mudajaya and Mudajaya Corporation Berhad ("MJC"). The proforma consolidated figures above are presented based on the enlarged issued and paid-up share capital of 136,000,000 ordinary shares of RM0.50 each taking into consideration the acquisition of MJC by Mudajaya and the subsequent Initial Public Offering of Mudajaya shares.

FIVE YEARS FINANCIAL HIGHLIGHTS



DIRECTOR'S PROFILE

Mr. Ng Ying Loong

Managing Director

Member of Remuneration Committee

Mr. Ng, a Malaysian aged 52, was appointed as Managing Director of Mudajaya on 2 March 2004. He has been the Managing Director of Mudajaya Corporation Berhad ("MJC") since 1991. He graduated with a Bachelor of Science degree in Civil, Structural and Environmental Engineering from University College London, University of London, U.K. in 1977 and obtained a Master in Business Administration from Golden Gate University, San Francisco, U.S.A. in 1986. He is also a member of the Institution of Engineers Malaysia. He has more than 29 years of professional experience particularly in project management, contract planning and management and business development. He joined MJC in 1977 and served in various capacities including Project Engineer, Project Coordinator and Project Manager until 1988. Subsequently, he left MJC to join Pengurusan Lebuhraya Berhad as the Senior Regional Construction Manager and was promoted as the Acting Head of Construction Management Division in 1990. He was in charge of the construction management of the North-South Expressway Project, valued at RM4.3 billion. In 1991, he returned to MJC. He also served as a Director of Mulpha Land Berhad (formerly known as Mega Pascal Bhd) from 1998 to 2001 and as a Director of Mulpha International Bhd from 1995 to 2002.

Mr. Wee Teck Nam

Executive Director

Mr. Wee, a Malaysian aged 66, was appointed as Executive Director of Mudajaya on 2 March 2004. He is also an Executive Director of MJC. He graduated with a Bachelor Degree in Mechanical Engineering from University of Sydney, Australia in 1964. He worked for the Chemical Co. of Malaysia, a member of the ICI Malaysia Group for nine (9) years after graduation. He then gained extensive experience in general management as General Manager of Batu Arang Bricks and Tiles Bhd, Sim Lim Trading Sdn Bhd and as Senior Manager assisting the Managing Director of TDM Berhad overseeing the operations of 24,000 acres of palm oil estates and oil mills in Terengganu. In 1986 he joins Wormald International Ltd of Australia and built up its operations in Taiwan. He became the General Manager and Chief Executive Officer of Shanghai Allied Cement Ltd in 1994. This is a joint venture company between Hong Kong and China. He retired and returned to Malaysia in early 1999. He also served as a Director of Mulpha Land Berhad (formerly known as Mega Pascal Bhd) from October 1998 to August 2001 and a Director of Mulpha International Bhd from October 1998 to July 2002.

Mr. Anto A/L SF Joseph

Executive Director

Mr. Anto, a Malaysian aged 54, was appointed as Executive Director of Mudajaya on 2 March 2004. He has been an Executive Director of MJC since 1996. He graduated with a Bachelor of Technology, Civil from Institute of Technology, Kanpur, India in 1977. He is a Professional Engineer registered with the Board of Engineers, Malaysia, Chartered Engineer, U.K. and is also a member of the Institution of Engineers, Malaysia and Institution of Highways and Transportation, U.K.. He has more than 29 years of professional experience particularly in infrastructure project management. Prior to joining MJC in 1993 as General Manager and Executive Director, he was attached to Jabatan Kerja Raya, Kelantan, as Development Engineer from 1977 to 1978 and Resident Engineer from 1980 to 1981. He was with Pemas Construction Sdn Bhd as Project Manager and Coordinator from 1981 to 1988 and Pengurusan Lebuhraya Berhad as Construction Manager from 1988 to 1989, Regional Construction Manager (for Central Region) from 1990 to 1992 and Senior Regional Construction Manager from 1992 to 1993.

DIRECTORS' PROFILE

Mr. Chung Tze Hien

Non-Independent Non-Executive Director

Mr. Chung, a Malaysian aged 55, was appointed as Non-Independent Non-Executive Director of Mudajaya Group Berhad on 16 June 2004. He graduated from the University of Otago, New Zealand with a Commerce Degree and later proceeded to qualify as an Associate Member of the Institute of Chartered Accountants of New Zealand and the Institute of Chartered Secretaries and Administrators of United Kingdom. Mr. Chung has worked for and held senior managerial positions in several public listed companies in Hong Kong, Singapore and Malaysia, involving a variety of industries and businesses. He is also an Executive Director of Mulpha International Berhad, a Director and Chairman of Mulpha Land Berhad (formerly known as Mega Pascal Bhd) and a Director of Greenfield Chemical Holdings Limited (Hong Kong) and Mulpha Australia Limited.

En. Aminodin bin Ismail

Non-Independent Non-Executive Director

Chairman of Nomination Committee

Member of Audit Committee

En. Aminodin, a Malaysian aged 39, was appointed as Non-Independent Non-Executive Director of Mudajaya on 2 March 2004. He graduated with a Degree in Accounting and Finance from Liverpool John Moores University, U.K in 1990. He is also Fellow of the Association of Chartered Certified Accountants, U.K.. He has four (4) years merchant banking experience gained from working in Aseambankers Malaysia Berhad from 1992 to 1995 and BSN Merchant Bank Berhad from 1995 to 1997 where his work entailed providing corporate finance advisory services on proposal for listings, mergers, acquisitions and capital raisings. He left the merchant banking industry in 1997 to join Renong Berhad as Senior Finance Manager where he was primarily responsible for monitoring the performance of the subsidiaries and implementation of corporate exercises undertaken by companies within the Renong Group. He left Renong Berhad in July 1999. He was appointed to the Board of Directors of Jin Lin Wood Industries Berhad in 2000 as an Executive Director overseeing the finance function of the group of companies. He resigned from the Board of Directors of Jin Lin Wood Industries Berhad in April 2002. Currently, he sits on the Board of several private companies.

Mr. Yee Swee Choon

Independent Non-Executive Director

Chairman of Audit Committee

Member of Nomination and Remuneration Committees

Mr. Yee, a Malaysian aged 55, was appointed as Independent Non-Executive Director of Mudajaya on 2 March 2004. He is a Chartered Accountant and a Certified Financial Planner. He has over 25 years working experience in auditing, corporate planning and financial management which include 8 years as executive director in a public listed company. Presently, he runs his own personal financial planning and management advisory services practice. He is not a Director of any other public company.

Mr. Henry Choo Hon Fai

Independent Non-Executive Director

Chairman of Remuneration Committee

Member of Audit and Nomination Committees

Mr. Henry Choo, a Malaysian aged 34, was appointed as an Independent Non-Executive Director of Mudajaya on 2 March 2004. He started his career in 1994 as an Equity Research Analyst in Dao Heng Securities Ltd, Hong Kong. From 1996 to 2000, he was Director of Business Development at Fok Lee Sdn Bhd, a Specialist Contractor. From 2000 onwards he has been involved in Private Equity and Venture Capital, first with Intelligent Capital Sdn Bhd and subsequently with Artisan Encipta (M) Sdn Bhd. Presently, he is Chief Operating Officer of Atlantic Quantum Sdn Bhd, a strategic investment vehicle wholly owned by Khazanah Nasional Berhad and Executive Assistant to the Chairman of Silterra Malaysia Sdn Bhd, a role he has played since 2004. He graduated from La Trobe University, Melbourne, Australia with a Bachelor of Science degree (Computer Science). He is not a Director of any other public company.

Other information on Directors

1. None of the Directors has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Directors has any conflict of interest with the Company.
3. None of the Directors has been convicted of any offences in the past ten (10) years.



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout the financial year ended 31 December 2005. Set out below is a statement of how the Company has applied the principles and complied with the best practices laid down in the Malaysian Code on Corporate Governance ("Code").

BOARD OF DIRECTORS

The Board

The Board has the overall responsibility for corporate governance, strategic direction, development and control of the Company. The Board meets regularly during the financial year. Additional meetings are held as and when issues arise and are necessary to be dealt with in between the scheduled meetings. Due notice is given for the meetings and matters to be dealt with.

During the financial year ended 31 December 2005, the Board held four meetings. The attendance record of the Directors is presented below:-

Director	No of meetings attended
Mr. Ng Ying Loong	4/4
Mr. Wee Teck Nam	4/4
Mr. Anto A/L SF Joseph	4/4
Mr. Chung Tze Hien	4/4
En. Aminodin bin Ismail	4/4
Mr. Yee Swee Choon	4/4
Mr. Henry Choo Hon Fai	3/4

Board Balance

The Board currently has seven (7) members, three (3) of whom are Executive Directors and four (4) are Non-Executive Directors. Of the four (4) Non-Executive Directors, two (2) are Independent, thereby fulfilling the one-third (1/3) requirement. A brief profile of each Director is presented on pages 9 to 10.

The Directors are from diverse professional backgrounds with a wide range of business, technical and financial experience and knowledge.

There is proper balance in the Board with the presence of the Independent Directors. The role of the Independent Directors is particularly important as they provide unbiased and independent opinions and advice. There is also an active and unrestricted participation of Independent Directors as well as Executive and Non-Executive Directors in the deliberations and decision making of the Board.

Mr. Yee Swee Choon has been appointed by the Board as the Independent Non-Executive Director of the Board to whom any concerns may be conveyed.

Supply of Information

All Directors are provided with an agenda and a set of Board papers in sufficient time prior to Board meeting to enable the Directors to review and consider the items to be discussed at the Board meeting. The Board papers include, inter alia, the following:-

- (a) quarterly progress report by the Executive Director;
- (b) quarterly and year-to-date financial report; and
- (c) minutes/decisions of meetings of the Committees of the Board.

Directors may obtain independent professional advice in the furtherance of their duties at the Company's expense.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties.

STATEMENT ON CORPORATE GOVERNANCE

Appointments to the Board

The Nomination Committee reviews the composition of the Board annually and makes recommendations to the Board where considered necessary to ensure the Board comprises an appropriate mix of skills, experience and expertise.

Re-election

The Company's Articles of Association provide that at least one third (1/3) of the Directors are subject to retirement by rotation at each Annual General Meeting and that all the Directors shall retire from office at least once every three (3) years. Each retiring Director is eligible for re-election. Directors who are appointed to the Board during the year will have to retire and seek re-election at the next Annual General Meeting to be held following their appointments.

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme organised by BMSB. In addition, the Directors are participating in other external courses and seminars to keep abreast with relevant development in the market place.

Board Committees

The following Board Committees have been established to assist the Board in the execution of its responsibilities. The Committees listed below report all matters and recommendations of their meetings to the Board. The terms of reference of each Committee have been approved by the Board and, where applicable, comply with the recommendations of the Code.

(a) Audit Committee

Please refer to the Audit Committee Report on pages 17 to 19.

(b) Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors with En. Aminodin bin Ismail as Chairman and Mr. Yee Swee Choon and Mr. Henry Choo Hon Fai as members.

The main responsibilities of the Nomination Committee are as follows:-

- (i) recommend new nominees to the Board as well as Board Committees;
- (ii) assist the Board in annually reviewing its required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report; and
- (iii) assess the effectiveness of the Board and Board Committees and the contribution of each individual Director.

During the year, the Nomination Committee held one (1) meeting which was attended by all its members.

(c) Remuneration Committee

The Remuneration Committee comprises mainly Non-Executive Directors with Mr. Henry Choo Hon Fai as Chairman and Mr. Ng Ying Loong and Mr. Yee Swee Choon as members.

The main responsibilities of the Remuneration Committee are to recommend to the Board the following:-

- (i) remuneration packages of each Director of the Company; and
- (ii) incentive schemes for the management or other employees.

During the year, the Remuneration Committee held one (1) meeting which was attended by all its members.

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the remuneration is structured so as to link rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by each Director.

The Remuneration Committee recommends to the Board the remuneration including fees for each Director of the Company. Fees are subject to the approval of the shareholders. Reasonable expenses incurred by the Directors in the course of carrying out their duties are reimbursed by the Company.

The details of the Directors' remuneration for the year ended 31 December 2005 and the analysis into remuneration bands are as follows:-

	Executive (RM'000)	Non-Executive (RM'000)
Fees	-	120
Emoluments	962	-
Benefits-in-kind	41	-
Total	1,003	120

	No of Directors	
	Executive	Non-Executive
Range of remuneration (RM)		
Below 50,000	-	3
100,001-150,000	1	-
350,001-400,000	1	-
550,001-600,000	1	-

SHAREHOLDERS AND INVESTORS

Shareholders' Communication and Investors Relation

The Board acknowledges the need for shareholders to be informed of all material business matters of the Company. Announcements are made on significant developments and matters within the Group on a timely basis. Financial results are released on a quarterly basis to provide shareholders with an overview of the Group's performance.

Annual General Meeting

The Company's practice is to give as much notice as possible to shareholders of its general meetings. In addition, notices of general meetings with sufficient information of business to be dealt with are published in one national newspaper to provide for wider dissemination of such notice to encourage shareholders' participation. General meetings are a mean of direct communication and interaction between the Company and its shareholders. It is the policy of the Board to have all its members present at shareholders' meetings. At such meetings, shareholders are encouraged to participate in the question and answer session.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcement to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. The Board considers that in preparing the financial statements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable and prudent judgements and estimates.

Internal Control

The Board has overall responsibility for the Group's system of internal control covering not only financial control but also operational and compliance controls as well as risk management. This system can only provide reasonable but not absolute assurance against material misstatement or loss. Kindly refer to the Statement on Internal Control on pages 16.

STATEMENT ON CORPORATE GOVERNANCE

Relationship with the Auditors

The role of Audit Committee in relation to the external auditors is presented in the Audit Committee Report on pages 17 to 19 of this Annual Report.

The Company has always maintained a professional relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The Audit Committee where necessary, discussed matters with the external auditors in the absence of the management.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cashflows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable; and
- ensured that applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Group and Company keep proper accounting records which disclose with reasonable accuracy of the financial positions of the Group and Company which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

There were no fund raising exercises implemented during the financial year.

Share Buy-Back

During the financial year, the Company repurchased 408,000 of its own shares from the open market of Bursa Securities for a total consideration of RM448,571.48. Details of the shares repurchased are as follows:-

Month	No of Shares purchased	Total Consideration RM	Lowest Price paid per share RM	Highest Price paid per share RM	Average Price paid per share RM
2005					
June	3,000	3,113.78	1.03	1.03	1.04
July	44,100	48,605.82	1.03	1.17	1.10
August	63,600	72,306.83	1.10	1.18	1.14
September	82,100	90,928.40	1.07	1.13	1.11
October	35,900	38,669.97	1.04	1.10	1.08
November	52,700	55,901.79	1.04	1.10	1.06
December	126,600	139,044.89	1.03	1.13	1.10

The shares are being held as treasury shares.

STATEMENT ON CORPORATE GOVERNANCE

Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

There were no ADR or GDR programmes sponsored by the Company during the financial year.

Sanctions/Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-Audit Fees

There were no non-audit fees paid to external auditors during the financial year.

Variation in Results

There were no material variances between the result for the financial year and unaudited result previously announced.

Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

Material Contracts

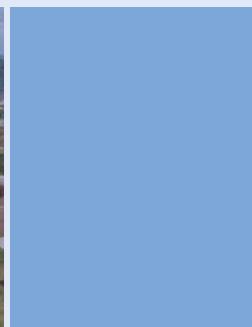
There were no material contracts entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders.

Revaluation of Landed Properties

There were no revaluations of landed properties during the financial year.

Recurrent Related Party Transactions

There were no material recurrent related party transactions of a revenue nature (not being transactions in the ordinary course of business) during the financial year.



STATEMENT ON INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires the Group to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") require the Board to include a statement in the annual report on the state of the Group's internal controls. The BMSB's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. We set out below the Statement on Internal Control which has been prepared in accordance with the Guidance.

Responsibility

The Board of Directors acknowledges responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control, designed to safeguard shareholders' investments and the Group's assets, covers not only financial control but also operational and compliance controls and risk management. Such systems, however, are designed to manage rather than eliminate risks that may hinder the achievement of the Group's business objectives. Accordingly, the systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Board recognises that all areas of the Group's business activities involve some degree of risk and is committed to ensure that an effective risk management process is put in place to manage those risks.

A risk management committee was established to facilitate the risk management process of the Group. A risk management policy and framework has been drawn up to identify key risks, the likelihood of those risks occurring as well as any strategy to control or manage those risks affecting the business.

Key Elements of Internal Control

The other key elements of the Group's internal control system include the following:-

- clearly defined delegation of responsibilities, organisation structure and appropriate authority limits have been established by the Board of Directors for the Board Committees and management;
- internal policies and procedures are in places which are updated as and when necessary;
- reporting systems are in place which generate financial and other reports for the Board of Directors and management. Monthly management meetings are held during which the reports are discussed and the necessary action taken;
- annual business plans and budgets are prepared by all units within the Company and actual performance is reviewed against the budgets on a monthly basis;
- adequacy and effectiveness of the system of internal control is continuously reviewed and assessed by the Audit Committee. The majority of its members are independent directors. The Audit Committee is assisted by Internal Audit Department which carried out internal audit functions; and
- the internal audit functions as well as the Group's internal control procedures are reviewed annually by independent external consultants who are familiar with the construction industry.

Internal Audit

The internal audit functions of the Group are performed by the Internal Audit Department. The Internal Audit Department continually undertakes to review of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

Monitoring and Review of the System of Internal Control

Overall, the system of internal control in 2005 was considered to be adequate and operating satisfactorily. The effectiveness of the system of internal control will be continuously reviewed and updated in response to changes in the operating environment.

The monitoring, review and reporting procedures and systems in place give reasonable assurance that the controls are adequate and appropriate to the Group's operations and that risks are at an acceptable level. Such procedures and systems, however, do not eliminate the possibility of human error, the deliberate circumvention of control procedures by employees and others and the occurrence of unforeseeable circumstances.

COMMITTEE REPORT

Objectives

In compliance with BMSB Listing Requirements and Best Practices recommended by the Code, it is the objective of the Audit Committee to assure the shareholders of the Company that the Directors have complied with specified financial standards and required disclosure policies developed and administered by BMSB and other approved accounting standards bodies.

In addition, Audit Committee shall ensure consistency with BMSB's commitments to encourage high standards of corporate disclosure and transparency. The Audit Committee also endeavours to adopt practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to the Company's shareholders.

TERMS OF REFERENCE

Constitution

The Audit Committee ("the Committee") was established pursuant to a resolution of the Board of Directors passed on 29 March 2004. The directors appointed to the Committee are as follows:-

Mr. Yee Swee Choon (Chairman)	- Independent Non-Executive Director
En. Aminodin bin Ismail (Member)	- Non-Independent Non-Executive Director
Mr. Henry Choo Hon Fai (Member)	- Independent Non-Executive Director

Membership

The Committee shall be appointed by the Board from amongst its Directors of the Company. The Committee comprises not less than three (3) members, a majority of whom are Independent Directors. One of the members of the Committee who is an Independent Director shall be appointed Chairman of the Committee by members of the Committee.

Meetings

Meetings of the Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. Minutes of each Committee meeting are to be prepared and distributed to all members of the Committee and Board of Directors.

The quorum for a meeting of the Committee shall be two (2) provided always that the majority of members present must be independent directors.

The Company Secretary or his assistant shall be the Secretary of the Committee.

AUDIT COMMITTEE REPORT

Rights

The Committee is authorised by the Board of Directors:-

- (a) to investigate any matter within its terms of reference;
- (b) to have the resources which are required to perform its duties;
- (c) to have full and unrestricted access to any information pertaining to the Company;
- (d) to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) to obtain independent professional or other advice; and
- (f) to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Duties and Responsibilities

The functions of the Committee shall include the following:-

- (a) to consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal;
- (b) to review with the external auditors their audit plan, scope and nature of audits;
- (c) to review the quarterly and annual financial statements before submission to the Board, focusing particularly on:
 - any changes in or implementation of major accounting policy changes;
 - significant and unusual events;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- (d) to review and assess the adequacy and effectiveness of the systems of internal control and accounting procedures by reviewing the external auditors' management letters and management responses;
- (e) to hear from and discuss with the external auditors any problem and reservation arising from their interim and final audits or any other matter that the external auditors may wish to highlight;
- (f) to review the internal audit programme, consider the findings of internal audit and steps taken by management in response to such findings and ensure co-ordination between the internal and external auditors;
- (g) to review any related party transaction and conflict of interest situation that may arise within the Company or Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures relating to such transactions are adequate;
- (h) to undertake such other responsibilities as may be delegated by the Board of Directors from time to time; and
- (i) to report to the Board of Directors its activities and findings.

Attendance at Meetings

During the financial year ended 31 December 2005, the Committee held five (5) meetings. The details of attendance of the Committee members are as follows:-

Name of Committee Member	No of meetings attended
Mr. Yee Swee Choon	5/5
En. Aminodin bin Ismail	5/5
Mr. Henry Choo Hon Fai	4/5

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 31 December 2005 in the discharge of its duties and responsibilities:

- reviewing the unaudited quarterly financial results of the Group prior to submission to the Board of Directors' consideration and approval with particular focus on compliance with accounting standards and regulatory requirements and the Group's accounting policies and practices;
- reviewing the audited financial statements of the Group prior to submission to the Board of Directors for consideration and approval;
- reviewing with external auditors on the audit reports in relation to audit and accounting issues arising from the audit;
- reviewing with external auditors on the scope of work and audit plan;
- reviewing the Internal Audit Reports and accessing the Internal Auditor's findings and the management's responses thereto and thereafter, making the necessary recommendations or changes to the Board of Directors; and
- reviewing the Statement on Internal Control and Statement on Corporate Governance for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is performed by the Internal Audit Department set up with the principal objective of regular review of systems of internal controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The attainment of such objective involves the following major activities being carried out by the Internal Audit Department:-

- (a) review and appraise the adequacy, effectiveness and reliability of internal control systems, policies and procedures;
- (b) monitor the adequacy, reliability, integrity, security and timeliness of management information systems;
- (c) determine the extent of compliance with relevant laws, codes, standards, regulations, policies, plans and procedures; and
- (d) identify and recommend solutions for identified potential problems; and review and verify the means used to safeguard assets.

STATEMENT VERIFYING ALLOCATION OF OPTIONS

There were no shares schemes for employees established during the financial year ended 31 December 2005.



MANAGING DIRECTOR'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, I hereby present this Annual Report and financial statements of Mudajaya Group Berhad ("Mudajaya" or the "Company") for the financial year ended 31 December 2005.

Financial Results

For the financial year under review, Mudajaya recorded a total revenue of RM293.11 million, as compared to RM385.14 million generated from previous corresponding year.

The profit before taxation of Mudajaya also decreased to RM24.03 million in 2005, from the preceding year record of RM36.55 million. The performance of the Group was generally in line with the prevailing slow down in the construction industry of the country.

As at 31 December 2005, the Group's net assets stood at RM153.15 million whilst net asset per share was RM1.13. Despite the sluggish condition of the construction industry experienced, the Group continued to operate under a healthy financial position of RM136.55 million net current assets with zero gearing as at 31 December 2005.

Corporate Development

The Group has on 13 July 2005 entered into a Joint Venture Agreement with RK Powergen Private Limited ("RK Power") for a coal fired independent power producer project ("IPP project") in the State of Chhattisgarh, India for a project value of Rs 1,000 Crores (RM869 million) for the initial 300 MW plant.

Subsequently the joint venture company has on 3 April 2006 entered into a MOU with the Government of Chhattisgarh and Chhattisgarh State Electricity Board for establishing and operating a 1,200 MW IPP project along with integrated coal mine in the State.

The Group will invest a sum of Rs 32 Crores (RM27.8 million) towards acquiring 26% of stake in the equity share capital of the joint venture company in India to undertake the IPP Project.

The joint venture is expected to contribute a long term stream of income to the Group upon commercial operation of the power plant.

Prospects of the Company

The Group will continue to operate under the current lackluster construction environment in Malaysia. However, with the implementation of the 9th Malaysian Plan, the Group expects the construction industries to be revitalised from 2007.

The Group is currently looking at participating in the growth of construction activities in India especially in roads, power and property development sectors. We expect to improve our presence in India by increasing our participation in these activities to further enhance our order book.

Against this backdrop of the economic outlook and barring unforeseen circumstances, the Board is optimistic that it will be able to meet its performance target in 2006.

MANAGING DIRECTOR'S STATEMENT



Dividend

On 24 May 2005, the Board declared a first interim dividend of 4% less income tax of 28% for the financial year 2005. The dividend was paid on 15 July 2005. The Board had also on 5 September 2005 declared a second interim dividend of 4% less 28% income tax for financial year 2005. The dividend was paid on 21 October 2005.

The Board of directors has also further recommended that a final dividend of 4% less 28% income tax for the year ended 31 December 2005, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Appreciation

I would like to express my appreciation to all the directors, members of the management and staff for their loyalty, commitment and dedication. To our shareholders, financiers, suppliers, contractors and clients, I thank them for their support.

Thank you.

Ng Ying Loong
Managing Director

22 May 2006

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are civil engineering and building construction, hire of plant and machinery, manufacturing, supplying and trading of construction related materials and housing project management and development.

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

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation	14,724	4,921
Minority interests	(2,406)	-
	<hr/>	<hr/>
Net profit for the year	<u>12,318</u>	<u>4,921</u>

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors' Report

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2004 were as follows:

RM '000

In respect of the financial year ended 31 December 2004 :

Final dividend of 2% or 1 sen gross per share less 28% taxation, on 136,000,000 ordinary shares, approved on 16 June 2005 and paid on 30 June 2005	979
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In respect of the financial year ended 31 December 2005 :

First interim dividend of 4% or 2 sen gross per share less 28% taxation, on 136,000,000 ordinary shares, declared on 24 May 2005 and paid on 15 July 2005	1,958
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Second interim dividend of 4% or 2 sen gross per share less 28% taxation, on 135,809,500 ordinary shares, declared on 5 September 2005 and paid on 21 October 2005	1,956
--	-------

4,893

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 4% or 2 sen gross less 28% taxation, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:-

Ng Ying Loong
Wee Teck Nam
Anto A/L S.F. Joseph
Aminodin bin Ismail
Henry Choo Hon Fai
Yee Swee Choon
Chung Tze Hien

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 each			
	As at 1.1.05	Bought During the year	Sold	As at 31.12.05
<u>The Company</u>				
Direct Interest:				
Ng Ying Loong	1,626,000	-	-	1,626,000
Anto A/L S.F. Joseph	650,000	-	-	650,000
Wee Teck Nam	500,000	-	57,000	443,000
Yee Swee Choon	-	15,000	2,000	13,000

	Number of Ordinary Shares of RM0.50 each			
	As at 1.1.05	Bought During the year	Sold	As at 31.12.05
Indirect Interest:				
Ng Ying Loong	46,178,000	-	3,000,000	43,178,000
Wee Teck Nam	46,174,000	-	3,000,000	43,174,000
Aminodin bin Ismail	22,704,400	-	22,704,400	-

Ng Ying Loong and Wee Teck Nam by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:-
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:-
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:-
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT AND SUBSEQUENT EVENTS DURING THE YEAR

Significant event and subsequent events during the year are as disclosed in Note 34 and 35.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

NG YING LOONG

WEE TECK NAM

Petaling Jaya, Malaysia
20 March 2006

STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, NG YING LOONG and WEE TECK NAM, being two of the Directors of MUDAJAYA GROUP BERHAD, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 63 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

NG YING LOONG

WEE TECK NAM

Petaling Jaya, Malaysia
20 March 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, TAN SIAK CHUANG, being the Officer primarily responsible for the financial management of MUDAJAYA GROUP BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 63 are in my opinion 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
abovenamed TAN SIAK CHUANG at
Petaling Jaya in the State of Selangor
Darul Ehsan on 20 March 2006

TAN SIAK CHUANG

Before me,

E. RADAKRISHNAN
Commissioner for Oaths
Petaling Jaya

REPORT OF THE AUDITORS TO THE MEMBERS OF MUDAJAYA GROUP BERHAD

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 28 to 63. These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:-

(i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the year then ended; and

(ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

Yeo Eng Seng
1212/12/06(J)
Partner

Kuala Lumpur, Malaysia
20 March 2006

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	293,113	385,139	7,115	7,266
Other operating revenue		3,129	5,668	7	25
Property work-in-progress expensed		(49,463)	(35,643)	-	-
Construction work-in-progress expensed		(141,055)	(237,942)	-	-
Finished goods purchased, raw materials and consumables used		(58,977)	(60,503)	-	-
Staff costs	5	(8,448)	(7,778)	-	-
Depreciation and amortisation expense		(5,122)	(4,920)	-	-
Operating expenses		(8,779)	(6,637)	(211)	(152)
Profit from operations	4	24,398	37,384	6,911	7,139
Finance costs	7	(215)	(608)	-	-
Share of results of associated companies		(152)	(223)	-	-
Profit before taxation		24,031	36,553	6,911	7,139
Taxation	8	(9,307)	(9,874)	(1,990)	(2,035)
Profit after taxation		14,724	26,679	4,921	5,104
Minority interests		(2,406)	(2,249)	-	-
Net profit for the year		12,318	24,430	4,921	5,104
Earnings per share (Sen)	9	9.1	18.6		
Net dividends per share (Sen)					
- Interim dividend declared (8% or 4 sen gross per share less 28% taxation)	10	2.9	3.6	2.9	3.6
- Final dividend proposed (4% or 2 sen gross per share less 28% taxation)	10	1.4	0.7	1.4	0.7
		4.3	4.3	4.3	4.3

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2005

		GROUP		COMPANY	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	16,959	20,093	-	-
Investments in subsidiary companies	12	-	-	60,299	60,299
Investments in associated companies	13	-	-	-	-
Long term investments	14	634	1,134	-	-
CURRENT ASSETS					
Property development costs	15	61,334	52,383	-	-
Inventories	16	3,011	3,230	-	-
Trade receivables	17	60,040	83,286	-	-
Sundry receivables	18	3,125	3,404	2	2
Tax recoverable		309	224	8	3
Amount due from subsidiary company	19	-	-	17,568	17,828
Amount due from associated company	20	2,262	2,256	-	-
Short term investments	21	50	657	-	-
Cash and bank balances	22	64,585	38,477	254	2,257
		194,716	183,917	17,832	20,090
CURRENT LIABILITIES					
Amounts due to customers on contracts	23	67	79	-	-
Trade payables	24	49,590	44,916	-	-
Sundry payables	25	3,565	4,426	237	117
Tax payable		3,172	4,841	-	-
Hire purchase payables	26	1,771	1,954	-	-
Dividends payable		-	1,958	-	1,958
		58,165	58,174	237	2,075
NET CURRENT ASSETS					
		136,551	125,743	17,595	18,015
		154,144	146,970	77,894	78,314
FINANCED BY:-					
Share capital	27	68,000	68,000	68,000	68,000
Share premium		10,106	10,106	10,106	10,106
Capital reserve	28	4,900	4,900	-	-
Treasury Shares	27(a)	(448)	-	(448)	-
Retained profits	29	58,324	50,899	236	208
		140,882	133,905	77,894	78,314
Minority interests		12,270	10,290	-	-
Hire purchase payables	26	276	2,059	-	-
Deferred taxation	30	716	716	-	-
		154,144	146,970	77,894	78,314

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Treasury Shares RM'000	Retained profits RM'000	Total RM'000
GROUP							
At 1 January 2004		60,300	-	595	-	35,670	96,565
Issue of ordinary shares for cash, net of share issue expenses		7,700	10,106	-	-	-	17,806
Bonus share issue		-	-	4,305	-	(4,305)	-
Profit for the year		-	-	-	-	24,430	24,430
Dividends	10	-	-	-	-	(4,896)	(4,896)
At 31 December 2004		68,000	10,106	4,900	-	50,899	133,905
At 1 January 2005		68,000	10,106	4,900	-	50,899	133,905
Repurchased Shares	27(a)	-	-	-	(448)	-	(448)
Profit for the year		-	-	-	-	12,318	12,318
Dividends	10	-	-	-	-	(4,893)	(4,893)
At 31 December 2005		68,000	10,106	4,900	(448)	58,324	140,882
COMPANY							
At 1 January 2004		1	-	-	-	-	1
Issue of ordinary shares							
Acquisition of subsidiary Issued for cash, net of share issue expenses		60,299	-	-	-	-	60,299
		7,700	10,106	-	-	-	17,806
Profit for the year		-	-	-	-	5,104	5,104
Dividends	10	-	-	-	-	(4,896)	(4,896)
At 31 December 2004		68,000	10,106	-	-	208	78,314
At 1 January 2005		68,000	10,106	-	-	208	78,314
Repurchased Shares	27(a)	-	-	-	(448)	-	(448)
Profit for the year		-	-	-	-	4,921	4,921
Dividends	10	-	-	-	-	(4,893)	(4,893)
At 31 December 2005		68,000	10,106	-	(448)	236	77,894

The accompanying notes form an integral part of these financial statements.

**CASH FLOW FOR THE YEAR ENDED
31 DECEMBER 2005**

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	24,031	36,553	6,911	7,139
Adjustments for:				
Depreciation of property, plant and equipment	5,122	4,920	-	-
Provision for doubtful debts	700	-	-	-
Interest expense	215	608	-	-
Share of results of associated companies	152	223	-	-
Provision for diminution in value of long term investments	500	-	-	-
Write back of provision for doubtful debts	-	(2,062)	-	-
Gain on disposal of short term investments	(18)	(133)	-	-
Gain on disposal of property, plant and equipment	(263)	(70)	-	-
Interest income	(1,176)	(458)	(7)	(24)
Dividend income	-	(9)	(7,115)	(7,266)
Operating profit/(loss) before working capital changes	29,263	39,572	(211)	(151)
Changes in working capital:				
Receivables	22,826	18,447	-	(2)
Development properties	(8,952)	(14,423)	-	-
Inventories	219	(2,840)	-	-
Amounts due to customer on contracts	(13)	2	-	-
Payables	3,388	494	120	117
Amount due from subsidiary company	-	-	260	(17,828)
Amount due from associated company	(158)	(321)	-	-
Amount due from jointly controlled entity	-	3,130	-	-
Cash generated from / (used in) operations carried forward	46,573	44,061	169	(17,864)

**CASH FLOW FOR THE YEAR ENDED
31 DECEMBER 2005 (contd.)**

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash generated from / (used in) operations brought forward	46,573	44,061	169	(17,864)
Income tax paid	(11,208)	(8,930)	(1,994)	(2,038)
Tax Refund	147	-	-	-
Net cash generated from / (used in) operating activities	35,512	35,131	(1,825)	(19,902)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Purchase of property, plant and equipment	(1,993)	(7,172)	-	-
Dividends paid	(6,852)	(2,938)	(6,852)	(2,938)
Proceeds from disposal of short term investments	625	1,378	-	-
Proceeds from disposal of property, plant and equipment	269	215	-	-
Proceeds from liquidation of jointly controlled entity	-	430	-	-
Interest received	1,176	458	7	24
Dividends received	-	9	7,115	7,266
Net cash (used in)/generated from investing activities	(6,775)	(7,620)	270	4,352

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Proceeds from issuance of ordinary shares for cash, net of share issue expenses	-	17,806	-	17,806
Share buyback	(448)	-	(448)	-
Interest paid	(215)	(608)	-	-
Repayment of bank borrowings	-	(9,068)	-	-
Repayment of hire purchase payables	(1,966)	(3,240)	-	-
Net cash (used in)/generated from financing activities	(2,629)	4,890	(448)	17,806

**CASH FLOW FOR THE YEAR ENDED
31 DECEMBER 2005 (contd.)**

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	26,108	32,401	(2,003)	2,256
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	38,477	6,076	2,257	1
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	64,585	38,477	254	2,257

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and cash equivalents comprise the following:				
Cash and bank balances	11,875	8,290	254	24
Deposits with licensed financial institutions	52,710	30,187	-	2,233
	64,585	38,477	254	2,257

As disclosed in Note 22 to the financial statements, included in the cash and bank balances of the Group is RM15,707 (2004: RM15,396) held in trust account in accordance with Regulation 12 of the Housing Developers (Housing Development Account) Regulations 1991.

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are civil engineering and building construction, hire of plant and machinery, manufacturing, supplying and trading of construction related materials and housing project management and development. There were no significant changes in the nature of these activities during the year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 17 Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The number of employees in the Group at the end of the financial year were 326 (2004: 436).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and Mudajaya Corporation Berhad and its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The acquisition of Mudajaya Corporation Berhad and its subsidiaries are accounted for using the merger method of accounting as the combination meets the relevant criteria set out in the MASB Standard 21 "Business Combination". Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been affected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

The cost of investment in a merger are recorded at the aggregate of the nominal value of equity shares issued, cash and cash equivalents and fair values of other considerations.

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(b) Basis of Consolidation (contd.)

(i) Subsidiaries (contd.)

Subsidiaries of Mudajaya Corporation Berhad are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of the movements in the acquiree's equity since then.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the period is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(c) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

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

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

Depreciation on property, plant and equipment is provided for on a straight line basis to write off the cost of the property, plant and equipment to its residual value over the estimated useful life at the following annual rates:

	%
Buildings	2
Factory	10
Plant, machinery and equipment	20
Office equipment, furniture and fittings	20
Motor vehicles	20

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(e) 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.

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

Where the financial outcome of a 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 properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on the development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(e) Property Development Costs (contd.)

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

(f) Construction Contracts

Construction contracts work-in-progress are stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes sub-contract charges, materials, labour and attributable overhead expenses.

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined by reference to the contract costs incurred for work performed to date. Provision is made for all foreseeable losses on construction contracts.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(g) Inventories

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

Cost of raw materials, finished goods and work-in-progress is determined on a weighted average or first-in-first-out basis, as appropriate, according to the category of stocks concerned. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and attributable production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash and bank balances, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(i) Income Tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(i) Income Tax (contd.)

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for assets acquired under hire purchase is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

(k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure to be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(l) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(m) Revenue Recognition

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

(i) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2(e).

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(f).

(iii) Sale of goods

Revenue from sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(iv) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(v) Interest income

Interest income is recognised as it accrues on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

(vi) Dividend income

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

Revenue for the Group excludes intra group transactions.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(n) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of the transaction. All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year end exchange rates with respect to the assets and liabilities, and at exchange rate at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

The principal exchange rate used at the balance sheet date is as follows:

	2005	2004
	RM	RM
100 Rupees	8.71	8.87
1 US Dollar	3.80	-

(o) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(p) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade Payables

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

(v) Interest-Bearing Borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

(vi) Ordinary Shares

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

3. REVENUE

Revenue comprise the following:

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Work performed on construction contracts	164,161	271,843	-	-
Sale of development properties	61,623	45,359	-	-
Sale of construction materials	67,329	67,937	-	-
Gross dividends from a subsidiary	-	-	7,115	7,266
	293,113	385,139	7,115	7,266

4. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Profit from operations is stated after charging / (crediting):				
Non-executive directors' remuneration (Note 6)	120	90	120	90
Auditors' remuneration				
- Statutory audit	66	66	15	15
- Other services	-	24	-	1
Depreciation (Note 11)	5,122	4,920	-	-
Hire of plant and machinery	74	58	-	-
Provision for doubtful debts	700	-	-	-
Provision for diminution in value of long term investment	500	-	-	-
Rental of land and building				
- related company of an associated investor	270	268	-	-
- others	90	52	-	-
Gain on disposal of short term investments	(18)	(133)	-	-
Gain on disposal of property, plant and equipment	(263)	(70)	-	-
Hire of plant and machinery	(48)	-	-	-
Rental of land and building	(178)	(164)	-	-
Gross dividend income				
- subsidiary	-	-	(7,115)	(7,266)
- quoted shares	-	(9)	-	-
Interest income				
- deposits with licensed financial institutions	(1,176)	(296)	(7)	(24)
- others	-	(162)	-	-
Write back of provision for doubtful debts	-	(2,062)	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

5. STAFF COSTS

	GROUP	
	2005 RM'000	2004 RM'000
Wages and salaries	7,403	6,556
Social security costs	31	26
Pension costs - defined contribution plans	573	477
Other staff related expenses	441	719
	<hr/> 8,448	<hr/> 7,778

Included in staff costs of the Group are executive directors remuneration amounting to RM2,124,000 (2004: RM1,714,000) as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Company				
Executive:				
- Salaries and other emoluments	850	699	-	-
- Fees	-	40	-	-
- Bonus	112	16	-	-
- Pension costs - defined contribution plans	100	99	-	-
- Benefits-in-kind	41	52	-	-
	<hr/> 1,103	<hr/> 906	<hr/> -	<hr/> -
Non-Executive:				
- Fees	120	90	120	90
	<hr/> 1,223	<hr/> 996	<hr/> 120	<hr/> 90
Directors of the Subsidiaries				
Executive:				
- Salaries and other emoluments	815	688	-	-
- Fees	-	40	-	-
- Bonus	141	44	-	-
- Pension costs - defined contribution plans	106	88	-	-
- Benefits-in-kind	16	22	-	-
	<hr/> 1,078	<hr/> 882	<hr/> -	<hr/> -
Non-Executive:				
- Fees	-	-	-	-
	<hr/> 1,078	<hr/> 882	<hr/> -	<hr/> -
	<hr/> 2,301	<hr/> 1,878	<hr/> 120	<hr/> 90

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

6. DIRECTORS' REMUNERATION (contd.)

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	2,124	1,714	-	-
Total non-executive directors' remuneration (Note 4)	120	90	120	90
Total directors' remuneration excluding benefits-in-kind	2,244	1,804	120	90

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2005	2004
Executive directors:		
100,001 - 150,000	1	1
300,001 - 350,000	-	1
350,001 - 400,000	1	-
450,001 - 500,000	-	1
500,001 - 550,000	-	-
550,001 - 600,000	1	-
Non-executive directors:		
Below 50,000	3	3

7. FINANCE COSTS

	GROUP	
	2005 RM'000	2004 RM'000
Interest expense		
- bank borrowings	3	232
- hire purchase financing	212	376
	215	608

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

8. TAXATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian taxation based				
on results for the year	9,302	9,733	1,992	2,035
Under/(over) provision in prior years	5	141	(2)	-
	9,307	9,874	1,990	2,035

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	24,031	36,553	6,911	7,139
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	6,729	10,235	1,935	1,999
Income not subject to tax	(20)	(628)	-	-
Expenses not deductible for tax purposes	2,593	233	57	36
Under/(over) provision of tax expense in prior years	5	141	(2)	-
Tax rebate	-	(107)	-	-
	9,307	9,874	1,990	2,035

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2005	2004
Net profit for the year (RM '000)	12,318	24,430
Weighted average number of ordinary shares in issue ('000)	135,894	130,993
Earnings per share (Sen)	9.1	18.6

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

10. DIVIDENDS

Dividends declared by the Company during the year are as follows:

	GROUP / COMPANY			
	Net Dividends		Net Dividends per Share	
	2005	2004	2005	2004
	RM'000	RM'000	sen	sen
Final dividend of 2% or 1 sen gross per share less 28% taxation, on 136,000,000 ordinary shares, approved on 16 June 2005 and paid on 30 June 2005	979	-	0.7	-
First interim dividend of 4% or 2 sen gross per share less 28% taxation, on 136,000,000 ordinary shares, declared on 24 May 2005 and paid on 15 July 2005	1,958	2,938	1.4	2.2
(2004: 6% or 3 sen gross per share less 28% taxation, on 136,000,000 ordinary shares)				
Second interim dividend of 4% or 2 sen gross per share less 28% taxation, on 135,809,500 ordinary shares, declared on 5 September 2005 and paid on 21 October 2005	1,956	1,958	1.4	1.4
(2004: 4% or 2 sen gross per share less 28% taxation, on 136,000,000 ordinary shares)				
	4,893	4,896	3.5	3.6

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 4% or 2 sen gross less 28% taxation, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	COST						Total	
	Freehold land RM'000	Building RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	2005 RM'000	2004 RM'000
At 1 January	5,707	170	3,540	42,585	2,295	7,436	61,733	52,754
Additions	-	-	76	1,853	45	19	1,993	11,003
Disposals	-	-	-	(430)	(70)	(558)	(1,058)	(2,024)
At 31 December	5,707	170	3,616	44,008	2,270	6,897	62,668	61,733
ACCUMULATED DEPRECIATION								
At 1 January	-	16	1,607	33,274	1,996	4,747	41,640	38,599
Charge for the year	-	3	360	3,727	194	838	5,122	4,920
Disposals	-	-	-	(430)	(70)	(553)	(1,053)	(1,879)
At 31 December	-	19	1,967	36,571	2,120	5,032	45,709	41,640
NET BOOK VALUE								
At 31 December 2005	5,707	151	1,649	7,437	150	1,865	16,959	-
At 31 December 2004	5,707	154	1,933	9,311	299	2,689	-	20,093
Depreciation charge for 2004	-	3	344	3,624	288	661	-	4,920

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

a) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM1,993,000 (2004: RM11,003,000) of which RM Nil (2004: RM3,831,000) were acquired by means of hire purchase arrangements. Cash payments of RM1,993,000 (2004: RM7,172,000) were made to purchase property, plant and equipment.

b) The net book values of property, plant and equipment of the Group held under hire purchase arrangements are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Motor vehicles	936	1,382
Plant and machinery	3,791	7,058
	4,727	8,440

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	GROUP	
	2005 RM'000	2004 RM'000
Unquoted shares in Malaysia, at cost	60,299	60,299

The investment is stated at cost in the Company's financial statements. Cost reflects the nominal value of shares issued by the Company for the acquisition.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

12. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

Details of the subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2005 %	2004 %
Mudajaya Corporation Berhad	Malaysia	Civil engineering and building construction	100	100
<u>Subsidiaries of Mudajaya Corporation Berhad</u>				
Mudajaya Power International Sdn. Bhd.	Malaysia	Civil engineering and building construction	100	100
Angsana Fajar Sdn. Bhd.	Malaysia	Housing development	100	100
MJC City Development Sdn. Bhd.	Malaysia	Property management and development	70	70
MJC Development Sdn. Bhd.	Malaysia	Property management and development and building construction	51	51
MJC Industries Sdn. Bhd.	Malaysia	Manufacture of concrete products and building materials	100	100
MJC Precast Sdn. Bhd.	Malaysia	Supply of precast concrete and other related products	51	51
MJC Trading Sdn. Bhd.	Malaysia	Hire of plant and machinery and trading in construction related materials	100	100
Great Hill International Limited	Republic of Mauritius	Has not commenced operations	100	-
MJC Plantations Sdn. Bhd. (formerly known as MJC Services Sdn. Bhd.)	Malaysia	Dormant	100	100
MJC Properties Sdn. Bhd.	Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

13. INVESTMENTS IN ASSOCIATED COMPANIES

	GROUP	
	2005 RM'000	2004 RM'000
Unquoted shares in Malaysia, at cost	1	1
Share of post acquisition losses	(1)	(1)
	-	-

The associated companies are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2005 %	2004 %
<u>Associated companies</u> <u>of Mudajaya Corporation Berhad</u>				
Binamin Quarry Sdn. Bhd.	Malaysia	Investment holding	40	40
Binamin MJC Quarry Sdn. Bhd.	Malaysia	Quarry operations	70	70

14. LONG TERM INVESTMENTS

	GROUP	
	2005 RM'000	2004 RM'000
At cost:		
Club memberships	64	64
Unquoted preference shares	70	70
Unquoted shares	500	1,000
	634	1,134

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

15. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2005 RM'000	2004 RM'000
Property development costs at 1 January:		
Freehold land	2,424	2,424
Leasehold land	43,384	35,882
Development costs	369,881	354,144
	<hr/>	<hr/>
	415,689	392,450
	<hr/>	<hr/>
Costs incurred during the year:		
Freehold land	911	-
Leasehold land	276	7,518
Development costs	83,937	42,549
	<hr/>	<hr/>
	85,124	50,067
	<hr/>	<hr/>
Costs recognised in income statement:		
At 1 January	390,134	354,491
Recognised during the year	49,345	35,643
	<hr/>	<hr/>
At 31 December	439,479	390,134
	<hr/>	<hr/>
Property development costs at 31 December	<u>61,334</u>	<u>52,383</u>

The leasehold land under development of a subsidiary company belongs to a third party and is developed by the subsidiary company pursuant to the Development Agreement and the Supplemental Agreement entered into on 22 July 1996 and 23 July 1996 respectively, between the subsidiary company and a third party. The Development Agreement and the Supplemental Agreement provide interalia for the payment in kind in return for the land contributed by the third party.

16. INVENTORIES

	GROUP	
	2005 RM'000	2004 RM'000
At cost :		
Raw materials and consumables	3,011	3,143
Finished goods	-	87
	<hr/>	<hr/>
	3,011	3,230
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

17. TRADE RECEIVABLES

	GROUP	
	2005 RM'000	2004 RM'000
Trade receivables	64,748	87,294
Less: Provision for doubtful debts	(4,708)	(4,008)
	60,040	83,286

The credit period of trade receivables ranges from 30 to 90 days.

(i) Included in the Group's trade receivables are the following:

	GROUP	
	2005 RM'000	2004 RM'000
Retention sums on construction contracts	10,240	11,065

(ii) Included in the Group's trade receivables is RM23,000 (2004: RM254,000) being amount due from Leisure Farm Corporation Sdn Bhd, a related company of an associated investor.

18. SUNDRY RECEIVABLES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits	1,412	1,241	2	2
Prepayments	37	164	-	-
Sundry receivables	1,676	1,999	-	-
	3,125	3,404	2	2

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

19. AMOUNT DUE FROM SUBSIDIARY COMPANY

The amount due from subsidiary company is unsecured, interest free and has no fixed repayment terms.

20. AMOUNT DUE FROM ASSOCIATED COMPANY

	GROUP	
	2005 RM'000	2004 RM'000
Amount due from associated company	5,914	5,756
Share of post acquisition losses in excess of cost of investment	(3,652)	(3,500)
	2,262	2,256

The amount due from associated company is unsecured, interest free and has no fixed repayment term.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

21. SHORT TERM INVESTMENTS

	GROUP	
	2005 RM'000	2004 RM'000
At cost:		
Quoted shares in Malaysia	-	190
Quoted Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in Malaysia	60	614
	60	804
Less: Impairment losses	(10)	(147)
	50	657

The market value of the quoted investments as at end of year are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Shares	-	151
ICULS	44	495
	44	646

22. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash on hand and at banks	11,875	8,290	254	24
Deposits with:				
Licensed banks	-	8,191	-	-
Discount house	13,878	21,996	-	2,233
Other financial institutions	38,832	-	-	-
	64,585	38,477	254	2,257

The deposits placed with licensed banks have an average maturity period of 30 days and bear interest at an average rate of 2.58% (2004: 3%) per annum. Deposits placed with discount house are on call and/or repo basis (2004: on call and/or repo basis) and bear interest at an average rate of 2.34% (2004: 2.70%) per annum. Deposits placed with other financial institutions are on call basis (2004: NIL) and bear interest at an average rate of 3.33% (2004: NIL) per annum.

Included in the cash at bank balances of the Group is RM15,707 (2004 : RM15,396) held in trust account in accordance with Regulation 12 of the Housing Developers (Housing Development Account) Regulations 1991.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

23. AMOUNTS DUE TO CUSTOMERS ON CONTRACTS

	GROUP	
	2005 RM'000	2004 RM'000
Progress billings	1,438,674	1,225,786
Less: Construction contract costs incurred to date	(1,297,145)	(1,101,879)
	141,529	123,907
Less: Attributable profits	(141,462)	(123,828)
Amounts due to customers on contracts	67	79
Included in construction contract costs are the following expenses incurred during the year:-		
Hire of plant and machinery	1,635	4,836
Rental of land and buildings	176	190

24. TRADE PAYABLES

The credit period of trade payables ranges from 7 to 90 days.

25. SUNDRY PAYABLES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits	160	687	-	-
Accruals	823	984	160	95
Sundry payables	2,582	2,755	77	22
	3,565	4,426	237	117

26. HIRE PURCHASE PAYABLES

	GROUP	
	2005 RM'000	2004 RM'000
Minimum hire purchase payments:		
Not later than 1 year	1,851	2,164
Later than 1 year and not later than 5 years	281	2,146
	2,132	4,310
Less: Future finance charges	(85)	(297)
	2,047	4,013
Present value of hire purchase payments:		
Not later than 1 year	1,771	1,954
Later than 1 year and not later than 5 years	276	2,059
	2,047	4,013

The hire purchase payables bear effective interest rates ranging from 6.45% to 8.94% per annum.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

27. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
GROUP/COMPANY				
Authorised				
At 1 January	500,000	500,000	250,000	250,000
At 31 December	500,000	500,000	250,000	250,000
Issued and fully paid				
At 1 January	136,000	136,000	68,000	68,000
At 31 December	136,000	136,000	68,000	68,000

(a) Treasury Shares

The shareholders of the company, by an ordinary resolution passed in a general meeting held on 16 June 2005, approved the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 408,000 of its issued ordinary shares from the open market at an average price of RM1.07 per share. The total consideration paid for the repurchase including transaction costs was RM448,571. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Of the total 136,000,000 (2004: 136,000,000) issued and fully paid ordinary shares as at 31 December 2005, 408,000 (2004: Nil) are held as treasury shares by the Company. As at 31 December 2005, the number of outstanding ordinary shares in issue and fully paid is therefore 135,592,000 (2004: 136,000,000) ordinary shares of RM0.50 each.

28. CAPITAL RESERVE

	GROUP	
	2005 RM'000	2004 RM'000
At 1 January	4,900	595
Arising in the year	-	4,305
At 31 December	4,900	4,900

The capital reserve is in respect of capitalisation of retained profits of a subsidiary company arising from bonus shares issued by the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

29. RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

30. DEFERRED TAXATION

	GROUP	
	2005	2004
	RM'000	RM'000
Deferred tax liabilities:		
Accelerated capital allowances		
At 1 January and at 31 December	716	716

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP	
	2005	2004
	RM'000	RM'000
Rental payable to Mulpha Properties Sdn Bhd, a related company of an associated investor	270	268
Construction contract billings receivable from Leisure Farm Corporation Sdn Bhd, a related company of an associated investor	(3,113)	(13,158)

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

32. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Guarantees given to third parties in respect of construction projects	4,555	4,555	-	-
Corporate guarantees given to banks in respect of banking facilities utilised by a subsidiary company	-	-	14,047	16,762
	4,555	4,555	14,047	16,762

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

33. FINANCIAL INSTRUMENTS

(a) Financial Risk, Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The interest bearing financial liabilities are mainly in respect of hire purchases. The interest rates of the hire purchases are disclosed in Note 26.

The interest bearing financial assets are mainly in respect of short term deposits placed with licensed financial institutions. The interest rates of the short term deposits are disclosed in Note 22.

(c) Foreign Exchange Risk

The Group has foreign operations in India and is exposed to the fluctuation in the exchange rate of Indian Rupees. However, the foreign currency exposures are kept to an acceptable level as the operations in India are financed in their local currency.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	GROUP	
	Non- functional currency 2005 Rupees RM'000	Non- functional currency 2004 Rupees RM'000
Functional currency		
Ringgit Malaysia:		
Trade receivables	1,565	2,227
Cash and bank balances	945	453

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments and adequate banking facilities to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

33. FINANCIAL INSTRUMENTS (contd.)

(e) Credit Risk

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

The Group's trade receivables mainly comprise construction contract trade receivables of RM44.686 million (2004: RM64.367 million), the credit terms of which are disclosed in Note 17.

Other than as disclosed above, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheets.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except for the followings:

		GROUP		COMPANY	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	RM'000	RM'000	RM'000	RM'000
Financial Assets					
At 31 December 2005:					
Non-current unquoted shares and club memberships	14	634	*	-	-
At 31 December 2004:					
Non-current unquoted shares and club memberships	14	1,134	*	-	-

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

The directors are of the opinion that notwithstanding that there are no fixed repayment terms for the amount due to/from subsidiaries, associates and jointly controlled entities, the fair values are not materially different from their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005 (contd.)

33. FINANCIAL INSTRUMENTS (contd.)

(f) Fair Values (contd.)

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

	Note	GROUP		COMPANY	
		Nominal/ Notional Amount RM'000	Net Fair Value RM'000	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
At 31 December 2005:					
Contingent liabilities	32	4,555	^	14,047	^
At 31 December 2004:					
Contingent liabilities	32	4,555	^	16,762	^

^ It is also not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

34. SIGNIFICANT EVENT DURING THE YEAR

(i) Acquisition of 100% Equity Interest in Great Hill International Ltd ("Great Hill")

On 3 June 2005, the company subsidiary, Mudajaya Corporation Berhad, acquired 2 shares of USD1 each representing 100% issued and paid up share capital of Great Hill for cash consideration at par value.

Great Hill was incorporated in the Republic of Mauritius on 21 February 2003 as a private company limited by shares. The authorised and paid up share capital of Great Hill is USD1 million and USD2 respectively.

Great Hill has not commenced operations.

35. SUBSEQUENT EVENTS

(i) Acquisition of 100% Equity Interest in Oracle International Co. Ltd ("Oracle International") and Mudajaya International Ltd ("Mudajaya International")

On 12 January 2006, the company subsidiary, Mudajaya Corporation Berhad, acquired one share of USD1 each representing 100% issued and paid up share capital of Oracle International and Mudajaya International for cash consideration at par value.

Oracle International was incorporated in Brunei Darussalam on 12 December 2005 as a private company limited by shares. The authorised and paid up share capital of Oracle International is USD1 million and USD1 respectively.

Mudajaya International was incorporated in the Republic of Mauritius on 20 September 2005 as a private company limited by shares. The authorised and paid up share capital of Mudajaya International is USD1 comprising of 1 share of USD1.

Oracle International and Mudajaya International have not commenced operations.

36. COMPARATIVES

The presentation and classification of items in the current financial statements have been consistent with the previous financial year.

37. SEGMENT INFORMATION

(a) Business Segments

The Group operated principally in Malaysia and India and is organised into four major business segments:

- (i) Construction - undertaking civil engineering and constructions works;
- (ii) Property development - the development of residential and commercial properties;
- (iii) Trading and plant hiring - trading in construction materials and hire of plants;
and
- (iv) Manufacturing - manufacturing of construction materials.

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

37. SEGMENT REPORTING (CONTD.)

31 December 2005

	Construction RM'000	Property Development RM'000	Manufacturing RM'000	Trading and Plant Hiring RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External sales	164,161	61,623	26,410	40,919	-	-	293,113
Inter-segment sales	48,779	-	-	4,124	-	(52,904)	-
Total revenue	212,940	61,623	26,410	45,043	-	(52,904)	293,113
Result							
Segment results	14,017	10,804	729	438	7,122	(8,501)	24,609
Unallocated corporate expenses	-	-	-	-	(211)	-	(211)
Finance costs, net	(188)	(471)	(27)	-	-	471	(215)
Share of results of associates	-	-	-	-	-	-	(152)
Taxation							(9,307)
Minority interests							14,724
							(2,406)
							12,318
Assets							
Segment assets	121,135	74,855	14,526	94	1,699		212,309
Liabilities							
Segment liabilities	43,829	6,635	2,570	5,886	237		59,157
Other Information							
Capital expenditure	1,530	19	446	-	-		1,994
Depreciation	3,914	63	1,145	-	-		5,122

37. SEGMENT REPORTING (CONTD.)

31 December 2004

	Construction RM'000	Property Development RM'000	Manufacturing RM'000	Trading and Plant Hiring RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External sales	271,843	45,359	24,043	43,894	-	-	385,139
Inter-segment sales	39,605	-	-	4,057	-	(43,662)	-
Total revenue	311,448	45,359	24,043	47,951	-	(43,662)	385,139
Result							
Segment results	28,040	6,761	753	335	7,291	(5,762)	37,418
Unallocated corporate expenses					(34)		(34)
Finance costs, net	(496)	(215)	(28)	-	-	131	(608)
Share of results of associates	(223)	-	-	-	-	-	(223)
Taxation							(9,874)
Minority interests							26,679 (2,249)
Assets							24,430
Segment assets	142,959	44,041	9,108	6,773	2,263		205,144
Liabilities							
Segment liabilities	49,994	1,368	3,425	4,204	1,958		60,949
Other Information							
Capital expenditure	8,183	49	2,771	-	-		11,003
Depreciation	3,650	124	1,146	-	-		4,920

37. SEGMENT REPORTING (CONTD.)

(b) Geographical Segments

The Group operates only in Malaysia, its home country and in India. In Malaysia, the Group's areas of operation are principally civil engineering and construction of highways and buildings and property development. Other operations include manufacturing and trading. In India, the main operation is the construction of highways.

	Total Revenue from		Segment Assets		Capital Expenditure	
	External Customers					
	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	242,344	276,889	209,799	202,464	1,994	11,003
India	50,769	108,250	2,510	2,680	-	-
Consolidated	293,113	385,139	212,309	205,144	1,994	11,003

ANALYSIS OF SHAREHOLDINGS as at 21 April 2006

Authorised Share Capital	: 500,000,000 ordinary shares of RM0.50 each
Issued And Fully Paid-Up Share Capital	: 136,000,000 ordinary shares of RM0.50 each
Voting Rights	: 1 vote per shareholder on a show of hand / 1 vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares held	%
Less than 100	1	0.06	50	0.00
100 – 1,000	779	44.11	767,100	0.57
1,001 – 10,000	803	45.47	3,001,450	2.22
10,001 – 100,000	136	7.70	4,561,600	3.37
100,001 – 6,767,994*	43	2.43	32,351,400	23.90
6,767,995 and above**	4	0.23	94,678,300	69.94
Total	1,766	100.00	135,359,900 [#]	100.00

* Less than 5% of issued holdings

** 5% and above of issued holdings

Exclude shares bought back of 640,100

30 LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares held	%
1. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd pledged securities account for Dataran Sentral (M) Sdn Bhd	33,174,000	24.51
2. Tiararibu (M) Sdn Bhd	31,799,900	23.49
3. United Flagship Sdn Bhd	19,704,400	14.56
4. Dataran Sentral (M) Sdn Bhd	10,000,000	7.39
5. Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	5,049,000	3.73
6. Lembaga Tabung Angkatan Tentera	4,274,200	3.16
7. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	3,350,000	2.47
8. Cartaban Nominees (Asing) Sdn Bhd Sun Hung Kai Investment Services Ltd for Top Champ Assets Limited	3,000,000	2.22
9. Sinar Dian Sdn Bhd	2,602,900	1.92
10. Lembaga Tabung Haji	1,244,000	0.92

ANALYSIS OF SHAREHOLDINGS as at 21 April 2006

30 LARGEST SHAREHOLDERS (CONTD.)

Name of Shareholders	Number of Shares held	%
11. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Pheim-Aizawa Asia Fund	1,213,900	0.90
12. Ng Ying Loong	1,095,000	0.81
13. PRB Nominees (Tempatan) Sdn Bhd Rubber Industry Smallholders Development Authority	1,043,000	0.77
14. Kok Onn	800,000	0.59
15. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Apex Dana AL-SOFI-I	659,000	0.49
16. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Anto A/L S F Joseph	650,000	0.48
17. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	560,000	0.41
18. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ng Ying Loong	531,000	0.39
19. Ng Li Hoon	420,000	0.31
20. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wee Teck Nam	410,000	0.30
21. Wong Hock Beng	400,000	0.30
22. Tung Choo Keu	400,000	0.30
23. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pheim Emerging Companies Balanced Fund	357,000	0.26
24. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Carl Friedrich Marino Gumpert	296,000	0.22
25. Sharil @ Shahrir bin AB Samad	263,000	0.19
26. Gan Boon Khuay	250,000	0.18
27. Tan Ah Wah	209,000	0.15
28. Malaysia Nominees (Tempatan) Sendirian Berhad Pheim Asset Management Sdn Bhd for Pintaras Jaya Berhad	205,900	0.15
29. Lee Tze Liu	202,000	0.15
30. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Dana Makmur Pheim	201,100	0.15
Total	124,364,300	91.88

ANALYSIS OF SHAREHOLDINGS as at 21 April 2006

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	Number of Shares Held	%	Number of Shares Held	%
1. Dataran Sentral (M) Sdn Bhd	43,174,000	31.90	-	-
2. Tiararibu (M) Sdn Bhd	31,799,900	23.49	-	-
3. United Flagship Sdn Bhd	19,704,400	14.56	-	-
4. Winners Spectrum Construction Sdn Bhd	4,000	0.00	43,174,000	31.90
5. First Positive Sdn Bhd	-	-	43,174,000	31.90
6. Mulpha International Bhd	-	-	31,799,900	23.49
7. Nautical Investments Ltd	-	-	31,799,900	23.49
8. Ng Ying Loong	1,626,000	1.20	43,178,000	31.90
9. Wee Teck Nam	410,000	0.30	43,174,000	31.90
10. Law Chin Wat	-	-	31,799,900	23.49
11. Dato' Mohd Zakhir Siddiqy bin Sidek	-	-	19,704,400	14.56

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS

Name of Directors	Direct		Indirect	
	Number of Shares Held	%	Number of Shares Held	%
1. Ng Ying Loong	1,626,000	1.20	43,178,000	31.90
2. Wee Teck Nam	410,000	0.30	43,174,000	31.90
3. Anto A/L SF Joseph	650,000	0.48	-	-
4. Chung Tze Hien	-	-	-	-
5. Aminodin bin Ismail	-	-	-	-
6. Yee Swee Choon	13,000	0.01	-	-
7. Henry Choo Hon Fai	-	-	-	-

PROPERTIES OF THE GROUP as at 31 December 2005

Location	Year of acquisition	Tenure	Age of building	Land area/ built up area (sq. m)	Description	Net book value RM'000
1. Lot No. 31, Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	2004	Freehold	N/A	20,234	Agriculture land	1,625
2. Lot No. 32 & 33, Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	1998	Freehold	6	40,486 / 2,480	Industrial land with factory	5,382
3. Unit 114, Ground Floor, Block B, Sunway Court, Bandar Sunway Petaling Jaya Selangor Darul Ehsan	2002	Lease expiring on 11.4.2093	13	84	One (1) unit of apartment	154
4. Villa Angsana Condominium ⁽¹⁾ 56, Off Jalan Ipoh 51000 Kuala Lumpur	1999	Freehold	5	1,288	Seven (7) units of condominiums	2,298
5. Lot 58 & 199, Section 47 Kuching Town Land District	2004	Lease expiring on 30.5.2773 / 31.12.2773	N/A	241 / 3,480	Commercial land for future development	7,500
6. Lot 459 & 460, Section 67 Kuala Lumpur	2005	Freehold	N/A	1,404 / 3,480	Freehold land with a single storey bungalow house	8,729
7. Lot No PT1230 ⁽²⁾ Presint 9, Bandar Putrajaya District of Putrajaya Wilayah Persekutuan	2005	Freehold	1	285	2 1/2 storey semi-detached house	725

Notes:

N/A Not applicable.

(1) Remaining units available for sale and the built-up areas range from 102.9 sq.m to 260.9 sq.m with selling prices range from RM182,820.00 to RM535,000.00.

(2) Contra unit received from client and is available for sale.

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FORM OF PROXY

No. of shares held

CDS Account No.

I/We (full name in capital letters) _____

of (full address) _____

being a member/members of Mudajaya Group Berhad, hereby appoint (full name in capital letters) _____

of (full address) _____

or failing him/her (full name in capital letters) _____

of (full address) _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Crystal Crown Hotel, 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 15 June 2006 at 10.00 a.m. and any adjournment thereof.


My/Our proxy is to vote as indicated by an "X" in the appropriate space below. In the absence of specific directions, the proxy shall vote or abstain at his/her discretion.

No.	Resolutions	For	Against
1.	To receive and adopt the audited financial statements for the financial year ended 31 December 2005		
2.	To approve the payment of a final dividend		
3.	To re-elect Mr. Wee Teck Nam as Director		
4.	To re-elect En. Aminodin bin Ismail as Director		
5.	To approve the payment of Directors' fees		
6.	To re-appoint Messrs. Ernst & Young as Auditors		
7.	To approve Authority to Allot and Issue Shares		
8.	To approve Renewal of Share Buy-Back Authority		

Signed this _____ day of _____ 2006.

Signature of shareholder(s) and/or Common Seal

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy or proxies may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one thousand (1,000) shares.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. In the case of a corporate member, the Form of Proxy shall be under its Common Seal or under the hand of its attorney.
4. The Form of Proxy must be deposited at the Company's Registered Office situated at No. 17, Jalan Semangat, 46100 Petaling Jaya, Selangor Darul 

fold here



The Company Secretary
MUDAJAYA GROUP BERHAD
17, Jalan Semangat
46100 Petaling Jaya
Selangor Darul Ehsan
Malaysia

fold here



MUDAJAYA GROUP BERHAD (605539-H)

No.17, Jalan Semangat, 46100 Petaling Jaya,
Selangor Darul Ehsan.
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Homepage : <http://www.mudajaya.com>