MUDAJAYA GROUP BERHAD

# ANNUAL REPORT **2006**

Our vision is to be the preferred leader in the construction and property development industry. We strive to look beyond the expectations and goals to stay ahead by integrating both technical excellence and commitment in building partnerships.

# CORPORATE VISION

# CONTENT

# 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**

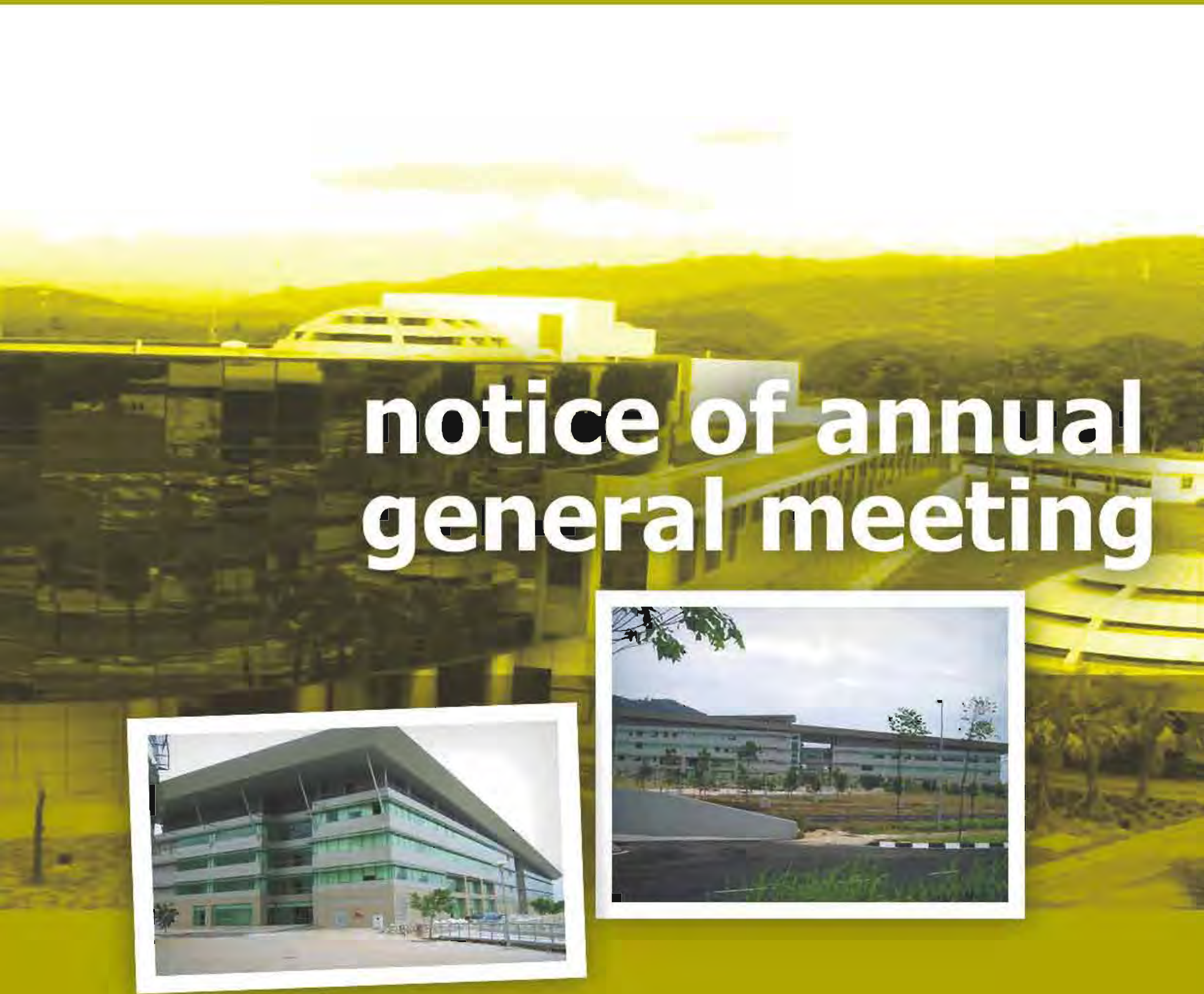
**PRINCIPAL BANKERS**

CIMB Bank Berhad
(formerly known as 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 of annual general meeting



# notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of Mudajaya Group Berhad will be held at Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday 15 June 2007 at 10.00 a.m. for the following purposes:



**ORDINARY BUSINESS**

**1.** To receive and adopt the Directors' Report and the audited financial statements for the financial year ended 31 December 2006 and the Auditors' Report thereon. **(Ordinary Resolution 1)**

**2.** To approve the payment of a final dividend of 6% less 27% income tax for the financial year ended 31 December 2006. **(Ordinary Resolution 2)**

**3.** To re-elect the following Directors who retire in accordance with Article 76 of the Company's Articles of Association:

Mr. Yee Swee Choon **(Ordinary Resolution 3)**
Mr. Henry Choo Hon Fai **(Ordinary Resolution 4)**

**4.** To approve the payment of Directors' fees for the year ended 31 December 2006. **(Ordinary Resolution 5)**

**5.** To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

**AS SPECIAL BUSINESS**

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

**6.** Ordinary Resolution

**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.** Ordinary Resolution

**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 2006 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.** Special Resolution

**Proposed Amendments to the Articles of Association of the Company**

"THAT the proposed amendments to the Articles of Association of the Company as set out in Part B of the Statement-Cum-Circular to Shareholders dated 23 May 2007 be and are hereby approved AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company." **(Special Resolution 1)**

**9.** 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 6% less 27% income tax for the year ended 31 December 2006 will be paid on 29 June 2007 to depositors registered in the Records of Depositors at the close of business at 5.00 p.m. on 20 June 2007.**

**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 2007 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 2007

**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.

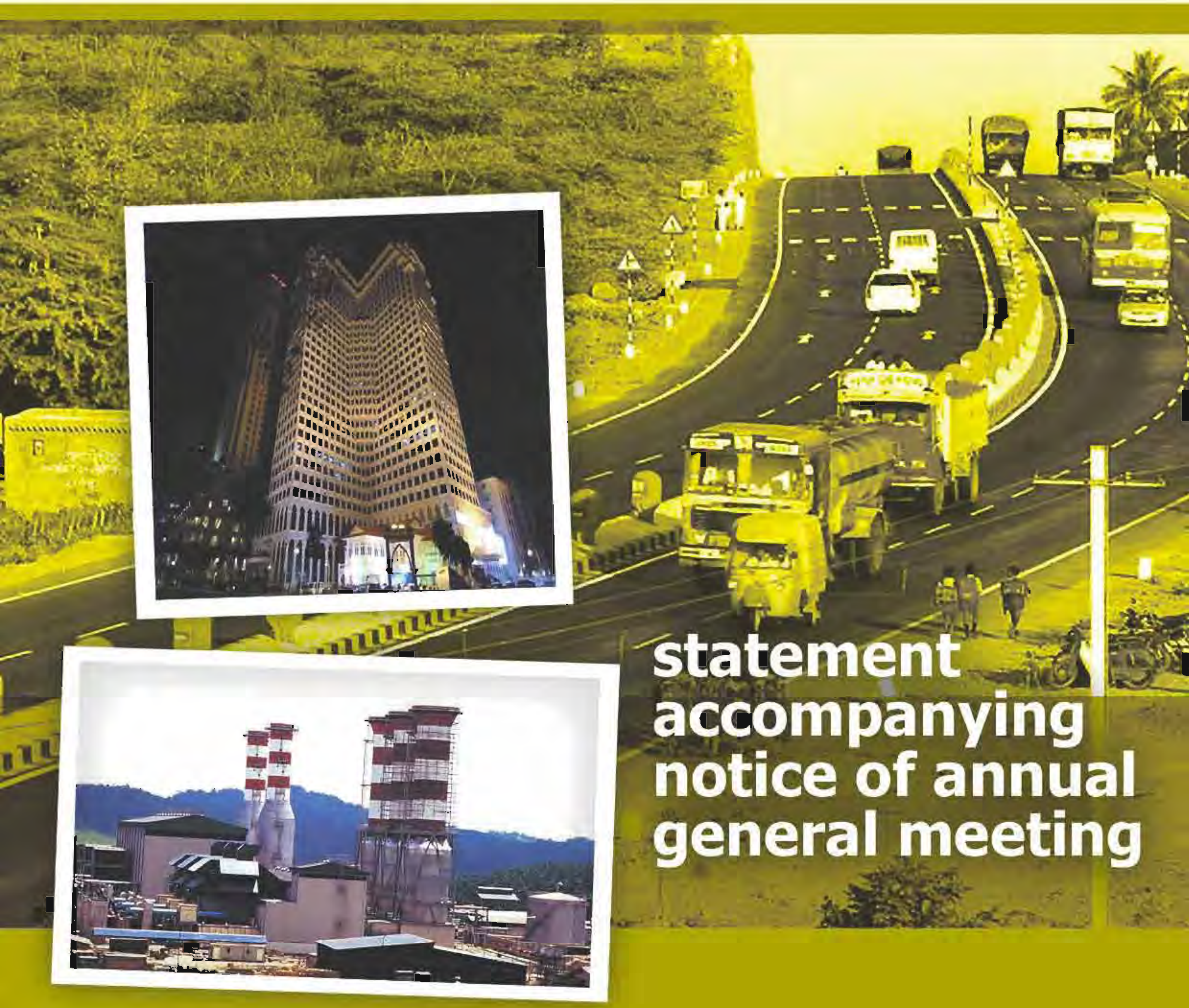
4. The Form of Proxy must be deposited at the Company's Registered Office situated at No. 17, Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.

**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 ten per cent (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 2007.

3. Special Resolution 1
   The Proposed Amendments to the Articles of Association of the Company is in compliance with the recent changes to the Bursa Malaysia Listing Requirements governing the listed companies.



# statement accompanying notice of annual general meeting

# statement accompanying notice of annual general meeting



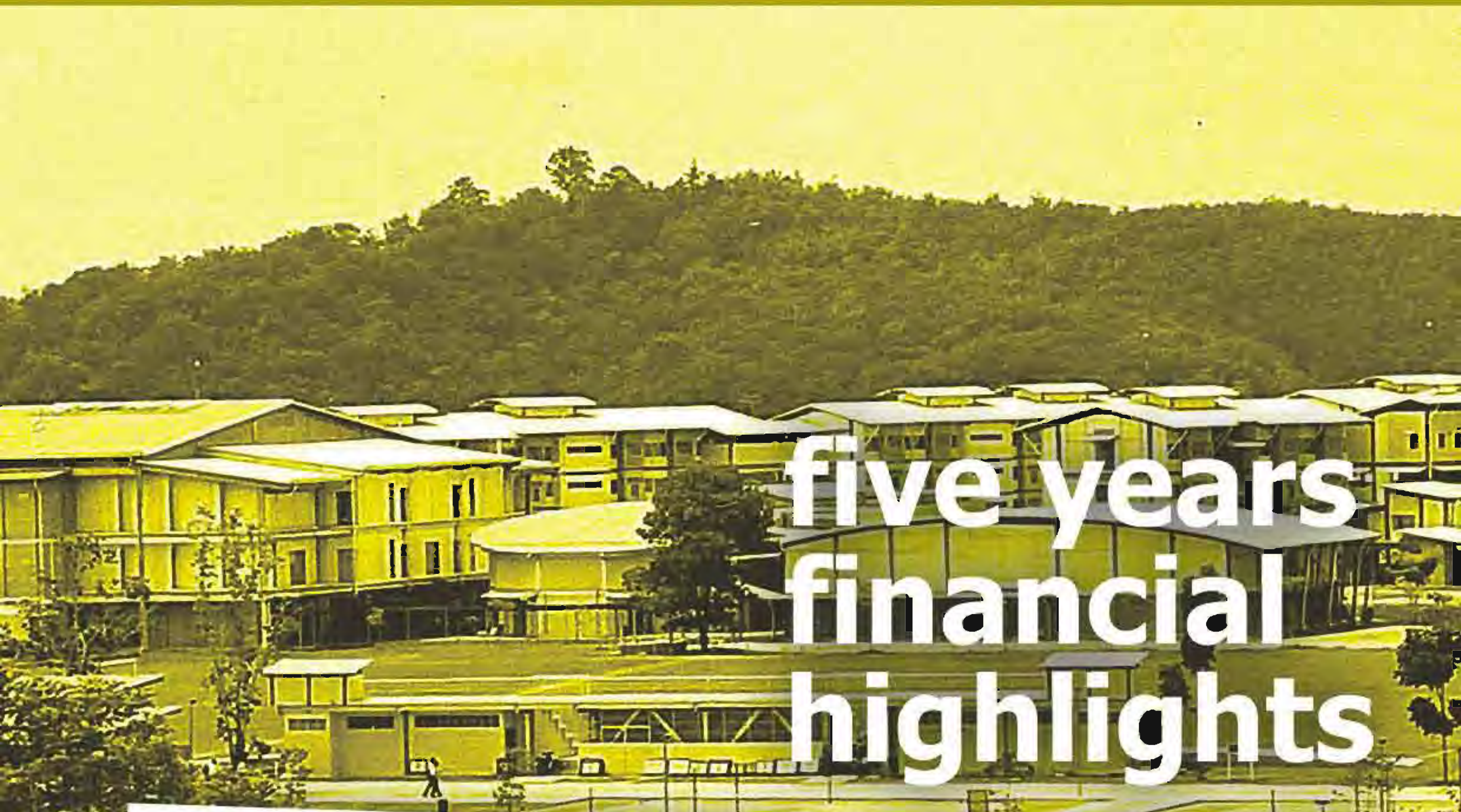
Pursuant to Paragraph 8.28(2) of the Listing Requirement of Bursa Malaysia Securities Berhad

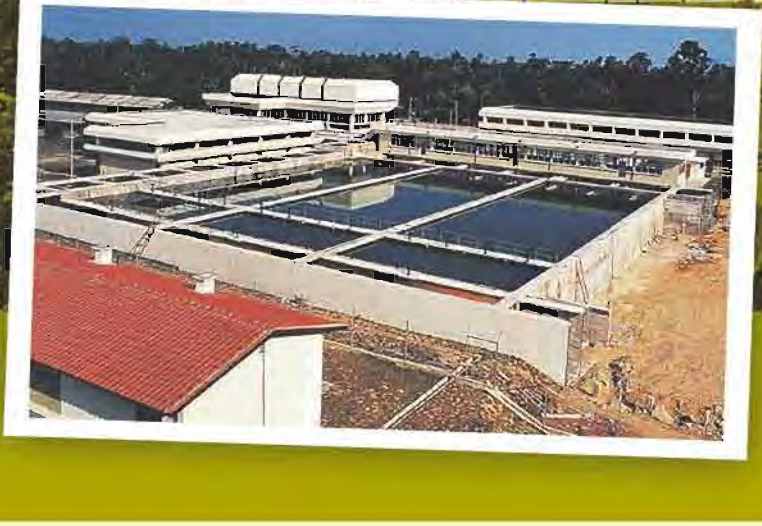
**Further details of Directors standing for re-election**

The profile of the Directors standing for re-election is presented on page 14 of the Annual Report.

The details of the Directors' shareholdings in the Company are set out on page 76 of the Annual Report.

# five years financial highlights





# five years financial highlights

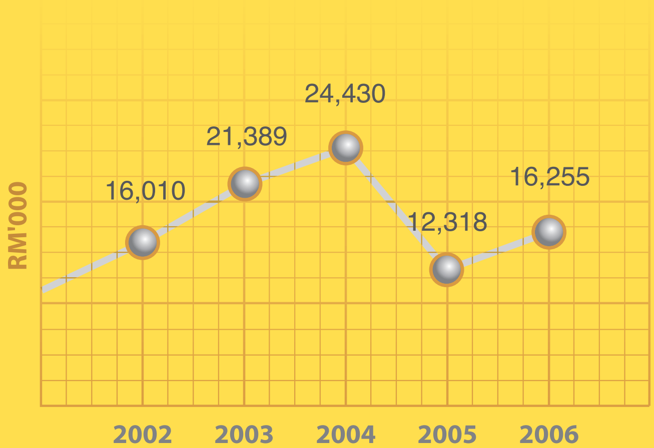


| | Proforma Consolidated Results | | | | |
|---|---|---|---|---|---|
| | **2006 RM'000** | **2005 RM'000** | **2004 RM'000** | **2003 RM'000** | **2002 RM'000** |
| **ASSETS** | | | | | |
| Non-Current Assets | 13,700 | 17,593 | 21,227 | 15,719 | 13,207 |
| Current Assets | 196,894 | 194,716 | 183,917 | 174,079 | 212,423 |
| Total Assets | 210,594 | 212,309 | 205,144 | 189,798 | 225,630 |
| **EQUITY AND LIABILITIES** | | | | | |
| Capital And Reserves | | | | | |
| Share Capital | 68,000 | 68,000 | 68,000 | 68,000 | 68,000 |
| Reserves | 81,447 | 72,882 | 65,905 | 46,371 | 90,982 |
| Equity Attributable To Equity Holders Of The Company | 149,447 | 140,882 | 133,905 | 114,371 | 158,982 |
| Minority Interests | 14,740 | 12,270 | 10,290 | 8,041 | 7,434 |
| Total Equity | 164,187 | 153,152 | 144,195 | 122,412 | 166,416 |
| Liabilities | | | | | |
| Non-Current Liabilities | 716 | 992 | 2,775 | 1,944 | 1,142 |
| Current Liabilities | 45,691 | 58,165 | 58,174 | 65,442 | 58,072 |
| Total Liabilities | 46,407 | 59,157 | 60,949 | 67,386 | 59,214 |
| Total Equity And Liabilities | 210,594 | 212,309 | 205,144 | 189,798 | 225,630 |
| **GROUP RESULTS** | | | | | |
| Profit Before Tax And Minority Interest | 31,273 | 24,031 | 36,553 | 31,199 | 24,190 |
| Taxation | (12,248) | (9,307) | (9,874) | (8,902) | (6,835) |
| Minority Interest | (2,770) | (2,406) | (2,249) | (908) | (1,345) |
| Profit Attributable To Shareholders | 16,255 | 12,318 | 24,430 | 21,389 | 16,010 |
| **SELECTED RATIOS** | | | | | |
| Earnings Per Share (Sen) | 12.06 | 9.06 | 18.81 | 15.73 | 11.77 |
| Gross Dividend Per Share (%) | 14.00 | 12.00 | 12.00 | 134.80 | - |
| Net Assets Per Share (RM) | 1.12 | 1.04 | 0.98 | 0.84 | 1.17 |
| Return On Equity (%) | 10.88 | 8.74 | 18.24 | 18.70 | 10.07 |
| Gearing Ratio | - | - | - | 0.08 | 0.03 |
| Share Price (Year-End Closing) (RM) | 1.41 | 1.13 | 1.29 | - | - |

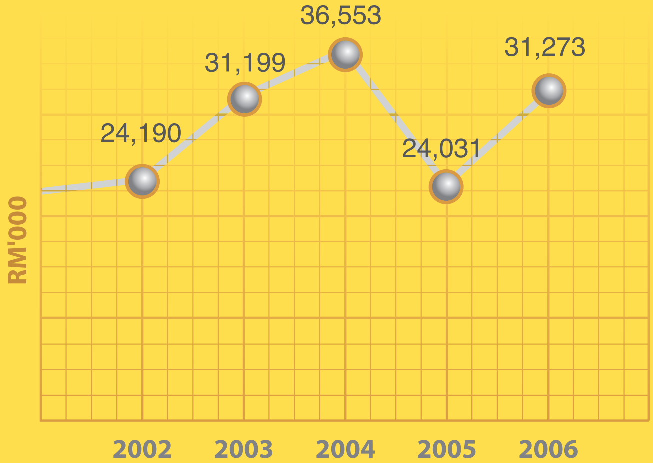
Note : The proforma consolidated balance sheets and income statements of Mudajaya Group Berhad ("Mudajaya") for the past two (2) financial years ended 31 December 2002 to 2003 are based on the audited financial statements of Mudajaya and Mudajaya Corporation Berhad ("MJC"). The proforma consolidated 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

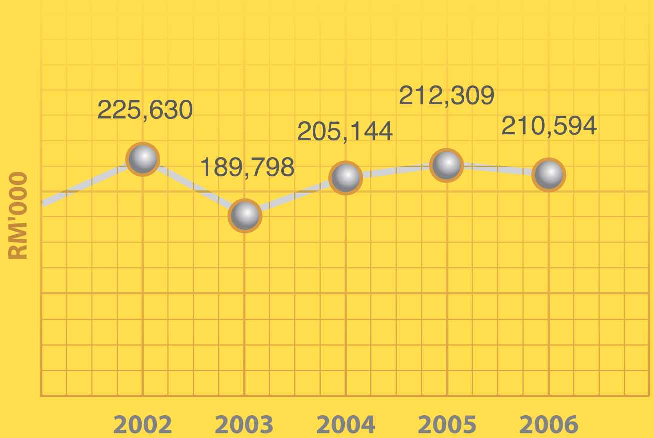
PROFIT ATTRIBUTABLE TO SHAREHOLDERS



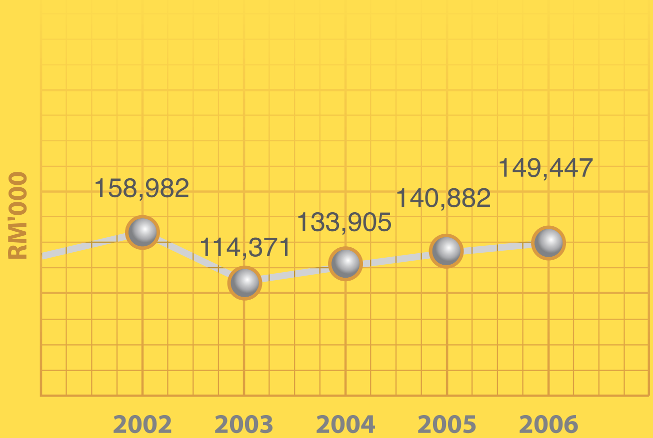

PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS




TOTAL ASSETS




SHAREHOLDERS' FUNDS



# director's profile

## Mr. Ng Ying Loong

Managing Director
Member of Remuneration Committee

Mr. Ng, a Malaysian aged 53, 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 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 67, 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 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 55, 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 Pernas 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.

## Mr. Chung Tze Hien

Non-Independent Non-Executive Director

Mr. Chung, a Malaysian aged 57, 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 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 40, 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, United Kingdom. He has five (5) years merchant banking experience gained from working in Aseambankers Malaysia Berhad from 1991 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 56, was appointed as Independent Non-Executive Director of Mudajaya on 2 March 2004. He is a Chartered Accountant, a Certified and Registered 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 35, 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.

# Mudajaya Group Structure

# MUDAJAYA GROUP BERHAD - group of companies

## Mudajaya Group Berhad

(Investment holding)

**Authorised Share Capital : RM250,000,000**

**Paid-up Share Capital : RM68,000,000**

100%

## Mudajaya Corporation Berhad

(Civil engineering and building construction)

**Authorised Share Capital : RM250,000,000**

**Paid-up Share Capital : RM30,150,000**

100%

**Mudajaya Power International Sdn Bhd**

*(Chimney construction)*

*Authorised Share Capital : RM500,000*

*Paid-up Share Capital : RM200,000*

51%

**MJC Development Sdn Bhd**

*(Property management and development)*

*Authorised Share Capital : RM5,000,000*

*Paid-up Share Capital : RM100,000*

51%

**MJC Precast Sdn Bhd**

*(Manufacturing, supplying and trading of precast concrete and other related products)*

*Authorised Share Capital : RM500,000*

*Paid-up Share Capital : RM500,000*

100%

**Angsana Fajar Sdn Bhd**

*(Housing development)*

*Authorised Share Capital : RM6,000,000*

*Paid-up Share Capital : RM5,383,000*

49.9%

**Binamin MJC Quarry Sdn Bhd**

*(Production and sale of quarry products)*

*Authorised Share Capital : RM10,000,000*

*Paid-up Share Capital : RM2,000*

100%

**MJC Industries Sdn Bhd**

*(Manufacturing of concrete products and building materials)*

*Authorised Share Capital : RM500,000*

*Paid-up Share Capital : RM300,000*

40%

**Binamin Quarry Sdn Bhd**

*(Investment holdings)*

*Authorised Share Capital : RM2,000,000*

*Paid-up Share Capital : RM1,000*

100%

**MJC Trading Sdn Bhd**

*(Hiring of plant machinery, trading of construction related materials)*

*Authorised Share Capital : RM500,000*

*Paid-up Share Capital : RM300,000*

100%

**Great Hill International Ltd (Republic of Mauritius)**

*(Has not commenced operations)*

*Authorised Share Capital : USD1,000,000*

*Paid-up Share Capital : USD2*

100%

**MJC Properties Sdn Bhd**

*(Dormant)*

*Authorised Share Capital : RM100,000*

*Paid-up Share Capital : RM2*

100%

**Mudajaya International Ltd (Republic of Mauritius)**

*(Has not commenced operations)*

*Authorised Share Capital : #Stated Capital*

*Paid-up Share Capital : USD1*

100%

**MJC Plantations Sdn Bhd**

*(Dormant)*

*Authorised Share Capital : RM100,000*

*Paid-up Share Capital : RM2*

100%

**Oracle International Co Ltd (Brunei Darussalam)**

*(Has not commenced operations)*

*Authorised Share Capital : USD1,000,000*

*Paid-up Share Capital : USD1*

70%

**MJC City Development Sdn Bhd**

*(Property development)*

*Authorised Share Capital : RM50,000,000*

*Paid-up Share Capital : RM10,000,000*

#The Stated Capital in relation to a class or classes of par value shares issued by a company means the total of all amount received by the company in respect of the nominal paid up value (par value) of the shares and share premium (if any) paid to the company in relation to those shares. There is no ceiling on the number of shares that can be issued by the company.

# statement on corporate governance

# 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 2006. 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 2006, the Board held four (4) 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 | 3/4 |
| Mr. Yee Swee Choon | 4/4 |
| Mr. Henry Choo Hon Fai | 4/4 |

### 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 13 to 14.

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.

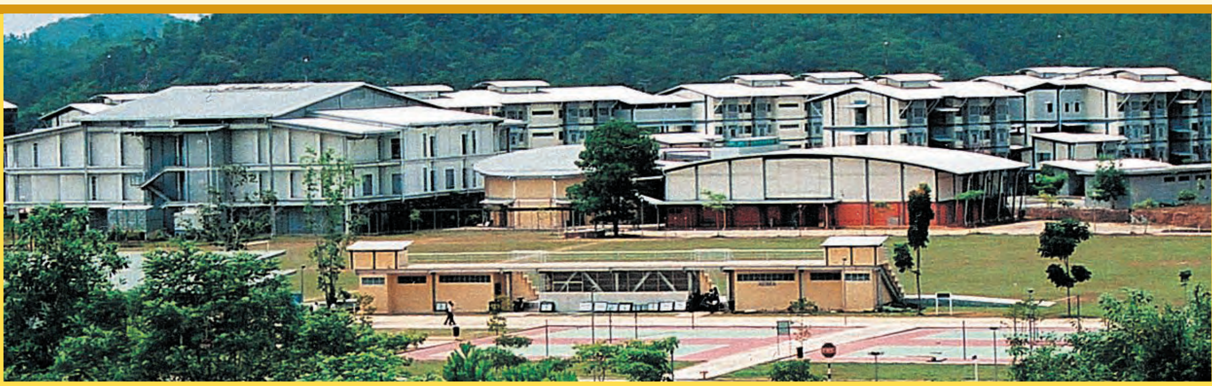
### Supply of Information

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.



## 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 26 to 28.

**(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.

## 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 2006 and the analyses into remuneration bands are as follows: -

| | **Executive (RM'000)** | **Non-Executive (RM'000)** |
|---|---|---|
| Fees | - | 120 |
| Emoluments | 977 | - |
| Benefits-in-kind | 52 | - |
| Total | 1,029 | 120 |

| | **No of Directors** | |
|---|---|---|
| | **Executive** | **Non-Executive** |
| Range of remuneration (RM) | | |
| Below 50,000 | - | 4 |
| 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 page 24.

**Relationship with the Auditors**

The role of Audit Committee in relation to the external auditors is presented in the Audit Committee Report on pages 26 to 28 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 1,724,600 of its own shares from the open market of Bursa Securities for a total consideration of RM1,871,268.77. Details of the shares repurchased are as follows: -

| 2006 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 |
|---|---|---|---|---|---|
| January | 106,300 | 119,929.74 | 1.09 | 1.15 | 1.13 |
| February | 25,500 | 28,512.31 | 1.07 | 1.13 | 1.12 |
| March | 59,900 | 62,333.96 | 1.00 | 1.09 | 1.04 |
| April | 139,000 | 141,515.67 | 0.96 | 1.06 | 1.02 |
| May | 381,000 | 386,582.89 | 0.96 | 1.05 | 1.01 |
| June | 59,200 | 60,006.47 | 0.99 | 1.02 | 1.01 |
| July | 148,900 | 148,449.16 | 0.97 | 1.02 | 1.00 |
| August | 171,400 | 171,106.51 | 0.96 | 1.02 | 1.00 |
| September | 167,800 | 177,532.36 | 1.00 | 1.13 | 1.06 |
| October | 221,400 | 250,143.04 | 1.09 | 1.25 | 1.13 |
| November | 125,200 | 162,491.95 | 1.23 | 1.35 | 1.30 |
| December | 119,000 | 162,664.71 | 1.29 | 1.42 | 1.37 |
| | 1,724,600 | 1,871,268.77 | | | |

* Includes transaction costs

The shares are being held as treasury shares.

### Options, Warrants or Convertible Securities

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

### American Depository Receipt (ADR) or Global Depository 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.

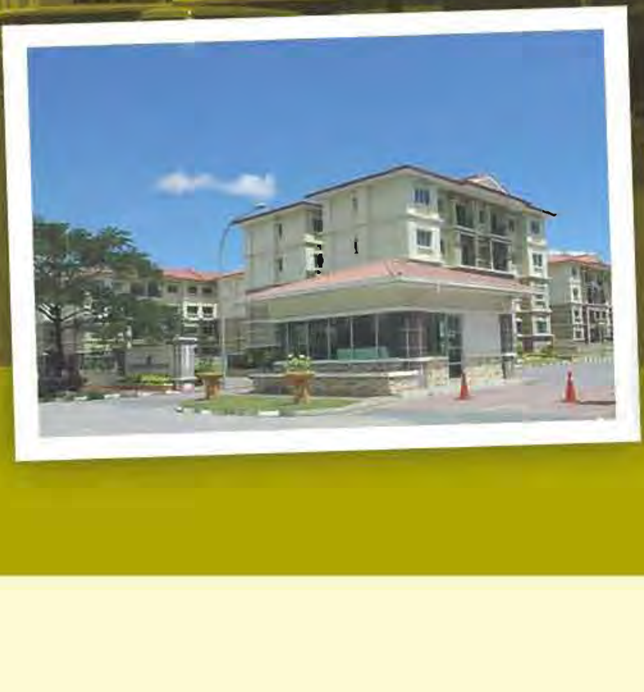
### Revaluation of Landed Properties

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



# 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 2006 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.

# audit committee report

# audit 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, majorities 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.

**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 2006, 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 | 4/5 |
| Mr. Henry Choo Hon Fai | 5/5 |

## 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 2006 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 2006.

# managing director's statement

# 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 2006.

**Financial Results**

For the financial year under review, Mudajaya recorded a total revenue of RM286 million, as compared to RM293 million generated from previous corresponding year.

However, the profit before taxation of Mudajaya has increased to RM31.3 million in 2006, from the preceding year record of RM24 million. The increase of profit is mainly due to better profit margins achieved in construction projects as well as better sales recorded in property development operations from Sarawak. The performance of the Group was generally in line with the prevailing improvement in the construction industry of the country.

As at 31 December 2006, the Group's net assets stood at RM149 million whilst net asset per share was RM1.12. The Group continued to operate under a healthy financial position of RM151.2 million net current assets with zero gearing as at 31 December 2006.

**REVIEW OF OPERATIONS**

**Construction**

The construction operations of the Group are mainly undertaken by its main subsidiary, Mudajaya Corporation Berhad.

The turnover contribution from this sector was reduced by 14% for 2006. This is mainly due to reduced contribution from lesser construction projects in India. The Pune-Nasik Road Project in Maharashtra, India was successfully completed ahead of schedule in 2005 while the Super Thermal Power Plant Project at Kahalgaon, India continued in 2006. The company secured the Rehabilitation and Upgrading of Kumhari to Bemetara Road Project in Chhattisgarh, India in July 2006. The newly secured projects in 2006 were also in their early project cycle to contribute significantly in 2006.

Although lower revenue was recorded, the profit contribution from construction sector has improved by 24% in 2006. This is mainly due to higher profit margins achieved by local projects in 2006 as compared to those in India which contributed lower margin.

We are pleased to advise on the newly secured projects in 2006 as follows:-

a. RM17.5 million COUM Campus Contract in Terrengganu;
b. RM76.1 million Contract for Jimah Power Plant at Port Dickson;
c. RM47.6 million Cameron Subsea Facility Contract at Port of Tanjung Pelepas, Johor; and
d. RM42 million Road Upgrading Contract at Chhattisgarh, India.

**Properties**

The main contributor of our property division is our Batu Kawah New Township in Kuching Sarawak. This self contained Township is undertaken via our 70% owned subsidiary, MJC City Development Sdn Bhd.

For financial year 2006, MJC City registered a profit before taxation of RM13.2 million (2005:RM10.3 million) on a turnover of RM64.0 million (2005:RM60.3 million), representing increases of 28% and 6% respectively over the previous financial year. The improvement in its performance for year 2006 was mainly attributable to continuing effort in introducing innovative concepts with competitive pricing in various phases of its development.

## MANUFACTURING

The manufacturing division registered a turnover and profit before taxation of RM21.7 million and RM884,000 respectively for financial year 2006.

The manufacturing division consists of production and sales of ready mixed concrete and precast beams. Although the profit margins are not significant, ready mixed concrete operation has been an effective support to the mainstream construction and property development activities of the Group.

The manufacturing and sales of precast concrete beams continued to operate under challenging condition in 2006 mainly due to uncertainty in steel supply and escalating prices. The precast section registered a turnover and profit of RM13.6 million and RM483,500 respectively.

## TRADING

Trading division continued to play a crucial role in ensuring reliable and cost effective and efficient supply of construction and building materials for the Group's construction and property development operations.

## 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.

The special purpose vehicle, RKM Powergen Private Limited ("RKM") has on 3 April 2006 entered into a MOU with the Government of Chhattisgarh State Electricity Board for establishing and operating a nominal 1,200 MW IPP Project along with integrated coal mine in the State based upon the equity participation of 74:26 by RK Powergen Private Limited of India and Mudajaya Corporation Berhad.

We are please to advise that a power purchase agreement has been signed on 29 September 2006 between RKM and Chhattisgarh State Electricity Board ("CSEB") for a period of 20 years for the first operating unit with a nominal capacity of 300 MW. The PPA has also been subsequently approved by the Board of CSEB.

Furthermore, RKM has also entered into a MOU with PTC India Limited for the purchase of power from the balance of three phases of operating units of nominal 300 MW each for a period of 25 years.

On 8 February 2007, a shareholders' agreement has been signed whereby Mudajaya will be awarded a contract for engineering and procurement for the first phase of the IPP Project of about RM660 million.

On the local front, we are pleased to advise that the Group has on 21 February 2007, signed a Memorandum of Agreement with Koperasi Serbaguna Penerokas Felda Chini Tiga Bhd and Promi-Quest Sdn Bhd to undertake a RM900 million housing construction project for Felda settlers Chini, Pahang.

Another major milestone of the Group in improving its order book is the signing of another memorandum of agreement on 20 March 2007 with Koperasi Pembangunan Tanah Daerah Kuantan Berhad for the construction of 1,764 single-storey bungalow for RM141 million in Kuantan, Pahang.

A letter of intend has also been received on 20 March 2007 from Crest Worldwide Resources Sdn Bhd for the building construction project known as Crest Jalan Sultan Ismail in Kuala Lumpur for RM 165 million.

The IPP Project is expected to contribute a long term stream of income to the Group upon commencement of the construction and commercial operation of the plant. The Malaysian projects secured will further enhance the future performance of the group once the construction works commence.

## PROSPECTS OF THE COMPANY

After a long lack luster period in the construction industry, the Ninth Malaysian Plan ("9MP") which was announced in March 2006 has brought about greater hope to local construction sector. A total of RM220 billion had been allocated under the 9MP which was an increase of 29% over the earlier 8th Malaysian Plan. The group excellent track record in its 42 years of experience in construction industry couple with its healthy financial position will provide the Group with competitive advantages to undertake part of those projects in the 9MP.

On the overseas front, the Group's venture in the IPP Project in India as mentioned earlier will also substantially strengthen the Group's presence in India and substantially improve the Group's balance sheet. The IPP would provide the Group with large construction contracts as well as steady long term stream of income upon commercial operations of the plant.

Currently the Group is also exploring various other business activities in India especially in roads construction 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 unforseen circumstances, the Board is optimistic that it will be able to meet further improve its performance target in 2007.

**DIVIDEND**

The first and second interim dividend of 4% or RM0.02 per share net of 28% income tax amounting to RM1,941,570.72 and RM1,935,321.12 respectively for the financial year ended 31 December 2006 were declared on 17 May 2006 and 21 August 2006 respectively. Both the first and second interim dividends were paid on 15 July 2006 and 20 October 2006 respectively.

Furthermore, the Board of Directors has also recommended the declaration of a final dividend of 6% or RM0.03 per share net of 27% income tax in respect of financial year ended 31 December 2006, subject to the shareholders' approval at the forthcoming Annual General Meeting.

As at to date, total gross dividend declared and recommended for the current financial year ended 31 December 2006 is 14% or RM0.07 per share as compared to RM0.06 per share in 2005.

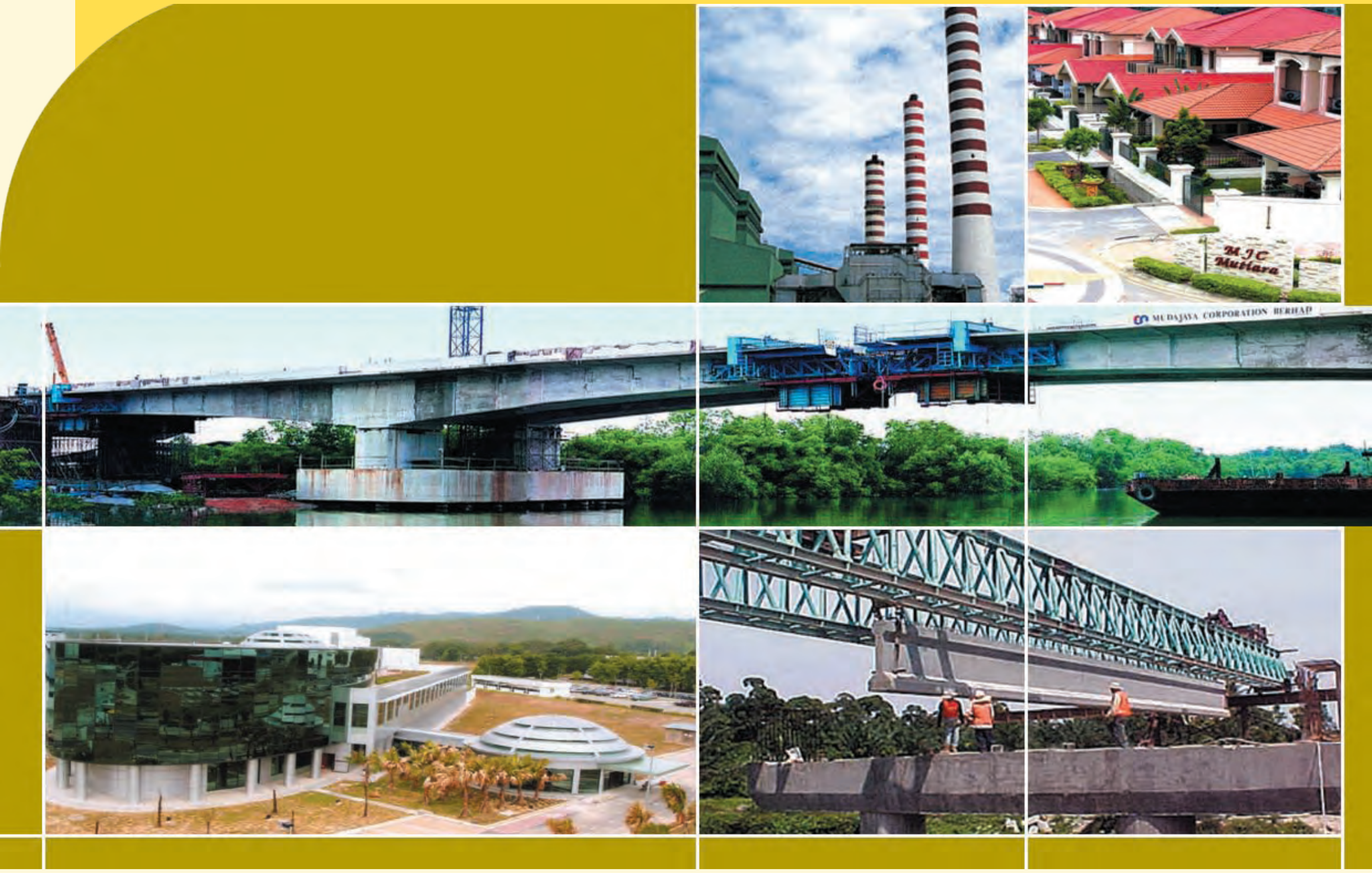
**APPRECIATION**

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 2007



# FINANCIAL STATEMENT

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 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is 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 the principal activities during the financial year.

## RESULTS

| | GROUP RM'000 | COMPANY RM'000 |
|---|---|---|
| Profit for the year | 19,025 | 5,941 |
| Attributable to: | | |
| Equity holders of the Company | 16,255 | 5,941 |
| Minority interests | 2,770 | - |
| | 19,025 | 5,941 |

There were no material transfers to or from reserves or provisions during the financial year.

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.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2005 were as follows:

| | RM '000 |
|---|---|
| In respect of the financial year ended 31 December 2005: | |
| Final dividend of 4% less 28% taxation, on 134,833,400 ordinary shares, declared on 17 May 2006 and paid on 30 June 2006. | 1,942 |
| In respect of the financial year ended 31 December 2006: | |
| First interim dividend of 4% less 28% taxation, on 134,831,300 ordinary shares, declared on 17 May 2006 and paid on 15 July 2006. | 1,941 |
| Second interim dividend of 4% less 28% taxation, on 134,397,300 ordinary shares, declared on 21 August 2006 and paid on 20 October 2006. | 1,935 |
| | 5,818 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 6% less 27% 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 earnings in the financial year ending 31 December 2007.

The number of ordinary shares for proposal of dividend is uncertain at the date of these financial statement as the Company is engaged in share buy back activity.

## 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 the directors might acquire benefits by means of the 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 or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements or the fixed salary of a full time employee) 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 1.1.2006 | Acquired | Sold | As at 31.12.2006 |
| **The Company** | | | | |
| Direct Interest | | | | |
| Ng Ying Loong | 1,626,000 | - | - | 1,626,000 |
| Anto A/L S.F. Joseph | 650,000 | - | - | 650,000 |
| Wee Teck Nam | 443,000 | - | 53,000 | 390,000 |
| Yee Swee Choon | 13,000 | 50,000 | - | 63,000 |
| Indirect Interest | | | | |
| Ng Ying Loong | 43,178,000 | - | - | 43,178,000 |
| Wee Teck Nam | 43,174,000 | - | - | 43,174,000 |

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 during the financial year.

### TREASURY SHARES

During the financial year, the Company repurchased 1,724,600 of its issued ordinary shares from the open market at an average price of RM1.085 per share. The total consideration paid for the repurchase including transaction costs was RM1,871,268. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2006, the Company held as treasury shares a total of 2,132,600 of its 136,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM2,319,840 and further relevant details are disclosed in Note 26(a) to the financial statements.

## 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 there were no known bad debts and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values 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.

## OTHER STATUTORY INFORMATION (CONTD.)

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

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which 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 or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
(ii) any contingent liability of the Group or 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 or 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 EVENTS

There are no other significant events except as disclosed in Note 33 to the financial statements.

## 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 dated 26 March 2007.

NG YING LOONG

WEE TECK NAM

## 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 40 to 73 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 dated 26 March 2007.

NG YING LOONG

WEE TECK NAM

## 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 40 to 73 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, I960.

Subscribed and solemnly declared by the abovenamed
Tan Siak Chuang at Petaling Jaya in the State of
Selangor Darul Ehsan on 26 March 2007

TAN SIAK CHUANG

Before me,
No.B.008
E.Radakrishnan

# REPORT OF THE AUDITORS TO THE MEMBERS OF **MUDAJAYA GROUP BERHAD**

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 40 to 73. 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 for Entities Other Than Private Entities 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 2006 and of the results and the 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries, as indicated in Note 14 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

Lee Seng Huat
No. 2518/12/07(J)
Partner

Kuala Lumpur, Malaysia
26 March 2007

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2006 | 2005 | 2006 | 2005 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 3 | 285,933 | 293,113 | 8,593 | 7,115 |
| Cost of sales | 4 | (239,385) | (250,881) | - | - |
| **Gross profit** | | 46,548 | 42,232 | 8,593 | 7,115 |
| Other income | 5 | 6,575 | 3,129 | 6 | 7 |
| Other operating expenses | | (21,757) | (20,963) | (252) | (211) |
| **Operating profit** | | 31,366 | 24,398 | 8,347 | 6,911 |
| Finance costs | 6 | (79) | (215) | - | - |
| Share of results of associated company | | (14) | (152) | - | - |
| **Profit before tax** | 7 | 31,273 | 24,031 | 8,347 | 6,911 |
| Income tax expense | 10 | (12,248) | (9,307) | (2,406) | (1,990) |
| **Profit for the year** | | 19,025 | 14,724 | 5,941 | 4,921 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 16,255 | 12,318 | 5,941 | 4,921 |
| Minority interests | | 2,770 | 2,406 | - | - |
| | | 19,025 | 14,724 | 5,941 | 4,921 |
| **Earning per share attributable to equity holders of the Company (sen)** | 11 | 12.1 | 9.1 | | |

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

# BALANCE SHEETS
## AS AT 31 DECEMBER 2006

| | Note | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 13,566 | 16,959 | - | - |
| Investments in subsidiaries | 14 | - | - | 60,299 | 60,299 |
| Investments in associates | 15 | - | - | - | - |
| Other investments | 16 | 134 | 634 | - | - |
| | | 13,700 | 17,593 | 60,299 | 60,299 |
| **Current assets** | | | | | |
| Property development costs | 17 | 48,764 | 61,334 | - | - |
| Inventories | 18 | 17,153 | 3,011 | - | - |
| Trade and other receivables | 19 | 85,240 | 65,736 | 15,977 | 17,578 |
| Marketable securities | 20 | - | 50 | - | - |
| Cash and cash equivalents | 21 | 45,737 | 64,585 | 62 | 254 |
| | | 196,894 | 194,716 | 16,039 | 17,832 |
| **TOTAL ASSETS** | | 210,594 | 212,309 | 76,338 | 78,131 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 26 | 68,000 | 68,000 | 68,000 | 68,000 |
| Share premium | | 10,106 | 10,106 | 10,106 | 10,106 |
| Treasury shares | 26(a) | (2,320) | (448) | (2,320) | (448) |
| Capital reserve | 27 | 4,900 | 4,900 | - | - |
| Retained earnings | 28 | 68,761 | 58,324 | 359 | 236 |
| | | 149,447 | 140,882 | 76,145 | 77,894 |
| **Minority interests** | | 14,740 | 12,270 | - | - |
| **Total equity** | | 164,187 | 153,152 | 76,145 | 77,894 |
| **Non-current liabilities** | | | | | |
| Hire purchase payable | 23 | - | 276 | - | - |
| Deferred tax liabilities | 25 | 716 | 716 | - | - |
| | | 716 | 992 | - | - |
| **Current liabilities** | | | | | |
| Due to customers on contracts | 22 | 137 | 67 | - | - |
| Hire purchase payable | 23 | - | 1,771 | - | - |
| Trade and other payables | 24 | 43,230 | 53,155 | 193 | 237 |
| Current tax payable | | 2,324 | 3,172 | - | - |
| | | 45,691 | 58,165 | 193 | 237 |
| Total liabilities | | 46,407 | 59,157 | 193 | 237 |
| **TOTAL EQUITY AND LIABILITIES** | | 210,594 | 212,309 | 76,338 | 78,131 |

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

| | | Attributable to Equity Holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ← Non-Distributable Reserves → | | | | Distributable | | | |
| **Group** | **Note** | **Share Capital RM'000 (Note 26)** | **Share Premium RM'000** | **Capital Reserve RM'000 (Note 27)** | **Treasury shares RM'000 (Note 26(a))** | **Retained Earnings RM'000 (Note 28)** | **Total RM'000** | **Minority Interest RM'000** | **Total Equity RM'000** |
| **At 1 January 2005** | | 68,000 | 10,106 | 4,900 | - | 50,899 | 133,905 | 10,290 | 144,195 |
| Profit for the year | | - | - | - | - | 12,318 | 12,318 | 2,406 | 14,724 |
| Purchase of treasury shares | 26(a) | - | - | - | (448) | - | (448) | - | (448) |
| Dividends | 12 | - | - | - | - | (4,893) | (4,893) | (426) | (5,319) |
| **At 31 December 2005** | | 68,000 | 10,106 | 4,900 | (448) | 58,324 | 140,882 | 12,270 | 153,152 |
| **At 1 January 2006** | | 68,000 | 10,106 | 4,900 | (448) | 58,324 | 140,882 | 12,270 | 153,152 |
| Profit for the year | | - | - | - | - | 16,255 | 16,255 | 2,770 | 19,025 |
| Purchase of treasury shares | 26(a) | - | - | - | (1,872) | - | (1,872) | - | (1,872) |
| Dividends | 12 | - | - | - | - | (5,818) | (5,818) | (300) | (6,118) |
| **At 31 December 2006** | | 68,000 | 10,106 | 4,900 | (2,320) | 68,761 | 149,447 | 14,740 | 164,187 |
| **Company** | | | | | | | | | |
| **At 1 January 2005** | | 68,000 | 10,106 | | - | 208 | | | 78,314 |
| Profit for the year, representing total income and expense for the year | | - | - | | - | 4,921 | | | 4,921 |
| Purchase of treasury shares | 26(a) | - | - | | (448) | - | | | (448) |
| Dividends | 12 | - | - | | - | (4,893) | | | (4,893) |
| **At 31 December 2005** | | 68,000 | 10,106 | | (448) | 236 | | | 77,894 |
| **At 1 January 2006** | | 68,000 | 10,106 | | (448) | 236 | | | 77,894 |
| Profit for the year, representing total income and expense for the year | | - | - | | - | 5,941 | | | 5,941 |
| Purchase of treasury shares | 26(a) | - | - | | (1,872) | - | | | (1,872) |
| Dividends | 12 | - | - | | - | (5,818) | | | (5,818) |
| At 31 December 2006 | | 68,000 | 10,106 | | (2,320) | 359 | | | 76,145 |

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

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2006

| | Notes | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Profit before tax | | 31,273 | 24,031 | 8,347 | 6,911 |
| Adjustments for: | | | | | |
| Interest income | 5 | (1,458) | (1,176) | (6) | (7) |
| Dividend income | | - | - | (8,593) | (7,115) |
| Finance costs | 6 | 79 | 215 | - | - |
| Provision for dimunition in value of other investments | | 500 | 500 | - | - |
| Depreciation of property, plant and equipment | 7 | 4,079 | 5,122 | - | - |
| Loss/(gain) on disposal of property, plant and equipment | 7 | 59 | (263) | - | - |
| Gain on disposal of marketable securities | | (1) | (18) | - | - |
| Provision for doubtful debts | 7 | 641 | 700 | - | - |
| Share of loss of associates | | 14 | 152 | | |
| Operating profit/(loss) before working capital changes carried forward | | 35,186 | 29,263 | (252) | (211) |
| Decrease/(increase) in property development costs | | 12,570 | (8,952) | - | - |
| (Increase)/decrease in inventories | | (14,142) | 219 | | |
| (Increase)/decrease in trade and other receivables | | (20,159) | 22,668 | 1,598 | 260 |
| (Decrease)/increase in trade and other payables | | (7,319) | 3,375 | (44) | 120 |
| Cash generated from operations | | 6,136 | 46,573 | 1,302 | 169 |
| Interest paid | | (79) | (215) | - | - |
| Taxes paid | | (15,951) | (11,208) | (2,408) | (1,994) |
| Taxes refunded | | 19 | 147 | 5 | - |
| Net cash (used in)/generated from operating activities | | (9,875) | 35,297 | (1,101) | (1,825) |
| **Cash Flows From Investing Activities** | | | | | |
| Purchase of property, plant & equipment | | (1,198) | (1,993) | - | - |
| Proceeds from disposal of property, plant and equipment | | 453 | 269 | - | - |
| Proceed from disposal of other investment | | 51 | 625 | - | - |
| Interest received | | 1,458 | 1,176 | 6 | 7 |
| Dividend received | | - | - | 8,593 | 7,115 |
| Net cash generated from investing activities | | 764 | 77 | 8,599 | 7,122 |
| **Cash Flows From Financing Activities** | | | | | |
| Purchase of treasury shares | 26(a) | (1,872) | (448) | (1,872) | (448) |
| Repayment of hire purchase obligations | | (2,047) | (1,966) | - | - |
| Dividends paid | 12 | (5,818) | (6,852) | (5,818) | (6,852) |
| Net cash used in financing activities | | (9,737) | (9,266) | (7,690) | (7,300) |
| Net (decrease)/increase in cash and cash equivalents | | (18,848) | 26,108 | (192) | (2,003) |
| Cash and cash equivalents at beginning of year | | 64,585 | 38,477 | 254 | 2,257 |
| Cash and cash equivalents at end of year | 21 | 45,737 | 64,585 | 62 | 254 |

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

## 1. CORPORATE INFORMATION

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

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 the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiary companies are accounted for using the purchase method except for certain business combinations which were acquired prior to 1 January 2006 were accounted for using the merger method in accordance with FRS 1222004: Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of exemption provided by FRS 3: Business Combinations to apply this standard prospectively. Accordingly, business combinations entered into prior to the effective dates have not been restated to comply with this standard.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (a) Subsidiaries and Basis of Consolidation (Contd.)

##### (ii) Basis of consolidation (Contd.)

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

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

Acquisitions of subsidiary companies that meet the conditions of a merger are accounted for using the merger method. Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been affected throughout the current and previous year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. In the consolidated financial statements, the cost of the merger is eliminated against the nominal value 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. Any share premium, capital redemption reserve and other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

#### (b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for postacquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniformaccounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset 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% |

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

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

#### (d) 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 expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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 a 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.

The excess of revenue recognised in the income statement over 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (e) 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 reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

#### (f) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in profit or loss in the period in which it arises.

#### (g) Inventories

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

Cost of raw materials and finished goods is determined on a weighted average or firstin-first-out basis, as appropriate, according to the category of stocks concerned. The cost of raw materials comprises costs of purchase. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

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

#### (h) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (h) Financial Instruments (Contd.)

##### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### (ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

##### (iii) 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 profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

##### (iv) 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.

##### (v) Trade Payables

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

##### (vi) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

##### (vii) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

**2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(i) Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

**(ii) Finance Leases - the Group as Lessee**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimumlease payments at the inception of the hire purchase, 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 lease payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as toproduce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

**(iii) Operating Leases - the Group as Lessee**

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

**(j) 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 the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or fromthe 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 as income or an expense and included in the profit or loss for the period, except when it arises froma transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises froma business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (k) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### (m) Foreign Currencies

##### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (m) Foreign Currencies (Contd.)

**(ii) Foreign Currency Transactions (Contd.)**

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(iii) Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

#### (n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of Properties**

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.2(d).

**(ii) Construction Contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(e).

**(iii) Sale of Goods**

Revenue is recognised net of sales taxes and discounts upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(iv) Rental Income**

Rental income from investment property is recognised on a straight-line basis over the termof the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straightline basis.

**(v) Interest income**

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

**(vi) Dividend income**

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

**(vii) Management Fees**

Management fees are recognised when services are rendered.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

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

The MASB has issued the following new and revised Financial Reporting Standards (FRSs) or Interpretations that are effective for financial periods beginning on or after 1 October 2006, therefore have not been applied in preparing these financial statements.

| | |
|---|---|
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |

The MASB has deferred implementation of FRS 139: Financial Instruments - Recognition and Measurement and issued the following new and revised Financial Reporting Standards (FRSs) or Interpretations that are effective for financial periods beginning on or after 1 January 2007, therefore have not been applied in preparing these financial statements.

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

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

(ii) Amendment to FRS 119$_{2004}$: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from financial periods beginning 1 January 2007.

FRS 2, 5, 138 and 140 are not relevant to the Company in the preparation of the financial statements.

The adoption of revised FRS 3, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 does not result in significant changes in accounting policies of the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

**(a) FRS 101: Presentation of Financial Statements**

**(i) Presentation of minority interest and share of results of associate**

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

Prior to 1 January 2006, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly controlled entities accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

### 2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Issues Committee Intrepretations ("IC Interpretation") were issued but not yet effective and have not been applied by the Group and the Company:

| FRS, Amendments to FRS and IC Interpretations | Effective for financial periods beginning on or after |
|---|---|
| FRS 124: Related Party Disclosures | 1 October 2006 |
| FRS 139: Financial Instruments: Recognition Deferred and Measurement | |
| FRS 6: Exploration for and Evaluation of Mineral Resources | 1 January 2007 |
| Amendment to FRS 1192004: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures | 1 January 2007 |
| Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation | 1 July 2007 |
| IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5: Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7: Applying the Restatement Approach under FRS 1292004 - Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8: Scope of FRS 2 | 1 July 2007 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 2.5 Change in Estimate

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an itemof property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain plant, machinery and equipment with effect from1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates.

### 2.6 Key Sources of Estimation Uncertainty

#### (i) Depreciation of plant, machinery and equipment

The cost of plant and machinery for the manufacture of building materials is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant, machinery and equipment to be within 3 to 5 years. These are common life expectancies applied in the industry of building materials manufacturing. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. However, management believes that no reasonable probable change in the above key assumptions would cause a material impact to the future depreciation charges.

## 3. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Construction contracts | 133,941 | 164,161 | - | - |
| Sale of development properties | 74,789 | 61,623 | - | - |
| Sale of construction materials | 77,203 | 67,329 | - | - |
| Dividend income from subsidiaries | - | - | 8,593 | 7,115 |
| | 285,933 | 293,113 | 8,593 | 7,115 |

## 4. COST OF SALES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Construction contract costs | 109,525 | 141,055 | - | - |
| Property development costs (Note 17) | 58,404 | 49,463 | - | - |
| Cost of inventories sold | 71,456 | 60,363 | - | - |
| | 239,385 | 250,881 | - | - |

## 5. OTHER INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Interest income | 1,458 | 1,176 | 6 | 7 |
| Rental of land and buildings | 139 | 178 | - | - |
| Rental of plant and machinery | 200 | 48 | - | - |
| Miscellaneous | 4,778 | 1,727 | - | - |
| | 6,575 | 3,129 | 6 | 7 |

## 6. FINANCE COSTS

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 |
|---|---|---|
| Interest expense on: | | |
| Bank borrowings | 3 | 3 |
| Hire purchase financing | 76 | 212 |
| | 79 | 215 |

## 7. PROFIT BEFORE TAXATION

The following amounts have been included at arriving at profit before taxation:

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|
| Employee benefits expenses (Note 8) | 8,006 | 8,448 | - | - |
| Non-executive directors' remuneration (Note 9) | 128 | 127 | 128 | 127 |
| Auditors' remuneration | 66 | 66 | 15 | 15 |
| Depreciation of property, plant and equipment (Note 13) | 4,079 | 5,122 | - | - |
| Provision for doubtful debts | 641 | 700 | - | - |
| Provision for diminution in value of long term investment | 500 | 500 | - | - |
| Operating leases: | | | | |
| - minimum lease payments for land and buildings | 342 | 318 | - | - |
| - minimum lease payments for plant and machineries | 3,087 | 2,040 | - | - |
| - others | 45 | 90 | - | - |
| Gain on disposal of marketable securities | (1) | (18) | - | - |
| Loss/(gain) on disposal of property, plant and equipment | 59 | (263) | - | - |
| Rental of plant and machinery | (200) | (48) | - | - |
| Rental of land and building | (139) | (178) | - | - |
| Gross dividend income from subsidiary | - | - | (8,593) | (7,115) |
| Interest income | (1,458) | (1,176) | (6) | (7) |
| Net foreign exchange (gain)/losses | (85) | 89 | - | - |

## 8. EMPLOYEE BENEFITS EXPENSES

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 |
|---|---|---|
| Wages and salaries | 6,964 | 7,403 |
| Social security contributions | 32 | 31 |
| Contributions to defined contribution plan | 524 | 573 |
| Other benefits | 486 | 441 |
| | 8,006 | 8,448 |

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM2,159,556 (2005: RM2,150,308) as further disclosed in Note 9.

## 9. DIRECTORS' REMUNERATION

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|
| Executive directors' remuneration (Note 8): | | | | |
| Fees | - | - | - | - |
| Other emoluments | 2,159 | 2,150 | - | - |
| | 2,159 | 2,150 | - | - |
| Non-executive directors' remuneration (Note 7): | | | | |
| Fees | 120 | 120 | 120 | 120 |
| Other emoluments | 8 | 7 | 8 | 7 |
| | 128 | 127 | 128 | 127 |
| Total directors' remuneration | 2,287 | 2,277 | 128 | 127 |
| Estimated money value of benefit-in-kind | 82 | 57 | - | - |
| Total directors' remuneration including benefits-in-kind | 2,369 | 2,334 | 128 | 127 |

The details of remuneration receivable by directors of the Company during the year are as follows:

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|
| Executive: | | | | |
| Salaries and other emolument | 1,731 | 1,691 | - | - |
| Fees | - | - | - | - |
| Bonus | 175 | 253 | - | - |
| Defined contribution plan | 253 | 206 | - | - |
| Estimated money value of benefits-in-kind | 82 | 57 | - | - |
| | 2,241 | 2,207 | - | - |
| Non-Executive: | | | | |
| Fees | 120 | 120 | 120 | 120 |
| Other emolument | 8 | 7 | 8 | 7 |
| | 2,369 | 2,334 | 128 | 127 |

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

| | Number of Directors 2006 | Number of Directors 2005 |
|---|---|---|
| **Executive directors:** | | |
| RM100,001 - RM150,000 | 1 | 1 |
| RM300,001 - RM350,000 | - | - |
| RM350,001 - RM400,000 | 1 | 1 |
| RM450,001 - RM500,000 | - | - |
| RM500,001 - RM550,000 | - | - |
| RM550,001 - RM600,000 | 1 | 1 |
| **Non-Executive directors:** | | |
| Below RM50,000 | 4 | 4 |

## 10. TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Current income tax: | | | | |
| Malaysian income tax | 10,981 | 9,302 | 2,406 | 1,992 |
| Under/(over)provision in prior years | 1,267 | 5 | - | (2) |
| | 12,248 | 9,307 | 2,406 | 1,990 |

Current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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

| | 2006 RM'000 | 2005 RM'000 |
|---|---|---|
| **Group** | | |
| Profit before tax | 31,273 | 24,031 |
| Taxation at Malaysian statutory tax rate of 28% (2005: 28%) | 8,756 | 6,729 |
| Tax rebate | (63) | (64) |
| Income not subject to tax | (323) | (487) |
| Expenses not deductible for tax purposes | 1,777 | 1,072 |
| Utilisation of current year's reinvestment allowances | (65) | (10) |
| Utilisation of previously unrecognised unutilised reinvestment allowances | (99) | (201) |
| Utilisation of previously unrecognised deferred tax | (1,480) | - |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 31 | 58 |
| Overprovision of deferred tax in prior years | (54) | 65 |
| Underprovision of tax expense in prior years | 3,768 | 2,145 |
| Income tax expense for the year | 12,248 | 9,307 |
| **Company** | | |
| Profit before tax | 8,347 | 6,911 |
| Taxation at Malaysian statutory tax rate of 28% (2005: 28%) | 2,337 | 1,935 |
| Expenses not deductible for tax purposes | 69 | 57 |
| Overprovision of tax expense in prior years | - | (2) |
| Income tax expense for the year | 2,406 | 1,990 |

## 11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company, excluding treasury shares held by the Company.

| | GROUP | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Profit attributable to ordinary equity holders of the Company | 16,255 | 12,318 |
| Weighted average number of ordinary shares in issue | 134,732 | 135,894 |

| | GROUP | |
|---|---|---|
| | 2006 sen | 2005 sen |
| Basic earning per share for profit for the year | 12.1 | 9.1 |

## 12. DIVIDENDS

| | Dividends in respect of Year | | Dividends Recognised in Year | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Recognised during the year:** | | | | |
| Final dividend for 2005: 4% less 28% taxation, on 134,833,400 ordinary shares (2 sen per ordinary share), declared on 17 May 2006 and paid on 30 June 2006 | - | 1,942 | 1,942 | - |
| First interim dividend for 2006: 4% less 28% taxation, on 134,831,300 ordinary shares (2 sen per ordinary share), declared on 17 May 2006 and paid on 15 July 2006 (2005: 4% less 28% taxation, on 136,000,000 ordinary shares or 2 sen per ordinary share, declared on 24 May 2005 and paid on 15 July 2005) | 1,941 | - | 1,941 | - |
| Second interim dividend for 2006: 4% less 28% taxation, on 134,397,300 ordinary shares (2 sen per ordinary share), declared on 21 August 2006 and paid on 20 October 2006 (2005: 4% less 28% taxation, on 135,809,500 ordinary shares or 2 sen per ordinary share, declared on 24 August 2005 and paid on 21 October 2005) | 1,935 | - | 1,935 | - |
| | 3,876 | 1,942 | 5,818 | - |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 6% less 27% 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 earnings in the financial year ending 31 December 2007.

The number of ordinary shares for proposal of dividend is uncertain at the date of these financial statement as the Company is engaged in share buy back activity.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | 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 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **At 31 December 2006** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2006 | 5,707 | 170 | 3,616 | 44,008 | 2,270 | 6,897 | 62,668 |
| Additions | - | - | 17 | 775 | 111 | 295 | 1,198 |
| Disposals | - | - | - | (1,174) | (91) | (553) | (1,818) |
| At 31 December 2006 | 5,707 | 170 | 3,633 | 43,609 | 2,290 | 6,639 | 62,048 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 January 2006 | - | 19 | 1,967 | 36,571 | 2,120 | 5,032 | 45,709 |
| Depreciation charge for the year | - | 3 | 363 | 2,884 | 112 | 717 | 4,079 |
| Disposals | - | - | - | (728) | (81) | (497) | (1,306) |
| At 31 December 2006 | - | 22 | 2,330 | 38,727 | 2,151 | 5,252 | 48,482 |
| **Net Carrying Amount** | | | | | | | |
| At 31 December 2006 | 5,707 | 148 | 1,303 | 4,882 | 139 | 1,387 | 13,566 |
| **At 31 December 2005** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2005 | 5,707 | 170 | 3,540 | 42,585 | 2,295 | 7,436 | 61,733 |
| Additions | - | - | 76 | 1,853 | 45 | 19 | 1,993 |
| Disposals | - | - | - | (430) | (70) | (558) | (1,058) |
| At 31 December 2005 | 5,707 | 170 | 3,616 | 44,008 | 2,270 | 6,897 | 62,668 |
| Accumulated Depreciation | | | | | | | |
| At 1 January 2005 | - | 16 | 1,607 | 33,274 | 1,996 | 4,747 | 41,640 |
| Depreciation charge for the year | - | 3 | 360 | 3,727 | 194 | 838 | 5,122 |
| Disposals | - | - | - | (430) | (70) | (553) | (1,053) |
| At 31 December 2005 | - | 19 | 1,967 | 36,571 | 2,120 | 5,032 | 45,709 |
| Net Carrying Amount | | | | | | | |
| At 31 December 2005 | 5,707 | 151 | 1,649 | 7,437 | 150 | 1,865 | 16,959 |

## 14. INVESTMENTS IN SUBSIDIARIES

| | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|
| Unquoted shares at cost | 60,299 | 60,299 |

Details of the subsidiaries are as follows:-

| Name of subsidiaries | Country of Incorporation | Principal Activities | Effective Equity Interest 2006 % | Effective Equity Interest 2005 % |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| Mudajaya Corporation Berhad | Malaysia | Civil engineering and building construction | 100 | 100 |
| **Held through a subsidiary:** | | | | |
| 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 Ltd. | Republic of Mauritius | Has not commenced operations | 100 | 100 |
| Mudajaya International Ltd | Republic of Mauritius | Has not commenced operations | 100 | - |
| Oracle International Co., Ltd. | Negara Brunei Darussalam | Has not commenced operations | 100 | - |
| MJC Plantations Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| MJC Properties Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |

There were no acquisitions in the financial year ended 31 December 2006 and subsequent to 31 December 2006.

## 15. INVESTMENT IN ASSOCIATES

| | GROUP | |
|---|---|---|
| | 2006 | 2005 |
| | RM'000 | RM'000 |
| Unquoted shares in Malaysia, at cost | 1 | 1 |
| Share of post-acquisition reserves | (1) | (1) |
| | - | - |

Details of associates are as follows:

| Name of Associates | Country of Incorporation | Principal Activities | Effective Equity Interest 2006 % | 2005 % |
|---|---|---|---|---|
| **Held through a subsidiary:** | | | | |
| Binamin Quarry Sdn. Bhd. | Malaysia | Investment holding | 40 | 40 |
| Binamin MJC Quarry Sdn. Bhd. | Malaysia | Quarry operations | 70 | 70 |

The financial statements of the above associates are coterminous with those of the Group.

## 16. OTHER INVESTMENTS

| | GROUP | |
|---|---|---|
| | 2006 | 2005 |
| | RM'000 | RM'000 |
| At cost: | | |
| Club memberships | 64 | 64 |
| Unquoted preference shares | 70 | 70 |
| Unquoted shares | - | 500 |
| | 134 | 634 |

## 17. PROPERTY DEVELOPMENT COSTS

| | GROUP | |
|---|---|---|
| | **2006 RM'000** | **2005 RM'000** |
| **Cumulative property development costs** | | |
| **At 1 January:** | | |
| Freehold land | 3,335 | 2,424 |
| Leasehold land | 43,660 | 43,384 |
| Development costs | 453,818 | 369,881 |
| | 500,813 | 415,689 |
| **Costs incurred during the year:** | | |
| Freehold land | 8,112 | 911 |
| Leasehold land | 11 | 276 |
| Development costs | 53,289 | 83,937 |
| Reversal of completed projects | (360,261) | - |
| Unsold units transferred to inventories | (14,995) | - |
| | (313,844) | 85,124 |
| Cumulative costs recognised in income statement: | | |
| At 1 January | (439,479) | (390,134) |
| Recognised during the year | (58,404) | (49,345) |
| Reversal of completed projects | 359,678 | - |
| At 31 December | (138,205) | (439,479) |
| Property development costs at 31 December | 48,764 | 61,334 |

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.

## 18. INVENTORIES

| | GROUP | |
|---|---|---|
| | **2006 RM'000** | **2005 RM'000** |
| **Cost** | | |
| Properties held for sale | 14,995 | - |
| Raw materials | 2,158 | 3,011 |
| | 17,153 | 3,011 |

## 19. TRADE AND OTHER RECEIVABLES

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 | COMPANY 2006 RM'000 | COMPANY 2005 RM'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 62,101 | 64,748 | - | - |
| Subsidiaries | - | - | 15,970 | 17,568 |
| Accrued billings in respect of property development costs | 15,202 | - | - | - |
| | 77,303 | 64,748 | 15,970 | 17,568 |
| Less: Provision for doubtful debts: | | | | |
| Third parties | (4,351) | (4,708) | - | - |
| Trade receivables, net | 72,952 | 60,040 | 15,970 | 17,568 |
| **Other receivables** | | | | |
| Associates | 2,152 | 2,262 | - | - |
| Deposits | 1,155 | 1,412 | 2 | 2 |
| Prepayments | 419 | 37 | - | - |
| Other receivables | 7,766 | 1,676 | - | - |
| Tax recoverable | 796 | 309 | 5 | 8 |
| Other receivables | 12,288 | 5,696 | 7 | 10 |
| Total | 85,240 | 65,736 | 15,977 | 17,578 |

Included in other receivables is investment in a jointly controlled entity with an Indian company, held through its subsidiary, Great Hill International Ltd amounting to RM4,870,184 (2005: Nil). The amount is classified as other receivables because no share certificate has been obtained yet as the Company is in the process of incorporating the jointly controlled entity.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of other receivables are disclosed in Note 31.

## 20. MARKETABLE SECURITIES

| | GROUP 2006 RM'000 | GROUP 2005 RM'000 |
|---|---|---|
| Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in Malaysia at cost | - | 60 |
| Less: Impairment losses | - | (10) |
| | - | 50 |
| Market value of the quoted investments shares | - | 44 |

## 21. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Cash on hand and at banks | 12,425 | 11,875 | 62 | 254 |
| Deposits with other financial institutions | 33,312 | 52,710 | - | - |
| Cash and bank balances | 45,737 | 64,585 | 62 | 254 |

Other financial institutions are licensed investment bank and asset management company in Malaysia.

The deposits placed with licensed investment bank are on call and/or repo basis (2005: on call and/or repo basis) and bear weighted average interest rate of 3.13% (2005: 2.34%) per annum. Deposits placed with asset management company are on call and/or repo basis (2005: on call and/or repo basis) and bear weighted average interest rate of 3.24% (2005: 3.33%) per annum.

Included in the cash at bank balances of the Group is RM15,993 (2005 : RM15,707) held in trust account in accordance with Regulation 12 of the Housing Developers (Housing Development Account) Regulations 1991.

Other information on financial risks of cash and cash equivalents are disclosed in Note 31.

## 22. DUE TO CUSTOMERS ON CONTRACTS

| | GROUP | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Construction costs incurred todate | 1,096,641 | 1,297,145 |
| Attributable profits | 143,237 | 141,462 |
| | 1,239,878 | 1,438,607 |
| Less: Provision for foreseeable losses | - | - |
| | 1,239,878 | 1,438,607 |
| Less: Progress billings | (1,240,015) | (1,438,674) |
| Due to customers on contract | (137) | (67) |

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

| | GROUP | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Hire of plant and machinery | 161 | 1,635 |
| Rental expense for land and buildings | 142 | 176 |

## 23. HIRE PURCHASE PAYABLES

| | GROUP | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| **Future minimum hire purchase payments:** | | |
| Not later than 1 year | - | 1,851 |
| Later than 1 year and not later than 2 years | - | 281 |
| Less: Future finance charges | - | (85) |
| Present value of finance lease liabilities | - | 2,047 |
| Analysis of present value of hire purchase liabilities: | | |
| Not later than 1 year | - | 1,771 |
| Later than 1 year and not later than 2 years | - | 276 |
| Less: Amount due within 12 months | - | (1,771) |
| Amount due after 12 months | - | 276 |

The hire purchase payables bore interest rates ranging from 3.65% to 3.88% (2005: 3.65% to 3.88%) per annum.

## 24. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 39,299 | 49,590 | - | - |
| Other payables | | | | |
| Deposits | 204 | 160 | - | - |
| Accruals | 857 | 823 | 163 | 160 |
| Other payables | 2,870 | 2,582 | 30 | 77 |
| | 3,931 | 3,565 | 193 | 237 |
| Total | 43,230 | 53,155 | 193 | 237 |

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 7 to 90 days.

Other information on financial risks of other payables are disclosed in Note 31.

## 25. DEFERRED TAXATION

**Deferred tax liabilities:**

| | GROUP | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Accelerated capital allowances | | |
| At 1 January and at 31 December | 716 | 716 |

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries and of the Company are subject to no substantial changes in shareholdings of those subsidiaries and the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

## 26. SHARE CAPITAL AND TREASURY SHARES

| | Number of ordinary shares od RM0.50 each | | Amount | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Authorised share capital:** | | | | |
| At 1 January and at 31 December | 500,000 | 500,000 | 250,000 | 250,000 |
| **Issued and fully paid up capital:** | | | | |
| At 1 January and at 31 December | 136,000 | 136,000 | 68,000 | 68,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 26. SHARE CAPITAL AND TREASURY SHARES (Contd.)

### (a) Treasury shares

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by a special resolution passed in a general meeting held on 15 June 2006, renewed their approval for 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 applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,724,600 of its issued ordinary shares from the open market at an average price of RM1.085 per share. The total consideration paid for the repurchase was RM1,871,268, comprising of consideration paid amounting to RM1,856,960 and transaction costs of RM14,308. 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 (2005: 136,000,000) issued and fully paid ordinary shares as at 31 December 2006, 2,132,600 (2005: 408,000) are held as treasury shares by the Company. As at 31 December 2006, the number of outstanding ordinary shares in issue after the setoff is therefore 133,867,400 (2005: 135,592,000) ordinary shares of RM0.50 each.

## 27. CAPITAL RESERVE

| | GROUP | |
|---|---|---|
| | 2006<br>RM'000 | 2005<br>RM'000 |
| At 1 January and at 31 December | 4,900 | 4,900 |

This reserve represents the bonus issue of shares through capitalisation of retained earnings, in proportion to the shareholding of the Group.

## 28. RETAINED EARNINGS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM675,263 (2005: RM532,040), subject to the agreement of the Inland Revenue Board. The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2006.

## 29. CONTINGENT LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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 subsidiaries | - | - | 23,772 | 18,437 |
| | 4,555 | 4,555 | 23,772 | 18,437 |

## 30. RELATED PARTY DISCLOSURES

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

| | 2006<br>RM'000 | 2005<br>RM'000 |
|---|---|---|
| **Group** | | |
| Rental payable to Mulpha Properties Sdn Bhd, a related company of an associated investor | | |
| Construction contract billings receivable from | 293 | 270 |
| Leisure Farm Corporation Sdn Bhd, a related company of an associated investor | (612) | (3,113) |
| Construction contract billings receivable from Redmax Sdn Bhd, a joint venture partner | (7,739) | - |

## 31. 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 risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

### (b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from hire purchases. The interest rates of the hire purchases are disclosed in Note 23.

### (c) Foreign Currency 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.

Subsidiaries in Republic of Mauritius and Negara Brunei Darussalam has not commenced operations as at year end. The Group maintains foreign currency in Euro Dollar and Singapore Dollar for the two subsidiaries respectively and is exposed to the fluctuation of the two currencies.

## 31. FINANCIAL INSTRUMENTS (Contd.)

### (c) Foreign Currency Risk (Contd.)

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

| Functional Currency of Group Companies | Net Financial Assets Held in Non-Functional Currencies | | | |
|---|---|---|---|---|
| | Indian Rupees RM'000 | Singapore Dollar RM'000 | Euro Dollar RM'000 | Total RM'000 |
| **At 31 December 2006** | | | | |
| Trade receivables | 966 | - | - | 966 |
| Other receivables | - | - | 4,870 | 4,870 |
| Cash and bank balances | 913 | 70 | 993 | 1,976 |
| | 1,879 | 70 | 5,863 | 7,812 |
| **At 31 December 2005** | | | | |
| Trade receivables | 1,565 | - | - | 1,565 |
| Cash and bank balances | 945 | - | 1,435 | 2,380 |
| | 2,510 | - | 1,435 | 3,945 |

### (d) Liquidity Risk

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

### (e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

## 31. FINANCIAL INSTRUMENTS (Contd.)

### (f) Fair Values

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

| | Note | GROUP Carrying Amount RM'000 | GROUP Net Fair Value RM'000 | COMPANY Carrying Amount RM'000 | COMPANY Net Fair Value RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2006** | | | | | |
| Non-current unquoted shares and club memberships | 16 | 134 | * | - | - |
| **At 31 December 2005** | | | | | |
| Non-current unquoted shares and club memberships | 16 | 634 | * | - | - |

* 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 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 Nominal/ Notional Amount RM'000 | GROUP Net Fair Value RM'000 | COMPANY Nominal/ Notional Amount RM'000 | COMPANY Net Fair Value RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2006** | | | | | |
| Contingent liabilities | 29 | 4,555 | ^ | 23,772 | ^ |
| **At 31 December 2005** | | | | | |
| Contingent liabilities | 29 | 4,555 | ^ | 18,437 | ^ |

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

## 32. SEGMENT INFORMATION

### (a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**32. SEGMENT INFORMATION (Contd.)**

**(b) Business segments**

The Group comprises the following 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.

**(c) Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's four business segments operate in four geographical areas:

(i) Malaysia - the operations in this area are principally civil engineering and construction of highways and buildings, property development, manufacturing, trading and investment holding.

(ii) India - the operations in this area are principally civil engineering and construction of highways.

(iii) Republic of Mauritius and Negara Brunei Darussalam - the subsidiaries have not commenced business operations.

**(d) Allocation basis and transfer pricing**

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

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

## 32. SEGMENT INFORMATION (Contd.)

### (b) Business segments

The following tables provide analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | 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 |
|---|---|---|---|---|---|---|---|
| **31 December 2006** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 133,941 | 74,789 | 21,718 | 55,485 | - | - | 285,933 |
| Inter-segment sales | 48,490 | - | - | 2,426 | - | (50,916) | - |
| Total revenue | 182,431 | 74,789 | 21,718 | 57,911 | - | (50,916) | 285,933 |
| **Result** | | | | | | | |
| Segment results | 17,240 | 15,113 | 897 | 200 | 8,620 | (10,448) | 31,622 |
| Unallocated corporate expenses | - | - | - | - | (256) | - | (256) |
| | | | | | | | 31,366 |
| Finance costs, net | (66) | (554) | (13) | - | - | 554 | (79) |
| Share of results of associates | - | - | - | - | - | - | (14) |
| Profit before tax | | | | | | | 31,273 |
| Income tax expense | | | | | | | (12,248) |
| | | | | | | | 19,025 |
| Minority interests | | | | | | | (2,770) |
| | | | | | | | 16,255 |
| **31 December 2006** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | 91,780 | 98,022 | 14,699 | 90 | 6,003 | - | 210,594 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 34,957 | 3,922 | 2,946 | 4,395 | 187 | - | 46,407 |
| **Other segment information** | | | | | | | |
| Capital expenditure | 580 | 71 | 547 | - | - | - | 1,198 |
| Depreciation | 2,981 | 40 | 1,058 | - | - | - | 4,079 |

## 32. SEGMENT INFORMATION (Contd.)

### (b) Business segments (Contd.)

| | 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 |
|---|---|---|---|---|---|---|---|
| **31 December 2005** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 164,161 | 61,623 | 26,410 | 40,919 | - | - | 293,113 |
| Inter-segment sales | 48,779 | - | - | 4,124 | - | (52,903) | - |
| Total revenue | 212,940 | 61,623 | 26,410 | 45,043 | - | (52,903) | 293,113 |
| **Result** | | | | | | | |
| Segment results | 14,017 | 10,804 | 729 | 438 | 7,122 | (8,501) | 24,609 |
| Unallocated corporate expenses | - | - | - | - | (211) | - | (211) |
| | | | | | | | 24,398 |
| Finance costs, net | (188) | (471) | (27) | - | - | 471 | (215) |
| Share of results of associates | - | - | - | - | - | - | (152) |
| Profit before tax | | | | | | | 24,031 |
| Taxation | | | | | | | (9,307) |
| | | | | | | | 14,724 |
| Minority interests | | | | | | | (2,406) |
| | | | | | | | 12,318 |
| **31 December 2005** | | | | | | | |
| **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 segment information** | | | | | | | |
| Capital expenditure | 1,528 | 19 | 446 | - | - | - | 1,993 |
| Depreciation | 3,914 | 63 | 1,145 | - | - | - | 5,122 |

## 32. SEGMENT INFORMATION (Contd.)

### (c) Geographical Segments

The Group operates in Malaysia, India, Republic of Mauritius and Negara Brunei Darussalam. 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 civil engineering and construction of highways. The subsidiaries in Republic of Mauritius and Brunei Darussalam has not commenced business operations.

| | Total Revenue from External Customers | | Segment Assets | | Capital Expenditure | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 280,232 | 242,344 | 202,686 | 209,799 | 1,198 | 1,993 |
| India | 5,701 | 50,769 | 1,975 | 2,510 | - | - |
| Republic of Mauritius | - | - | 5,863 | - | - | - |
| Negara Brunei Darussalam | - | - | 70 | - | - | - |
| Consolidated | 285,933 | 293,113 | 210,594 | 212,309 | 1,198 | 1,993 |

## 33. SIGNIFICANT EVENTS

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 Co., Ltd. and Mudajaya International Ltd for cash consideration at par value.

Oracle International Co., Ltd. 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 Co., Ltd. is USD1 million and USD1 respectively.

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

Oracle International Co., Ltd. and Mudajaya International Ltd have not commenced operations.

## 34. SUBSEQUENT EVENT

The Company has on 10 January 2007 and 19 January 2007 disposed a total of 1,000,000 shares from treasury shares to the public at disposal price of RM1.90 per share respectively. The average costs of the shares disposed were RM1.0878 and RM1.2378 respectively.

# ANALYSIS OF SHAREHOLDINGS
## as at 20 April 2007

| | | |
|---|---|---|
| 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 | 2 | 0.16 | 100 | 0.00 |
| 100 – 1,000 | 422 | 34.42 | 405,400 | 0.30 |
| 1,001 – 10,000 | 525 | 42.82 | 2,233,800 | 1.66 |
| 10,001 – 100,000 | 220 | 17.95 | 8,128,700 | 6.06 |
| 100,001 – 6,710,964* | 53 | 4.32 | 28,761,900 | 21.43 |
| 6,710,965 and above** | 4 | 0.33 | 94,689,400 | 70.55 |
| Total | 1,226 | 100.00 | 134,219,300# | 100.00 |

* Less than 5% of issued holdings

** 5% and above of issued holdings

\# Exclude shares bought back of 1,780,700

### 30 LARGEST SHAREHOLDERS

| | Name of Shareholders | Number of Shares held | % |
|---|---|---|---|
| 1. | Tiararibu (M) Sdn Bhd | 32,311,000 | 24.07 |
| 2. | Dataran Sentral (M) Sdn Bhd | 21,674,000 | 16.15 |
| 3. | Malaysia Nominees (Tempatan) Sendirian Berhad pledged securities account for Dataran Sentral (M) Sdn Bhd | 21,000,000 | 15.65 |
| 4. | United Flagship Sdn Bhd | 19,704,400 | 14.68 |
| 5. | Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund | 3,360,000 | 2.50 |
| 6. | Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad | 2,568,000 | 1.91 |
| 7. | Cartaban Nominees (Asing) Sdn Bhd Sun Hung Kai Investment Services Ltd for Top Champ Assets Limited | 1,743,000 | 1.30 |
| 8. | AMMB Nominees (Tempatan) Sdn Bhd AmTurstee Berhad for HLG Strategic Fund | 1,740,800 | 1.30 |
| 9. | Tan Ai Tong | 1,429,500 | 1.07 |
| 10. | Ng Ying Loong | 1,095,000 | 0.82 |

**30 LARGEST SHAREHOLDERS (CONTD.)**

| | Name of Shareholders | Number of Shares held | % |
|---|---|---|---|
| 11. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Islamic Opportunities Fund | 1,022,400 | 0.76 |
| 12. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Smallcap Fund | 982,800 | 0.73 |
| 13. | HLG Nominee (Tempatan) Sdn Bhd<br>HLG Asset Management Sdn Bhd<br>for Hong Leong Assurance Bhd | 800,000 | 0.60 |
| 14. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd<br>for OSK-UOB Global New Stars Fund | 798,900 | 0.60 |
| 15. | Kok Onn | 790,000 | 0.59 |
| 16. | AIBB Nominees (Asing) Sdn Bhd<br>Sun Hung Kai Investment Services Limited<br>for Honest Opportunity Limited | 774,700 | 0.58 |
| 17. | Malaysia Nominees (Tempatan) Sdn Bhd<br>Mayban Life Assurance Berhad | 675,000 | 0.50 |
| 18. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Equity Fund | 652,300 | 0.49 |
| 19. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Anto A/L SF Joseph | 650,000 | 0.48 |
| 20. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Ng Ying Loong | 531,000 | 0.40 |
| 21. | Aminvestment Bank Berhad<br>Investment | 521,000 | 0.39 |
| 22. | HSBC Nominees (Asing) Sdn Bhd<br>HSBC-FS for Pheim-Aizawa Asia Fund | 480,000 | 0.36 |
| 23. | PRB Nominees (Tempatan) Sdn Bhd<br>Rubber Industry Smallholders Development Authority | 413,000 | 0.31 |
| 24. | Yong Yee Coi | 408,800 | 0.30 |
| 25. | HLG Nominee (Asing) Sdn Bhd<br>Exempt An for DBS Bank (Hong Long) Limited | 400,000 | 0.30 |
| 26. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Wee Teck Nam | 390,000 | 0.29 |
| 27. | AIBB Nominees (Tempatan) Sdn Bhd<br>pledged securities account for Cheong Chen Yue | 376,000 | 0.28 |
| 28. | Ng Li Hoon | 355,000 | 0.26 |
| 29. | HLG Nominee (Tempatan) Sdn Bhd<br>HLG Asset Management Sdn Bhd<br>for Hong Leong Assurance Bhd | 350,000 | 0.26 |
| 30. | HLG Nominee (Tempatan) Sdn Bhd<br>HLG Asset Management Sdn Bhd<br>for Commerce Assurance Berhad | 340,000 | 0.25 |
| | Total | 118,336,600 | 88.18 |

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| | Name of Substantial Shareholders | Number of Shares Held | % | Number of Shares Held | % |
| 1. | Dataran Sentral (M) Sdn Bhd | 42,674,000 | 31.80 | - | - |
| 2. | Tiararibu (M) Sdn Bhd | 32,311,000 | 24.07 | - | - |
| 3. | United Flagship Sdn Bhd | 19,704,400 | 14.68 | - | - |
| 4. | Winners Spectrum Construction Sdn Bhd | 4,000 | 0.00 | 42,674,000 | 31.80 |
| 5. | First Positive Sdn Bhd | - | - | 42,674,000 | 31.80 |
| 6. | Mulpha International Bhd | - | - | 32,311,000 | 24.07 |
| 7. | Nautical Investments Ltd | - | - | 32,311,000 | 24.07 |
| 8. | Ng Ying Loong | 1,626,000 | 1.22 | 42,678,000 | 31.80 |
| 9. | Wee Teck Nam | 390,000 | 0.29 | 42,674,000 | 31.80 |
| 10. | Law Chin Wat | - | - | 32,311,000 | 24.07 |
| 11. | Dato' Mohd Zakhir Siddiqy bin Sidek | - | - | 19,704,400 | 14.68 |

## DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| | Name of Directors | Number of Shares Held | % | Number of Shares Held | % |
| 1. | Ng Ying Loong | 1,626,000 | 1.22 | 42,678,000 | 31.80 |
| 2. | Wee Teck Nam | 390,000 | 0.29 | 42,674,000 | 31.80 |
| 3. | Anto A/L SF Joseph | 650,000 | 0.48 | - | - |
| 4. | Chung Tze Hien | - | - | - | - |
| 5. | Aminodin bin Ismail | - | - | - | - |
| 6. | Yee Swee Choon | 26,500 | 0.02 | - | - |
| 7. | Henry Choo Hon Fai | - | - | - | - |

# PROPERTIES OF THE GROUP
## as at 31 December 2006

| | 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<br>Jalan Bukit Badong<br>Daerah Kuala Selangor | 2004 | Freehold | N/A | 20,234 | Agriculture land | 1,625 |
| 2. | Lot No. 32 & 33, Mukim Ijok<br>Jalan Bukit Badong<br>Daerah Kuala Selangor | 1998 | Freehold | 7 | 40,486 / 2,480 | Industrial land with factory | 5,382 |
| 3. | Unit 114, Ground Floor, Block B,<br>Sunway Court, Bandar Sunway<br>Petaling Jaya<br>Selangor Darul Ehsan | 2002 | Lease expiring on 11.4.2093 | 14 | 84 | One (1) unit of apartment | 147 |
| 4. | Villa Angsana Condominium (1)<br>56, Off Jalan Ipoh<br>51000 Kuala Lumpur | 1999 | Freehold | 6 | 1,165 | Six (6) units of Condominiums | 2,055 |
| 5. | Lot 58 & 199, Section 47<br>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 No PT1230 (2)<br>Presint 9, Bandar Putrajaya<br>District of Putrajaya<br>Wilayah Persekutuan | 2005 | Freehold | 2 | 285 | One (1) unit of 2 1/2 storey semi-detached house | 725 |
| 7. | MN19-7, Menara Nilam (2)<br>Ampang, Mukim Ampang<br>Daerah Ulu Langat, Selangor | 2005 | Lease expiring on 18.1.2103 | 3 | 169 | One (1) unit of apartment | 302 |
| 8. | No 29, Jalan Raja Udang 16 (2)<br>Pantai Sepang Putra<br>43950 Sepang, Selangor | 2005 | Freehold | 4 | 143 | One (1) unit of double storey terrace house | 99 |

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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MUDAJAYA GROUP BERHAD (605539-H)
(Incorporated in Malaysia)

# 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 Fourth Annual General Meeting of the Company to be held at Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday 15 June 2007 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 year ended 31 December 2006 | | |
| 2. | To approve the payment of a final dividend | | |
| 3. | To re-elect Mr. Yee Swee Choon as Director | | |
| 4. | To re-elect Mr. Henry Choo Hon Fai as Director | | |
| 5. | To approve the payment of Directors' fees | | |
| 6. | To re-appoint Messes. Ernst & Young as Auditors | | |
| 7. | To approve Authority to Allot and Issue Shares | | |
| 8. | To approve Renewal of Share Buy-Back Authority | | |
| 9. | To approve Amendments to Articles of Association of the Company | | |

Signed this ______________ day of ______________________ 2007.

______________________________
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 Ehsan, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.

*fold here*

affix stamp 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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