



On behalf of the Board of Directors, it gives me great pleasure to present the Forty Fourth (44th) Annual Report and the Audited Financial Statements of Damansara Realty Berhad ("DBhd" or "Company") and its subsidiaries ("DBhd Group" or "Group") for the financial year ended 31 December 2005.

FINANCIAL OVERVIEW

Alhamdulillah, I am pleased to report that for the financial year ended 31 December 2005, the Group registered an 85% increase in the net profit compared to the preceding year. For the current year, the Group registered a net profit of RM7.6 million (compared to RM4.1 million in 2004) and a turnover of RM92.2 million (compared to RM123.9 million in 2004). 91% of the Group's turnover was contributed by its property development and construction activities. The remaining 9% comprises mainly the contribution from the hotel operations.

Despite the drop in revenue in 2005, the profits of the Group has increased due to higher profit margin as compared to the previous year, largely contributed by the property development activities in Johor.

The Group has managed to reduce its level of borrowings from RM84.4 million in 2004 to RM79.7 million in 2005. The reduction is mainly due to the partial repayment of the term loan of Damansara Realty Pahang Sdn. Bhd. ("DRP"). As a result, the gearing level has improved from 0.68 in 2004 to 0.60 in 2005.

REVIEW OF OPERATIONS

There was a significant contribution to the Group's revenue arising from the property development activities in Taman Damansara Aliff ("TDA") that recorded revenue of RM56.7 million. This includes progress billings of RM46.0 million from the sales of double storey houses under Phases 1A and 1B, RM7.1 million from the progress billings for shop offices while the remaining RM3.6 million was from the sales of land to a third party.

As at end of 2005, 92% of the total 387 units launched on the double storey houses in Taman Damansara Aliff had been sold while 95% of the total 22 units of shop offices have been taken up.



Taman Damansara Aliff



Bandar Damansara Kuantan

Property development activities in Bandar Damansara Kuantan ("BDK") in 2005 recorded a revenue of RM13.0 million. 80% of the revenue was mainly contributed by the progress billings of semi-detached houses of Phase 1A3E and the 2-storey shop offices under Phase 1A1. The remaining 20% was attributable to reimbursement received for works done on portions of land sold to a third party.

To date, all 52 units launched under Phase 1A3E had been sold.



The upgraded Jalan Tampoi

DBhd's construction arm, Tebing Aur Sdn. Bhd. ("TASB"), recorded RM20 million in revenue in 2005. 54% of this revenue was contributed from the upgrading of Jalan Tampoi while the other 39% was derived from the sub-construction of sewage treatment plant in Jelutong. The remaining balance of 7% was from the construction of 22 units of shop offices in Taman Damansara Aliff and the rehabilitation of Sg. Tukang Batu in Pasir Gudang, Johor.

The upgrading of Jalan Tampoi from KM4.1 to KM7.5 in Mukim Tebrau, Johor, was awarded by Jabatan Kerja Raya in 2004 with a contract sum of RM14.8 million. The Certificate of Practical Completion was duly obtained on 16 January 2006 and the formal opening of the upgraded road was officiated by DYAM Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj, Tunku Mahkota Johor on 25 February 2006.

In May 2005, TASB was awarded a sub-contract for the construction and completion of civil, structural, building services and infrastructure works of a sewage treatment plant in Jelutong, Penang for a contract sum of RM49.2 million. The project is for a period of 21 months and is targeted for completion in February 2007. Upon completion, this plant will ultimately serve 1.2 million population.



Sewage Treatment Plant, Jelutong

OUTLOOK AND FUTURE DIRECTION

The resilience of the Malaysian economy has been well evidenced by the GDP growth of 5.3% recorded in the year 2005. Despite the uncertainty in the global economy, the spike in oil prices hovering at around US\$70 per barrel, concerns on the currency factor and rising interest rates, the Government remains optimistic that the GDP will grow at 5.5% in 2006. [Source : Economic Report 2005/2006]

On the home front, the outlook for the property market particularly for the residential sector will continue to be bullish in 2006 but somewhat restrained as compared to 2005. In Johor, the residential sector is expected to maintain its current momentum with many launches of high-end properties. With developers competing to establish a presence to gain visibility in the market by offering either unique or price competitive products, buyers are spoilt for choice and currently determine the flows of the market. In Pahang, the property market sentiments remain stable as developers are more cautious to introduce new development into the market.

As regards to the construction sector, the 9th Malaysia Plan ("9th MP") has come at the most appropriate time to alleviate the woes of construction companies since the Asian financial crisis in 1997. With the long list under the 9th MP, construction companies are looking forward for rosier times as more development projects are expected in order to achieve the Government's targeted forecast of 3% growth for the construction sector. High on the list are projects that will encourage public transportation, construction of new dams, water treatment plants and flood mitigation works.

Over the past few years, DBhd's strategy was, amongst others, focused on ridding itself of unproductive assets and non-viable investments. The said strategy, known as the spring cleaning exercise, will be completed upon the completion of the disposal of Golden Dragon Garden Sdn. Bhd. to Kemuncak Kaya Sdn. Bhd.

Property Development in Taman Damansara Aliff

On 25 February 2006, Damansara Realty (Johor) Sdn. Bhd. ("DRJ") had launched Aliff Puteri, a development of 65 out of the 192 units of 22'x75' double storey houses within the Taman Damansara Aliff development. The launching ceremony of Aliff Puteri as well as the formal opening of the upgraded Jalan Tampoi was officiated by DYAM Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj, Tunku Mahkota Johor.



The launching ceremony of Aliff Puteri

Chairman's Statement *(Cont'd)*

Aliff Puteri offers a spacious built-up area of 2,260 square feet based on a tropical design that combines both wooden and stone exterior and interior finishing. All units are equipped with smart home features and hot water system. The corner units offer additional features; namely attics and interior feature-wall. Aliff Puteri, which emphasises on quality and exclusiveness, is expected to further strengthen DRJ's position in the niche market for high-end residential units in Johor Bahru.



' Type A, Aliff Puteri, Taman Damansara Aliff '



' Type B, Aliff Puteri, Taman Damansara Aliff '

As a sign of commitment to enhance the lifestyle of the residents, DRJ is proposing to develop 5.9 acres of retail mixed development to be known as Damansara Square. The Square will offer pedestrian-friendly public mall, tree-lined pathways and a transportation hub. It will also offer an exclusive commercial centre with outdoor cafes and 2-storey double frontage shop offices.

Our upcoming launches for the next 2 to 3 years will include contemporary apartments, upmarket semi-detached houses, maisonette homes and 51 lots of signature offices with strata titles.

Property Developments in Bandar Damansara Kuantan and Terengganu

The property market in Kuantan is expected to remain stable over the coming years and DRP has in the past few years, implemented the strategy of en-bloc land sales to primarily raise funding to repay its term loan. In conjunction with this, DRP has successfully secured an approval for the extension of the term loan facility for another five (5) years until December 2010.

As for residential development, DRP's strategy is to focus on a niche market with emphasis on quality, prestige and attractive designs. Our upcoming launch will be Phase 1A5, a gated community in Bandar Damansara Kuantan, which comprises 49 units of one and half storey

Chairman's Statement *(Cont'd)*

terrace and semi-detached houses. Phase 1A5 offers distinctive features such as dedicated landscape area, full height ceramic tiles and cornice at living, dining and passage way.



' Phase 1A5, Bandar Damansara Kuantan '

The Group has also set its footing in Terengganu by developing Alam Serada, a residential development in Mukim Serada, Kuala Terengganu, which is expected to be launched in June 2006.

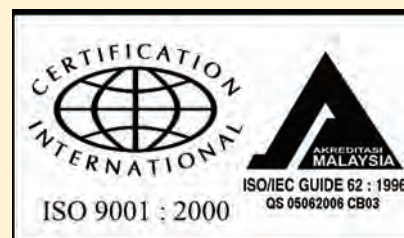
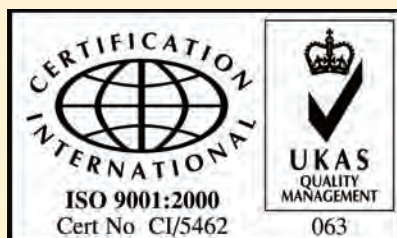


' Alam Serada, Terengganu '

Quality Management System

On 24 May 2005, Damansara Realty Berhad and Damansara Realty (Johor) Sdn. Bhd. was awarded the Certificate of Registration to ISO 9001:2000. The MS ISO 9001:2000 scope of activities is "Provision of development of residential and commercial services". The certificate was awarded by the Governing Board of Certification International (UK) Limited.

The Group is committed to quality assurance, making us one of the few property developers in Malaysia to gain the ISO 9001:2000 certifications.



Construction

The Group is currently strengthening its capability and resources in the construction sector. It has been vying for new construction projects locally and abroad. Apart from the ongoing construction of the sewage treatment plant in Jelutong and the completion of the upgrading of Jalan Tampoi, the Group has managed to secure an additional project. On 26 January 2006, DBhd entered into a Tri-Partite Development Agreement with Johor Corporation and Sri Gading Land Sdn. Bhd. (both parties are proprietors of two (2) parcels of land in Sri Gading, Batu Pahat) and Syarikat Perumahan Negara Berhad as the developer, for the proposed residential and commercial development of the land. DBhd has been appointed to undertake the construction of 3,129 units of low and medium cost houses and apartments, 86 units of shop offices, petrol station and commercial lands for a contract sum of RM245 million.

ACKNOWLEDGEMENT

I would like to express my sincere thanks and appreciation to the Management and staff for their hardwork, support and dedication throughout the year and to the relevant authorities for their guidance and counsel.

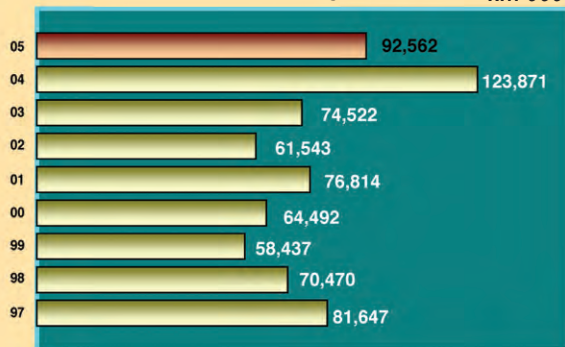
A very special thanks to all of our shareholders, especially Johor Corporation, for their continuous support. To our customers, business associates and financiers, thank you for your loyalty and trust in us. My sincere appreciation also goes to my fellow Directors for their advice, cooperation and understanding and I look forward to their continued support in the future.

Dato' Syed Alwi bin Syed Nasir
Chairman

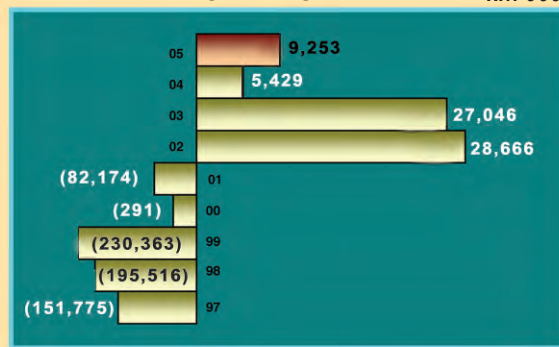
28 April 2006

Performance Highlights (1997 - 2005)

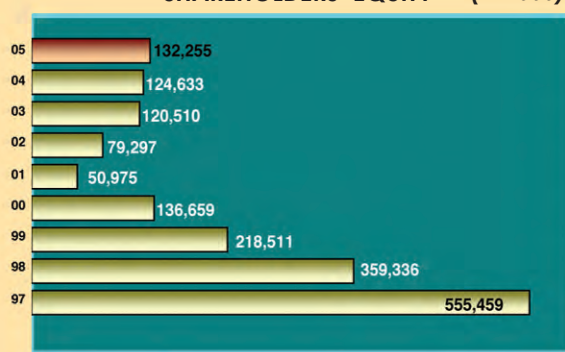
REVENUE RM'000



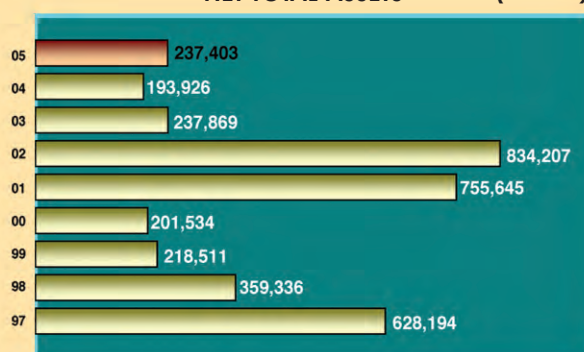
PROFIT BEFORE TAX RM'000



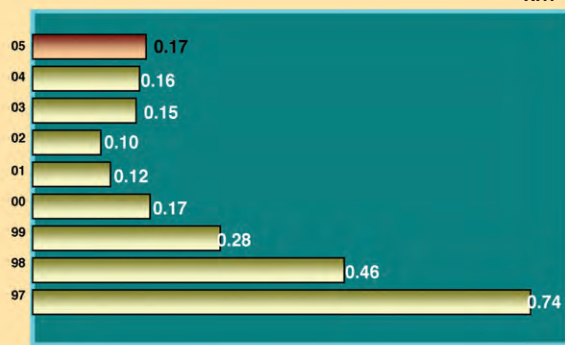
SHAREHOLDERS' EQUITY (RM'000)



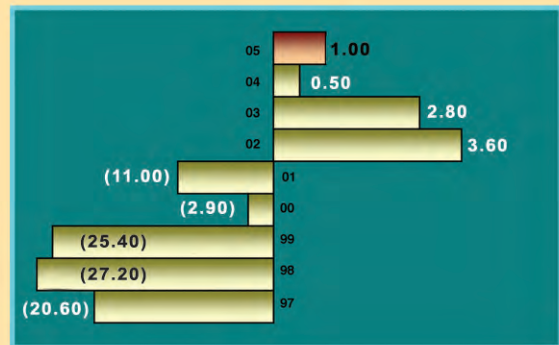
NET TOTAL ASSETS (RM'000)



NET TANGIBLE ASSETS PER SHARE RM'



EARNINGS PER SHARE SEN



Audit Committee's Report

COMPOSITION OF MEMBERS

The Audit Committee currently comprises three (3) Directors as follows: -

1. **Mr. Romesh Roy Joshi - Chairman**
(Independent / Non-Executive Director)
2. **YBhg. Dato' Syed Alwi bin Syed Nasir**
(Independent / Non-Executive Director)
3. **Puan Zainah binti Mustafa**
(Independent / Non-Executive Director)

Membership

1. The Committee members are appointed amongst its Directors who fulfil the following requirements:
 - The Audit Committee must comprise no fewer than three (3) members
 - A majority of the members must be Independent Directors
 - At least one of the Audit Committee:
 - Must be a member of the Malaysian Institute of Accountants (MIA) or ;
 - If he is not a member of MIA, he must have at least three (3) years' working experience and;
 - i. he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967 ; or
 - ii. he must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - Pursuant to paragraph 7.0 of the Bursa Malaysia's Practice Note No.13/2002 and with effect from 1/1/2003, it is prescribed that the following qualifications are also acceptable :
 - i. A degree/masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
 - ii. At least 7 years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
2. The Chairman shall be selected by the members of the Audit Committee from among their numbers who shall be an Independent Director. No alternate Director shall be appointed as a member of the Audit Committee.
3. If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
4. The terms of office and performance of the Audit Committee shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Meetings

The Committee shall meet at least four (4) times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the Audit Committee shall be two (2) of which the majority must be Independent Directors.

Audit Committee's Report *(Cont'd)*

The Head of Internal Audit shall be in attendance at meetings of the Committee. The Committee may invite the External Auditors, the Head of Treasury, Head of Accounts, any other Directors or members of the Management and employees of the Group to be in attendance during meetings to assist in the deliberations.

The Chairman shall upon the request of the External Auditors, convene a meeting of the Committee to consider any matter the External Auditors believe should be brought to the attention of the Directors or shareholders.

The External Auditors have the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Committee when required to do so by the Committee.

The Company Secretary shall be the Secretary of the Committee and is responsible for the coordination of administrative details including calling the meetings, voting and keeping of minutes.

Frequency of Meetings

During the financial year under review, the Committee met four (4) times. The attendance of each Committee Member is as follows:-

Members of Audit Committee	Attendance
Mr. Romesh Roy Joshi - Chairman	4/4 (100%)
YBhg. Dato' Syed Alwi bin Syed Nasir	3/4 (75%)
Puan Zainah binti Mustafa	4/4 (100%)

TERMS OF REFERENCE

Objectives

1. To assist the Board in discharging its responsibilities relating to the Group and the Company's management of principal risks, internal controls, corporate governance, financial reporting and compliance of statutory and legal requirements.
2. To provide, by way of regular meetings, a line of communication between the Board of Directors, Senior Management and External Auditors.
3. To provide emphasis on the internal audit function by increasing the objectivity and independence of the Internal Auditors and provide a forum for discussion that is independent of the management.
4. To review the quality of the audits conducted by the Internal and External Auditors of the Company.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

1. To investigate any matter within its terms of reference.
2. Such resources to be provided for the Committee to perform its duties.
3. Full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group.
4. Direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.
5. Be able to obtain independent professional advice.
6. Be able to convene meetings with the External Auditors, without the presence of the executive members, whenever deemed necessary.

Duties and Responsibilities

1. To recommend the nomination of a person or persons as External Auditors together with such other functions as may be agreed by the Audit Committee members and the Board of Directors.
2. To discuss and review with the External Auditors any proposal from them to resign as Auditors.
3. To review with the External Auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their audit reports.

4. To review the External Auditor's management letter and discuss any matter that the External Auditors may wish to raise in the absence of management, where necessary.
5. To review the quarterly financial results and year-end financial statements of the Company and the Group and to recommend the same to the Board for approval whilst ensuring that they are prepared in a timely and accurate manner and in compliance with applicable accounting and regulatory requirements. The review should also focus on:
 - Any changes in or implementation of major accounting policy
 - Significant and unusual events
 - Significant adjustments arising from the audit
 - The going concern assumptions
6. To review with the External and Internal Auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
7. To approve the internal audit charter and audit plan and ensure that the internal audit function is adequately resourced and have appropriate standing in the Group.
8. To review the internal audit function and the results of the internal audit programme or investigation undertaken and whether or not management has taken appropriate action on the recommendation made by the Internal Auditors.
9. To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
10. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
11. To receive reports and deliberate on the implementation of the risk-control process and the progress of risk management activities undertaken by the Group.
12. To perform any other functions as authorised by the Board.

Activities of the Audit Committee

The following activities were performed by the Audit Committee during the financial year under review:

1. Reviewed and approved the annual Audit Plan for the calendar year 2005. In its review of the annual Audit Plan, the Audit Committee reviewed the scope and coverage over the Audit activities of the respective business units/operations of the Group and the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
2. Reviewed and deliberated on the audit findings and issues highlighted from the audit assignments and follow-up audits conducted by the Internal Audit Division. The audit findings and issues being reviewed amongst others covered areas of sales and banking in of sales collections, security and control over access to the Company's accounting system and the Group's fixed assets management.

3. Reviewed and appraised the adequacy and effectiveness of management response and control in resolving the audit issues reported.
4. Reviewed the audit findings and risk analysis on each audit assignment and emphasized on follow-up audits to ensure that appropriate corrective actions are taken and Internal Audit's recommendations are implemented.
5. Reviewed the quarterly financial results and made recommendation for the Board's approval prior to submission to Bursa Malaysia.
6. Reviewed Risk-Control reports prepared and summarized by the Risk Coordinator and assessed the adequacy and effectiveness of actions taken to mitigate the underlying risks.

Internal Audit Function

The Group's Internal Audit Division carries out the internal audit function for the Group. The Head of Internal Audit ultimately reports to the Audit Committee but also reports to the Executive Director on day-to-day administrative matters. The internal audit function is responsible in providing independent, objective assurance and consulting activity designed to add value and improve the Group's operation. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also evaluates the adequacy and effectiveness of action plans relating to risk-control process and assists the Audit Committee in discharging its responsibilities.

Apart from the above, Internal Audit also participates in the Internal Quality Audit (IQA) exercises in assisting the Company to identify any improvements to the work process as required by ISO 9001:2000 standards. All these activities are designed to add value of the internal audit function to the Group.

Throughout the financial year under review a number of audit assignments and follow-up audits were carried out on the Company's business units/operations and subsidiary companies. These assignments were carried out in accordance with the annual Audit Plan or as special ad-hoc audit at Audit Committee / Management's request. The resulting reports of the audits undertaken were presented to the Audit Committee for its review which highlighted critical and high-risk areas that have significant and material impact on the Group's performance. Specifically, the internal audit exercise during the financial year under review covered amongst others the following areas:

- Monitored and reviewed the system conversion and data migration processes of the newly acquired property development accounting system;
- Assessed and reviewed the security and control features over the newly acquired property development accounting system;
- Assisted the Accounts Department in its reconciliation process over the unmatched sales billing database resulting from the computer system conversion;
- Reviewed the Company's quarterly financial results in ensuring compliance with the approved accounting standards;

Audit Committee's Report *(Cont'd)*

- Reviewed regularly the operational activities of sales offices which include the sales collections, bank-in process and its daily physical cash safekeeping with the objective to safeguard the Group's cash inflows;
- Reviewed subsidiary companies' bank reconciliations;
- Performed follow-up audit exercises on previous audit issues that are still outstanding;
- Actively participated in series of Internal Quality Audit (IQA) exercises with regard to the ISO 9001:2000 certification requirements;
- Participated in the take-over of the management of the Group's Hotel property currently known as Selesa Beach Resort, Port Dickson;
- Performed asset verification and tagging exercises over the Selesa Beach Resort's existing physical assets following the successful take-over exercise.

Statement Of Corporate Governance

The Board of DBhd is pleased to report to the shareholders in particular and other stakeholders in general on the manner the Company has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance ("the Code") as well as the extent of compliance with the Best Practices as set out in Part 2 of the Code. This disclosure is made pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad. Any requirements where the Company has not complied with are explained in the report.

BOARD OF DIRECTORS

Composition, Balance and Responsibilities

The Board led by an Independent Non-Executive Chairman, is made up of seven (7) members, comprising five (5) Independent Non-Executive Directors (including the Chairman), one (1) Non-Independent Non-Executive Director, and one (1) Executive Director. This is in compliance with Paragraph 15.02 of the Bursa Malaysia Securities Berhad Listing Requirements that requires at least one-third of the Board to comprise Independent Directors. In the opinion of the Board, the number of members is sufficient and fairly reflects the investment in the Company by the shareholders apart from the largest shareholder. The Board having reviewed its size and composition is also satisfied that its current size and composition is effective for the proper functioning of the Board.

The roles of the Chairman and the Executive Director are distinct and separate with responsibilities clearly drawn out to ensure a balance of power and authority. Generally, the Executive Director is responsible for making and implementing operational and corporate decisions. Nevertheless, the Non-Executive Directors also play equally important roles, contributing their knowledge and experience, in examining and analysing the proposed course of actions in the decision-making process. The Board has also identified YBhg. Dato' Syed Alwi bin Syed Nasir as the senior Independent Non-Executive Director to whom concerns of the Shareholders, management and others may be conveyed. He maybe reached at 03-2072 1088 or this e-mail address dclaw@po.jaring.my.

Supply of Information

The Board has unrestricted access to timely and accurate information on various aspects of DBHD's operations and performance. All Board reports are normally issued in sufficient time to all Directors to enable the Directors to review the reports prior to the Board meeting and understand the issues to be discussed. In addition, the Board has unrestricted access to the advice and services of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice with the Company paying the related costs.

Board Committee

The Company does not have a Nomination Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring that the nominees are persons of sufficient calibre and experience. The process of assessing the Directors is an on going responsibility of the entire Board. The Company has also established a Tender Committee at Board level comprising both Independent/Non-Executive and the Executive Directors. The function of the said Tender Committee is to evaluate, deliberate and approve the

Statement Of Corporate Governance (Cont'd)

recommendation made by the Management prior to awarding of major contracts and tenders to the potential contractor.

TENDER COMMITTEE

The members of the Tender Committee are:

Chairman :

YBhg. Dato' Johari bin Mohamed (Independent Non-Executive Director)

Members:

1. Encik Kamaruzzaman bin Abu Kassim (Executive Director)
2. Mr. Romesh Roy Joshi (Independent Non-Executive Director)
3. Encik Mohd Zam bin Mustaman (Non-Independent Non-Executive Director)

BOARD MEETING

The Board meets at least four (4) times a year and additional meetings are held as and when required. Certain schedule of matters such as acquisition and disposal of assets of the Company or subsidiaries that are material, investment in capital projects and level of authority are specifically reserved to the Board for decision.

A total of eight (8) Board of Directors' Meetings were held during the financial year under review. Details of attendance of Directors at the Board Meetings are as follows:

Directors	Non-Executive	Independent	Attendance
YBhg. Dato' Syed Alwi bin Syed Nasir	Yes	Yes	7/8 (87.5%)
Encik Kamaruzzaman bin Abu Kassim	No	No	8/8 (100%)
YBhg. Dato' Johari bin Mohamed	Yes	Yes	7/8 (87.5%)
YBhg. Datuk Yahya bin Ya'acob	Yes	Yes	8/8 (100%)
Mr. Romesh Roy Joshi	Yes	Yes	8/8 (100%)
Encik Mohd Zam bin Mustaman	Yes	No	8/8 (100%)
Puan Zainah binti Mustafa	Yes	Yes	8/8 (100%)

RE-ELECTION OF DIRECTORS

Paragraph 7.28 of the Listing Requirements of Bursa Malaysia Securities Berhad requires all Directors to submit for re-election once at least in each three (3) years. The retiring Directors who are standing for re-election at the forthcoming annual general meeting are as follows:

Re-election in accordance to Article 81 of the Company's Articles of Association:

- YBhg. Datuk Syed Alwi bin Syed Nasir
- YBhg. Datuk Yahya bin Ya'acob
- Puan Zainah binti Mustafa

DIRECTORS' TRAINING

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, all members of the Board have completed the required Mandatory Accreditation Program (MAP). In addition, all the Directors have also complied with the required minimum 72 hours of Continuing Education Programme (CEP).

The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues.

Description of types of training attended other than training attended for the purpose of fulfilling the CEP Requirements by the Directors for the financial year 31 December 2005, are as follows:-

Seminar/Workshop/Course Hours/	Mode of Training	No. of Days Spent
YBhg. DATO' SYED ALWI BIN SYED NASIR International CEO Conference 2005 (ICC 2005)	Seminar	3 Days
ROMESH ROY JOSHI International CEO Conference 2005 (ICC 2005)	Seminar	3 Days

DIRECTORS' REMUNERATION

The Company does not have a Remuneration Committee.

The Company's remuneration scheme for the Executive Director commensurate with performance, seniority, experience and scope of responsibility and is benchmarked to market/industry standards. For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

All Directors are paid meeting allowances for each Board and Committee meeting they attend. Directors' fees are subject to approval by the shareholders. The breakdown of Directors remuneration for the financial year ended 31 December 2005 is shown on page 55 & 56.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Group recognises the importance of establishing a direct line of communication with shareholders, investors and other stakeholders through timely dissemination of relevant information. Dissemination of information includes the distribution of annual reports and relevant circulars to shareholders, issuance of press releases, announcing the quarterly financial results and performance of the Group to Bursa Malaysia Securities Berhad and the public as well as holding press conferences.

A website: <http://www.dbhd.com.my> is maintained to create greater awareness of the Group activities, performances and other relevant information among the stakeholders and general public.

CORPORATE SOCIAL RESPONSIBILITY

The Group's Corporate Social Responsibility (CSR) Policy is ultimately to ensure the accountability of the Group to all of its stakeholders in all its operations and activities. The aim would be to achieve sustainable development not only in economic parameters but also in social and environmental parameters.

Community

The Group believes in a strong sense of community responsibility and has accordingly, contributed the following: -

- Upgrading of Jalan Tampoi at a cost of RM14.8 million which was funded by Damansara Realty (Johor) Sdn Bhd, the developer of Taman Damansara Aliff. The upgrading was necessary not only to alleviate the persistent flooding at the said road but also to provide a more comfortable environment for the road users;
- Damansara Realty (Pahang) Sdn. Bhd. ("DRP") has built a community surau at BDK with the cost of RM180,000;
- DRP has earmarked 1.8 acre of land in Bandar Damansara Kuantan as its contribution towards the establishment of a Tamil school. Currently, the schoolchildren are taught in a temporary school, the cost of which were paid by DRP;
- Donations to charitable causes, among others: -
 - i. Misi Amal Bantuan Kemanusiaan – YBM
 - ii. Dana Klinik Waqaf An-Nur
 - iii. Tsunami Relief Fund – MERCY Malaysia
 - iv. Sumbangan Anak Yatim Banda Aceh & Sigli
 - v. Kutipan Dana Hospital Waqaf An Nur Pasir Gudang

Statement Of Corporate Governance *(Cont'd)*



The Upgraded Jalan Tampoi



Surau Bandar Damansara Kuantan



Tsunami Donation To New Straits Time

Health & Safety

The Group is committed to the best practices of health and safety as an integral part of its business activities. The Group complies with all relevant health and safety legislation and statutory provisions. During 2005, there were no work related fatalities suffered by the Group.

Environment

The Group is committed to ensure that its activities will not have a significant negative impact on the environment. It will also support the international commitment towards sustainable development.

Employees

The Group recognizes the need for a comprehensive training regime for its employees. Accordingly, DBhd has spent RM72,953 on training in 2005.

On 30 June 2005, the Group successfully completed the takeover of the management of Selesa Beach Resort (previously known as Regency Hotel) from RIH Services (M) Sdn. Bhd. Negotiations for the new Collective Agreement were satisfactorily concluded with the cooperation of the union and hotel employees.



Take Over Exercise in Selesa Beach Resort, Port Dickson

Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with shareholders. Notice of the AGM and Annual Reports are sent out at least 21 days before the date of the meeting. The Chairman and the Board encourage shareholders to attend and participate in the AGM held annually. The shareholders are given the opportunity to seek clarification by making use of the Question and Answer session during the AGM on any matters pertaining to the business and financial performance of the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Directors' Responsibility Statement for Preparing the Financial Statement

Pursuant to Paragraph 15.27(a) of the Bursa Malaysia Securities Berhad Listing Requirements, all the Company Directors are collectively responsible in ensuring that the financial statements are drawn up in accordance with the approved accounting standards adopted by the Malaysian Accounting Standards Board (MASB), the provisions of the Companies Act, 1965, and the Listing Requirements of the Bursa Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group present a true and fair view of the state of affairs of the Company and its subsidiary companies as of the end of the financial year together with the financial results and cash flows for the year ended.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgements and estimates that are reasonable and fair in preparing the financial statements of the Company and of the subsidiaries. The financial statements are also prepared on the going concern basis and the Directors have assured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

OTHER INFORMATION

Material Contracts Involving Directors and Substantial Shareholders

Except as otherwise disclosed in the report, there were no material contracts involving Directors and substantial shareholders entered by the Company for the financial year ended 2005.

Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies other than traffic offences.

Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year.

Share Buyback

The Company has not been authorised by shareholders to purchase its own shares and has not purchased any of its own shares during the financial year. As such, there are no shares being retained as treasury shares by the Company.

Statement Of Corporate Governance *(Cont'd)*

Options, Warrants or Convertible Securities

During the financial year, the Company has not issued any options to any parties to take up unissued shares in the Company. The Company has not issued any warrants or convertibles to any parties during the year under review.

American Depository Receipt (ADR) and Global Depository Receipt (GDR) Programme

During the year under review, the Company did not sponsor any ADR or GDR programme.

Non-Audit Fees

Non-audit fees totalling RM81,000.00 were paid to the external auditors during the financial year, for the provision of corporate tax advisory and planning.

Profit Forecast

No profit forecast was issued by the Company during the financial year. There is no significant variance between the results for the financial year and unaudited results previously released by the Company.

Profit Guarantees

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

Statement Of Internal Control

Introduction

Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements requires Directors of listed companies to include a statement in the Annual Reports on the state of the Company's internal control. The Code of Corporate Governance amongst others requires the Board to identify the Group's critical business risks and implement a system to manage these risks as well as to review the adequacy and the integrity of the Company's internal control system.

Responsibility

The Board acknowledges its responsibility in instituting a system of internal controls that covers all aspects of the business including strategic, commercial, operational and financial areas. It recognizes that reviewing the Group's system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system effected by the Company's Board and Management, can only provide reasonable but not absolute assurance with regard to the achievement of the Company's objectives.

Risk Management Framework

The Board believes that internal control is a process, effected by the Company's Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of the Group's assets

The purpose of the internal control system is to control and manage risks. In order to properly manage risks, the Board recognizes the fact that an appropriate and sound system of internal control should be in place. The Board has adopted COSO's Internal Control Framework which comprises the following **five (5)** elements: -

1. Control Environment

The control environment sets the tone of the organization and influences the control consciousness of its people. It is the foundation for all components of internal control, providing discipline and structure. The Group is committed in ensuring that a proper control environment is maintained. Among the measures taken are as follows:-

- The Group has formulated the Risk Management Policy to guide the personnel in identifying, assessing, managing and reporting the risks;
- The Group's Policies and Internal Control Procedures on property development, project management and tendering have been formulated and distributed to all personnel. The said policies and procedures, amongst others, define the authority, responsibility and accountability of the relevant personnel. An improvement to the policies and procedures with regard to its practicability and controllability shall continuously be made when the needs arise;

Statement Of Internal Control (Cont'd)

- o Tender Evaluation Committee has been established to evaluate the capability of contractors who participate in the tender called by the Company. [For tender works/projects that are above the pre-determined limit, recommendations are made to the Tender Board for approval;
- o The Group has also established an Investment Committee to elaborate and evaluate certain matters such as acquisition and disposal of assets of the Company or subsidiaries that are material and capital projects. For investment proposals that are material and substantial, recommendations are to be made to the Board for decision;
- o Design Review Committee which comprises planning, sales & marketing and project management personnel is established to review designs and planning of development projects;
- o An Ethical Code of Conduct has been adopted and practised by the Group as a guidance to the personnel in their day to day conduct of the business transactions. In addition, all employees are requested to make a formal disclosure as to whether they are engaged in that may have any conflict with the Company's interests;
- o Human Resource Policies and Procedures and performance reward system is in place but a review is being carried out to reflect the current scenario and needs;
- o The Group has embarked on a quality assurance programme with its wholly owned subsidiary, Damansara Realty (Johor) Sdn Bhd being accredited with the ISO 9001: 2000 standard on May 2005.

2. Risk Assessment

The Board is aware that every organization faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is the establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks affecting the achievement of the objectives, forming a basis for determining how the risks should be managed. In order to ensure that the Board is satisfied that the key business risks have been identified and are being addressed, a structured Risk-Control process has been established. The Group has also managed to come out with a risk profile of twenty (20) types of business risks that may have the possibility to significantly affect DBHD Group of companies from achieving its business objectives or executing its strategies successfully.

Risk Management Oversight Structure has been established and the Risk Management Executive Committee's (RMEC) functions and members have also been formalized. The Legal & Risk Management Division has taken over the function from Internal Audit Division as the coordinator for the risk-control process undertaken by the Group commencing from January 2005. All risk-control reports from the risk owners are to be prepared and submitted quarterly to the said department for monitoring purposes and to determine that all action plans to mitigate risks have been implemented.

3. Control Activities

Control activities help to ensure that necessary actions are taken to address risks that may hinder the achievement of the organization's objectives. Control activities occur throughout the organization, at all levels and in all functions. Key control activities currently undertaken by the Group are:

- Regular review of comprehensive information/reports which are being provided by the Management to the Board covering financial and operational performance and key business indicators;
- Regular Management meetings are conducted to obtain feedbacks on the progress of activities undertaken by the operating/business units in order to rectify any shortcomings or problems affecting the implementation plan;
- Visits to operating/business units by Members of the Board and Senior Management;
- Regular internal audit visits to appraise and review the systems of internal controls to ensure that these controls are effective and working as intended;
- Regular reconciliation, for example inter-company balances and bank reconciliation, are being conducted to ensure that all transactions are accounted for;
- Efforts to safeguard the Company's assets are implemented. For example, adequate insurance coverage is taken to cover the Company's major asset against fire peril;
- Segregation of duties and physical security of assets e.g. limit access to assets, systems and records establish clear control of assets and custodial responsibility;
- Major computer system upgrades were independently reviewed for operational improvement;
- Risk-Control reports together with action plans are prepared by the risk owners and submitted to the Risk Management Coordinator for monitoring purposes. The Risk Management Coordinator shall ensure that all action plans are being implemented;
- Instituting soft controls such as organizing regular religious discourse for the staff and sending them for team building/motivational courses.

4. Information and Communication Process

Pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities effectively. Information system produces reports, containing operational, financial and compliance-related information for effective discharge of responsibilities at different levels in the organization. They deal not only with internally generated data, but also information about external events, activities and conditions necessary for informed business decision-making and external reporting purposes.

Effective communication also occurs in a broader sense throughout the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in internal control system, as well as how individual activities relate to work of others. They must have means of communicating significant information upstream.

All information on risk-control process is analyzed and summarized by Legal & Risk Management Division as the Risk Coordinator. This analysis is then communicated to the Risk Management Executive Committee and tabled before the Audit Committee members for their feedback and further action.

5. Continuous Monitoring Process on the Adequacy and Integrity of the System of Internal Control

The Board recognises the fact that internal control systems need to be monitored, a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of both. It includes regular management and supervisory activities as well as those staff involved in the line function.

The internal control system is subject to continuous reviews from the Board, Management and the Group's Internal Audit Division. The Management is providing regular and comprehensive information/reports to the Board covering financial performance and key business indicators. The Group's Internal Audit Division has been in existence and is independent of the activities it audits.

The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Executive Director. The internal audit function performs regular reviews of business processes to assess the effectiveness of the internal controls.

The internal audit function also conducts its audit visit to key business units of the Group on a planned basis and issues audit report on its findings and recommendations for the review of the Audit Committee.

The Audit Committee conducts a review on the results of the internal audit programme or investigation undertaken and determines whether or not management has taken the appropriate action on the recommendation made by the internal auditors. Further information on the Group's Audit Committee and internal audit function is set out on page 17 to 22.

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