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# statement on

## CORPORATE GOVERNANCE

The Board of Directors ("Board") of Dijaya Corporation Berhad ("Dijaya" or "Company") remains committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code on Corporate Governance ("Code") to ensure high standards of corporate governance are practised throughout the Company and its group of companies ("Group"). The Group has continuously and consciously cultivated the highest level of integrity in the affair of its Board, management and employees culminating in positive interaction with its stakeholders.

This statement sets out the manner in which the Group has applied the principles and complied with the best practices recommended by the Code throughout the year ended 31 December 2005.

### A. BOARD OF DIRECTORS

#### 1. Composition and Size of Board

As at the date of this Statement the Board has nine (9) members, comprising six (6) independent non-executive directors and three (3) non-independent executive directors. The present Board composition of Dijaya is in compliance with the requirement of the Listing Requirements of Bursa Securities whereby at least one-third (1/3) of the Board must be of independent directors.

#### 2. Board Balance and Board Effectiveness

The present Board of Dijaya comprises members from diverse professional backgrounds with a wide range of expertise and experience in business, legal, financial, banking, technical knowledge and public administration. This mix of skills and experience is vital for the successful performance of the Board. A brief profile of each director is set out on pages 6 and 7 of this Annual Report.

The interests of major shareholders and the investment of minority shareholders in the equity interest of the Company are fairly reflected through Board representation.

The Board is principally responsible for, among other things, the review and adoption of the Group's long term strategic plan and direction, overseeing the conduct of the Group's business to evaluate whether the business is properly managed, monitoring the achievement of business objective, reviewing the adequacy and the integrity of internal controls and identifying principal risks and ensuring the implementation of appropriate risk management systems.

The Chairman of the Board is responsible for the effective running of the Board and the Group Chief Executive Officer, assisted by the Group Managing Director and the Executive Director, are responsible for the effective running of the day-to-day business and implementation of the Board's policies and decisions. The presence of independent non-executive directors who comprised a majority of the Board, ensures that there is a proper check and balance in the Board, and to provide unbiased and independent views, advice and judgement, besides playing key supporting roles. It is mandatory for all members of the Board to declare their interests in any transactions undertaken by the Group. In such instance, the interested director(s) shall abstain from the decision-making process.

Mr. Michael Lim Hee Kiang is the senior independent non-executive director to whom any concerns of the shareholders, management and others may be conveyed.

#### 3. Board Meetings

The Directors meet on a scheduled basis once every quarter, ie, at least four times a year. Additional meeting will be convened as and when required with formal agenda for the Board to deliberate on urgent issues that require immediate decision-making.

The quarterly Board meetings are scheduled in advance prior to the start of the financial year. All Board Meetings are formally structured with pre-set agenda, and Board Papers containing information relevant to the matters to be deliberated upon at the meetings are circulated to the Directors prior to the meetings. The Board's deliberations include the financial performance and results of the Group, its strategic and corporate direction and other matters reserved specially for the Board's decision. Senior Management of the Group and external auditors are also invited to attend Board meetings on specific items on the agenda which require clarification.

## statement on CORPORATE GOVERNANCE (cont'd)

**A. BOARD OF DIRECTORS (cont'd)****3. Board Meetings (cont'd)**

For the year 2005, a total of four (4) Board meetings were held. Details of the Board members' attendance are as follows:-

<b>Directors</b>	<b>Attendance</b>
Tan Sri Dato' Seri Mohd Sedek Bin Mohd Ali (Appointed w.e.f. 20 June 2005)	2/2
Tan Sri Dato' Tan Chee Sing	3/4
Poh Pai Kong	4/4
Tong Kien Onn	4/4
Michael Lim Hee Kiang	4/4
Roslan Bin Hj Yahya	4/4
Dato' Ahmad Hassan Bin Osman	4/4
Loh Chen Peng	3/4
Rohana Binti Tan Sri Mahmood	3/4

In the intervals between Board meetings, for any matters requiring Board's decisions, Board approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then ratified in the next Board meeting.

**4. Supply of Information and Access to Advice**

Prior to Board meetings, all directors are provided with an agenda and a set of Board papers pertaining to agenda items to allow the directors to obtain further explanations and clarifications, where necessary, in order to be properly briefed before the meeting. The Board papers include, among others, the following:-

- (a) Quarterly financial statements;
- (b) Corporate matters;
- (c) Business development;
- (d) Minutes of previous Board Meeting and Audit Committee Meeting; and
- (e) Directors' Circular Resolutions

The Management is responsible to provide the Board with all information that will assist the Board in discharging its responsibilities. Further, the Board also expects timely information and advice to be furnished on all material matter.

In addition, the Board has full access to all information within the Company in the furtherance of their duties. They are also entitled to obtain full disclosure from the management and advice or services from the Company Secretary and Senior Management staff. If necessary, the directors are also entitled to seek independent professional advice relating to the affairs of the Group from external consultants at the Company's expense in the discharge of their duties and responsibilities.

**5. Re-election of Directors/Appointments to the Board**

In accordance with the Company's Articles of Association ("Articles"), all directors who are appointed by the Board either to fill a casual vacancy or as an addition to the existing directors are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. The Articles also provide that at least one-third (1/3) of the remaining directors be subject to re-election by rotation at each AGM including the Group Chief Executive Officer, the Group Managing Director and the Executive Director provided always that all the directors shall retire from their office at least once every three (3) years. All retiring directors are eligible to offer themselves for re-election at the AGM.

The Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

Any proposed candidate for the appointment as director of the Board will be nominated by the Nomination Committee to the Board for full deliberation.

**A. BOARD OF DIRECTORS (cont'd)****6. Directors' Continuing Professional Development**

All the directors had attended and successfully completed the Mandatory Accreditation Programme and the Continuing Education Programme ("CEP") pursuant to the requirements of Bursa Securities. In addition, seminars and conferences organised by Bursa Securities, relevant regulatory bodies and professional bodies on areas pertinent to the directors are communicated to the Board for their participation at such seminars and conferences.

The seminars and conferences attended by the directors during the year ended 31 December 2005 are detailed below:-

<b>Name of Director</b>	<b>Title of Seminar/Workshops/Courses</b>
Rohana Binti Tan Sri Mahmood	<ul style="list-style-type: none"> <li>- Kongres Pendidikan Melayu ke-2</li> <li>- Asia Alumni Congress</li> <li>- University of Toronto</li> <li>- BIO Malaysia 2005</li> <li>- Pacific Basin Economic Council 38th IGM</li> <li>- Asia Pacific Roundtable</li> <li>- BIO 2005</li> <li>- Malaysia-US Bilateral Colloquium</li> <li>- ASEAN 100 Leadership Forum</li> <li>- APEC CEO Summit 2005</li> <li>- ASLI 3rd ASEAN Business and Investment Summit</li> </ul>
Michael Lim Hee Kiang	<ul style="list-style-type: none"> <li>- World Law Group Conference</li> <li>- International Bar Annual Association Conference</li> </ul>
Roslan Bin Hj Yahya	<ul style="list-style-type: none"> <li>- Financial Reporting Standards Forum</li> </ul>
Tong Kien Onn	<ul style="list-style-type: none"> <li>- Financial Reporting Standards Forum</li> </ul>

The rest of the directors are encouraged to attend continuing education programmes and seminars to keep abreast with current development in the market place and with new statutory and regulatory requirements.

All directors newly appointed to the Board will be furnished with relevant information of the Group, including familiarisation tours, if necessary.

**B. BOARD COMMITTEES**

The Board has set up various committees to assist in the discharge of its duties. These committees operate within clearly defined terms of reference and specific authority delegated by the Board. The Chairman of the respective committees will report to the Board the outcome of the committee meeting and are incorporated in the minutes of the full Board Meeting. The Board, however, retains full responsibility for the direction and control of the Group.

**1. Audit Committee**

The Audit Committee consists of four (4) directors, three (3) of whom, including the Chairman, are independent non-executive directors, while two of the members are qualified Accountants with more than 20 years of experience in the finance and accounting fields.

The Audit Committee assists and supports the Board's in fulfilling its fiduciary responsibilities relating to the Group's financial reporting practices, accounting policies, internal controls, business ethics policies and the independence of the Group's external and internal auditors. The Audit Committee Report is set out in pages 30 and 31 of this Annual Report.

**B. BOARD COMMITTEES (cont'd)****2. Nomination Committee**

The Nomination Committee has been given the responsibility to recommend new appointments to the Board of Dijaya. The Nomination Committee also reviews the effectiveness of the existing Board, the committees of the Board and the contribution of each Director. The Nomination Committee comprises three (3) members, all being independent non-executive directors:-

- (a) Michael Lim Hee Kiang (Chairman)
- (b) Roslan Bin Hj Yahya
- (c) Loh Chen Peng

The recommendations of the Nomination Committee are subject to the approval of the Board.

**3. Remuneration Committee**

The members of the Remuneration Committee, comprising majority of independent non-executive directors, are as follows:-

- (a) Michael Lim Hee Kiang (Chairman)
- (b) Poh Pai Kong
- (c) Loh Chen Peng

Among other duties, the Remuneration Committee is to assist the Board in its responsibilities of assessing the remuneration packages of the directors.

The policy practised on directors' remuneration by the Remuneration Committee is that the level of remuneration should be sufficient to attract, motivate and retain directors of the quality required to effectively manage the businesses of the Group. As for non-executive directors, the fees should reflect the experience and level of responsibilities undertaken by the non-executive directors concerned. All directors had abstained from discussion and decision on their own remunerations.

**4. Option Committee**

The Option Committee, established to administer the new Dijaya Employee Share Option Scheme ("ESOS Scheme"), comprises the following members:-

- (a) Poh Pai Kong (Chairman)
- (b) Tong Kien Onn
- (c) Lee Nyit Kong

The primary responsibility of the Option Committee is to administer the ESOS Scheme in accordance with the objective and regulation thereof as set out in the ESOS Bye-Laws and in such manner as it shall deem fit and with such powers and duties as are conferred upon it by the Board. During the year ended 31 December 2005, no option was granted pursuant to the ESOS Scheme.

**5. Share Buy-Back Committee**

The Share Buy-Back Committee comprises the following members:-

- (a) Tan Sri Dato' Tan Chee Sing (Chairman)
- (b) Poh Pai Kong
- (c) Tong Kien Onn

The Share Buy-Back Committee is empowered to administer the purchase of the Company's own shares and to ensure the share-buy back complies with the mandate given by the Board. During the year ended 31 December 2005, the Company did not purchase any of its own shares.

## statement on CORPORATE GOVERNANCE (cont'd)

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**C. DIRECTORS' REMUNERATION**

For the year under review, the Directors' fees recommended by the Board are subject to shareholders' approval at the Company's forthcoming AGM.

Meeting allowances are paid to non-executive directors for each meeting that the non-executive directors attend. The executive directors' remunerations comprise salaries, bonuses and benefits-in-kind.

The aggregate and range of remuneration of the directors for the year ended 31 December 2005, by category and in bands of RM50,000 are shown below:-

Range of Remuneration	No. of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	–	5
RM50,001 – RM100,000	–	1
RM400,001 – RM450,000	1	–
RM1,050,001 – RM1,100,000	1	–
RM2,950,001 – RM3,000,000	1	–

  

Category	Fees	Salaries allowances and other emoluments	Bonus	Benefits-in-kind	Total
Executive Directors	–	3,523,620	889,725	35,800	4,449,145
Non-Executive Directors	146,000	72,833	–	–	218,833
<b>Total</b>	<b>146,000</b>	<b>3,596,453</b>	<b>889,725</b>	<b>35,800</b>	<b>4,667,978</b>

**D. SHAREHOLDERS****1. Communications with Shareholders and Relationship with Investors**

The Group recognises and practices transparency and accountability to its shareholders and investors. As such, the Group ensures timely dissemination of information, through appropriate channels of communications, to shareholders and investors to ensure that they are properly informed of major developments of the Group. Such information is also communicated to them through the Annual Report and the various disclosures and announcements made to Bursa Securities from time to time, including the Quarterly and Annual Results.

The Group's website at [www.dijaya.com.my](http://www.dijaya.com.my) also provides an avenue for shareholders and members of the public to access information pertaining to the Group. The website is updated regularly.

**2. General Meeting**

The Company's AGM is the principal forum for dialogue with its shareholders at which the shareholders are informed and updated on current developments of the Group. Notice of the AGM and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for AGM, the Board presents the progress and performance of the business as contained in the Annual Report and encourages shareholders to participate in the question and answer sessions. The directors and senior management are available to respond to shareholders' questions during the Meeting. The external auditors and financial advisers are also present to provide their professional and independent clarification on issues and concern raised by the shareholders.

**D. SHAREHOLDERS (cont'd)****2. General Meeting (cont'd)**

For re-election of directors, the Board ensures that full information is disclosed through the notice of meetings regarding directors who are retiring and who are willing to serve if re-elected.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

The outcome of all resolutions proposed at the general meeting is announced to Bursa Securities at the end of the meeting day.

**E. ACCOUNTABILITY AND AUDIT****1. Financial Reporting**

The Board is responsible for ensuring that all financial statement of the Company and the Group are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The Board is committed to providing a clear, balanced and comprehensive meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statement and quarterly announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual reports.

The Directors' Responsibility Statement in respect of the audited financial statements is set out on page 26 of the Annual Report.

**2. Internal Control**

The Board has overall responsibility for maintaining a sound system of internal controls which includes financial controls, operational and compliance controls and risk management to safeguard shareholders' interest and the Company's assets. While acknowledging its responsibility for the system of internal controls the Board is aware that such a system cannot totally eliminate risks and thus can never be an absolute assurance against the Group failing to achieve its objectives. The Group's Statement on Internal Control for the year ended 31 December 2005 is set out on pages 27 to 29 of the Annual Report.

**3. Relationship with Auditors**

The role of the Audit Committee in relation to the external auditors may be found in the Report on the Audit Committee set out on pages 30 and 31. The Board, through the Audit Committee, has always maintained a formal and transparent relationship with the external auditors. The Audit Committee meets up with the external auditors to discuss the annual audited financial statements and their audit findings.

The report by the Audit Committee for the financial year ended 31 December 2005 is set out on pages 30 and 31 of this Annual Report.

**F. COMPLIANCE WITH THE CODE**

The Board considers that it has complied with the best practices set in accordance with the Code during the year under review.

This Statement is made in accordance with a resolution of the Board of Directors dated 8 May 2006.

**ADDITIONAL COMPLIANCE INFORMATION AS AT 31 DECEMBER 2005****1. Share Buybacks**

During the financial year, the Company did not enter into any share buyback transactions.

**2. Options, Warrants or Convertible Securities**

During the year under review, there was no granting of options pursuant to the new ESOS Scheme. The Company has not issued any warrants or convertible securities during the year.

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

The Company did not sponsor any ADR or GDR programme during the year.

**4. Imposition of Sanctions and Penalties**

No sanctions or penalties were imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the year.

**5. Non-Audit Fees**

The amount of non-audit fees paid to the external auditors Messrs Ernst & Young for the year was RM3,000.

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

There was no material variation between the Group's unaudited results announced earlier and the audited results for the year ended 31 December 2005.

**7. Profit Guarantee**

The Company did not provide any profit guarantee during the financial year.

**8. Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries that involved directors' or major shareholders' interest, save and except for the following:-

- (i) On 6 April 2005, Tropicana Golf & Country Resort Bhd ("TGCR"), a wholly-owned subsidiary of Dijaya entered into a Share Sale Agreement with Gan Eng Jin and Fang Chen-Yu ("Sellers") for the acquisition of their entire shareholding of 450,000 shares of RM1.00 each in Mawar Hebat Sdn Bhd ("MHSB") representing the remaining 45% equity interest in MHSB for a total cash consideration of RM1,254,324 ("Acquisition"). Pursuant to the said Agreement, TGCR was to pay the Sellers their advances of RM6,525,638 due from MHSB on completion. The Acquisition was completed on 27 April 2005 and MHSB became a wholly-owned subsidiary of TGCR.

Gan Eng Jin was a director and major shareholder of MHSB having 35% equity interest in MHSB. He is one of the sellers of the MHSB shares.

**9. Revaluation Policy**

The Company and the Group do not revalue its land and buildings, save for recognition of impairment losses as required by the relevant accounting standards.

**10. Utilisation of Proceeds**

There was no proceeds raised from any corporate exercise during the financial year.

**STATEMENT OF DIRECTORS' RESPONSIBILITY**

The directors are required by the Companies Act, 1965 to ensure that the financial statements are prepared in accordance with the approved accounting standards and provide a true and fair view of the state of affairs, results and cash flows of the Company and the Group at the financial year end.

In preparing the financial statements, the directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable approved accounting standards have been applied; and
- Prepared financial statements on a going concern basis, and the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue operations for the foreseeable future.

The directors acknowledge the responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Audit Committee assists the Board in overseeing the financial reporting process and reviews the quarterly results and annual accounts before it is approved by the Board and released to Bursa Securities.

In addition, the directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to detect and prevent any fraud as well as any other irregularities.

# statement on

## INTERNAL CONTROL

### INTRODUCTION

Dijaya Corporation Berhad and its subsidiaries' ("the Group") system of internal controls is designed to improve the Group's operations and risk management functions.

The Board of Directors ("the Board") is committed to maintaining a sound system of internal control and risks management practices to safeguard the Group's assets and shareholders' interests. The Board is pleased to provide the following Statement of Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Securities.

### RESPONSIBILITY

The Board affirms its overall responsibility for maintaining a sound system of internal control that covers all aspects of the Group's business including strategic, commercial, operational and financial areas. In recognition of that responsibility, the Board sets policies and seeks regular assurance that the system of internal control is operating effectively. While acknowledging their responsibility for the system of internal control, the directors are aware that a sound system of internal control and risk management can only help to mitigate and manage rather than totally eliminate the risk of failure to achieve business objectives. Accordingly, such a system can only provide reasonable assurance against material misstatements, losses, fraud or breaches of law or regulations. However, the extent of responsibility for internal control does not extend to include that of the Group's associated companies for the purpose of this review.

### PRINCIPAL FEATURES AND KEY PROCESSES OF THE GROUP'S SYSTEM OF INTERNAL CONTROL

The principal features of the Group's system of internal control can be summarised as follows:-

- **Authorisation Procedures**

The Group has a clearly-defined authorisation procedure and a clear line of accountability, with strict authorisation, approval and control procedures which provide a sound framework of authority and accountability within the organisation and which facilitate proper corporate decision-making at the appropriate level in the organisation's hierarchy. Responsibility levels are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other control procedures.

- **Authority Levels**

The Group has designated authority levels for major project tenders, capital expenditures, assets and other significant transactions. Such limits are subject to periodic reviews as to their implementation and continuing suitability.

- **Staffing Policies**

Guiding policies and procedures on hiring and retention of staff have been established at Group level with individual business units having the flexibility to adapt these policies for their specific needs. High recruitment standards which identify talented individuals who possess qualities that fit the Group's culture of excellence ensure the integrity and competence of staff. Successful recruits are guided on where and how they can contribute productively.

Employees' knowledge, skills and abilities are being continually enhanced to enable them to operate and monitor the systems of internal control effectively.

- **Financial Performance**

Quarterly, interim and full year results and analyses of the Group's state of affairs are disclosed to the shareholders after review and approval by the Board.

A computerised financial reporting system captures all financial transactions that are then collated into regular management financial statements. The Group's management team communicates regularly to monitor the financial performance of business units.

**PRINCIPAL FEATURES AND KEY PROCESSES OF THE GROUP'S SYSTEM OF INTERNAL CONTROL (cont'd)****• Internal Compliance**

The Group monitors compliance with its internal controls through management reviews and internal audit reports that are reviewed by key personnel. Regular updates of internal policies and procedures are undertaken to reflect changing risks or resolve operating deficiencies. Internal audit visits are systematically arranged over specific periods to monitor and scrutinize compliance with procedures and assess the integrity of financial information provided.

The key processes that the Board has established to review the adequacy and integrity of the system of internal control are as follows:-

**• Internal Audit Function**

The Group's internal audit function undertakes reviews of internal control in all key activities of the Group. The internal auditors will monitor and report on the financial and operational controls implemented by the management and report to the Audit Committee, which in turn will review the effectiveness of the system of internal controls in operation and report their conclusions to the Board. The internal auditors advise management on areas for improvement and subsequently review the extent to which its recommendations have been implemented.

During the year under review, the internal auditors conducted various audit assignments covering operational and compliance controls. The system of internal control will continue to be reviewed, enhanced or updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal auditors. The Board is of the opinion that the current system of internal control in place throughout the Group is sufficient to safeguard the Group's interests.

**• Senior Management Meetings**

The Group conducts regular meetings of senior management which comprises the Group Chief Executive Officer, the Group Managing Director, Executive Director and all divisional heads. The purpose of these meetings is to share information, monitor the progress of various business units, and to deliberate and decide upon operational matters. The meetings help to remove barriers of bureaucracy and assist in ensuring more direct and effective implementation of all major and important decisions.

**• Reality Assessments**

The Group Managing Director and Executive Director carry out reality assessments by visiting the operating units and communicating with various levels of staff to gauge the effectiveness of strategies implemented.

**RISK MANAGEMENT**

The process of identifying and managing the key risks within the Group are an integral part of the internal control environment. The processes within the Group are continuously reviewed and improved upon.

In dealing with its stewardship responsibilities, the Board recognises that effective risk management is an integral part of good business management practice. The Board acknowledges that all areas of the Group's business activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which allows the management to manage the risks within defined parameters and standards.

Identifying, evaluating and managing the significant risks faced by the Group is an ongoing process which is undertaken at each level of operation. This process is monitored by the Board to ensure the adequacy and integrity of the system of internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, policies and procedures.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

Management reports regularly on their review and management of risks to the Audit Committee, whose main role is to assess, on behalf of the Board, the key risks inherent in the business and the system of controls necessary to manage such risks and to present their findings to the Board. Internal audit independently reviews the risk identification procedures and control processes implemented by management and reports to the Audit Committee on a quarterly basis.

The Group Managing Director also reports to the Board on significant changes in the business and the external environment which may result in significant risks. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the internal auditors.

The Board will pursue its ongoing process of identifying, assessing and managing key business, operational and financial risks faced by the business units as well as regularly reviewing planned strategies to determine whether risks are mitigated and well-managed.

**CONCLUSION**

The Board is satisfied that, during the year under review, the system of internal control being instituted throughout the Group is sound and effective. Notwithstanding this, reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the systems of internal control, so as to safeguard the Group's assets and shareholders' investments.

# report of

## AUDIT COMMITTEE For the financial year ended 31 December 2005

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### A. COMPOSITION

The members of the Audit Committee during the year comprised the following directors:-

Name	Status of directorship	Independent	Attendance of meeting
Roslan Bin Hj Yahya (Chairman)	Non-executive director	Yes	4/4
Tong Kien Onn	Executive director <i>(A member of the Chartered Institute of Management Accountants, United Kingdom)</i>	No	4/4
Michael Lim Hee Kiang	Non-executive director	Yes	4/4
Loh Chen Peng	Non-executive director <i>(A Certified Public Accountant of the Malaysian Institute of Certified Public Accountants)</i>	Yes	3/4

### B. TERMS OF REFERENCE

#### (i) Function of the Audit Committee

The functions of the Committee shall be amongst others as follows:-

1. To review the following and report the same to the Board of Directors:-
  - (a) with the external auditors, the audit plan;
  - (b) with the external auditors, the evaluation of the system of internal controls;
  - (c) with the external auditors, the audit reports;
  - (d) the assistance given by the Company's employees to the external auditors;
  - (e) the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work;
  - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements;
  - (h) any related party transactions and conflict of interest situation that may arise within the Company or Group;
  - (i) any letter of resignation from the external auditors; and
  - (j) whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
2. To recommend the nomination of a person or persons as external auditors.

#### (ii) Authority of the Audit Committee

1. The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
3. The Committee shall have unrestricted access to both the internal and external auditors and is able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

**C. MEETINGS**

The Committee had four (4) meetings during the year. The Group Managing Director and members of Senior Management attended these meetings upon invitation by the Chairman of the Committee. The Group's internal auditors attended all the Audit Committee meetings during the year.

**D. SUMMARY OF ACTIVITIES DURING THE YEAR**

During the year, the Audit Committee carried out its duties in accordance with its terms of reference.

In performing its functions, the Audit Committee reviewed the overall scope of internal audits. It met with the Group's internal auditors to review their audit reports and to discuss their findings and the management's responses thereto. It also reviewed the internal auditors' evaluation of the system of internal control of the Company and its subsidiary companies.

In addition, the Audit Committee discussed with the external auditors the audit plan which states the nature and scope of audits and the audit findings arising from their review. The Audit Committee also reviewed the unaudited quarterly financial statements of the Company and the audited consolidated annual financial statements together with the relevant financial announcements to Bursa Securities prior to the approval by the Board.

Other main issues discussed by the Audit Committee were as follows:-

- (a) related party transactions entered into by the Group;
- (b) updated disclosure requirements of Bursa Securities; and
- (c) new Accounting Standards issued by the Malaysian Accounting Standards Board and their applicability to the consolidated financial statements of the Group for the year ended 31 December 2005.

**E. INTERNAL AUDIT FUNCTION**

The Audit Committee is supported by an independent and adequately resourced Internal Audit Department in the discharge of its duties and responsibilities.

During the year, the internal audit activities have been carried out according to the internal audit plan which had been approved by the Audit Committee. The scope of the internal audit covered the audits of all units and operations, including subsidiaries to provide the Audit Committee with assurance that the system of internal control of the Group achieved the following:-

- (a) The business was planned and conducted in an orderly, prudent and cost effective manner;
- (b) Transactions and commitments were entered into in accordance with Management's authority;
- (c) The Management was able to safeguard the assets and control the liabilities of the Group, i.e., there were measures to minimise and detect any loss from irregularities, frauds and errors; and
- (d) The accounting and other records of the business provided complete, accurate and timely information.

Eight (8) audit reports were issued during the year 2005 incorporating findings and recommendations with regard to system and control, weaknesses noted in the course of audit, the management's responses and the remedial actions on the implementation of all findings and recommendations in its review process.

In the course of auditing, the Internal Auditors have identified some internal control weaknesses during the year, which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

**F. GRANTING OF OPTIONS PURSUANT TO EMPLOYEES' SHARE OPTION SCHEME**

There were no granting of options during the year.

# analysis of

## SHAREHOLDINGS As at 2 May 2006

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### SHARE CAPITAL

Authorised Share Capital	:	RM500,000,000
Issued and Fully Paid	:	RM259,525,583
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per Ordinary Share held

Size of Holdings	No. of Holders	% of Holders	Total Holdings	% of Holdings
1 – 99	73	0.62	1,445	0.00
100 – 1,000	4,851	41.36	4,794,371	1.85
1,001 – 10,000	6,157	52.49	23,059,722	8.88
10,001 – 100,000	594	5.06	15,601,558	6.01
100,001 – 12,976,278 *	51	0.44	100,456,230	38.71
12,976,279 and above **	4	0.03	115,612,257	44.55
<b>Total</b>	<b>11,730</b>	<b>100.00</b>	<b>259,525,583</b>	<b>100.00</b>

#### Note:

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

### SUBSTANTIAL SHAREHOLDERS

According to the register required to be kept under Section 69L of the Companies Act, 1965, the substantial shares of the Company are as follows:-

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Tan Sri Dato' Tan Chee Sing	75,150,374	28.96	72,948,604#	28.11
Impeccable Ace Sdn Bhd	25,044,028	9.65	–	–
Golden Diversity Sdn Bhd	47,904,576	18.46	–	–

#### Note:

# Deemed interested by virtue of his shareholdings in Impeccable Ace Sdn Bhd and Golden Diversity Sdn Bhd

### THIRTY LARGEST REGISTERED SHAREHOLDERS

(As per Register of Members and Records of Depositors)

Name of Shareholders	No. of Shares	% of Shares
1. RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Tan Chee Sing)	47,300,000	18.23
2. Golden Diversity Sdn Bhd	33,100,000	12.75
3. HSBC Nominees (Asing) Sdn Bhd (Exempt an for Credit Suisse – SG BR-TST-Asing)	18,652,627	7.19
4. Tan Sri Dato' Tan Chee Sing	16,559,630	6.38
5. Bayangan Impresif Sdn Bhd	11,453,900	4.41
6. Permodalan Nasional Berhad	10,389,557	4.00
7. Impeccable Ace Sdn Bhd	10,044,028	3.87
8. RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Impeccable Ace Sdn Bhd)	9,000,000	3.47
9. EB Nominees (Tempatan) Sendirian Berhad (Pledged Securities Account for Golden Diversity Sdn Bhd)	8,500,000	3.28
10. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Golden Diversity Sdn Bhd)	6,300,000	2.43

## analysis of SHAREHOLDINGS (cont'd) As at 2 May 2006

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**THIRTY LARGEST REGISTERED SHAREHOLDERS (cont'd)**

(As per Register of Members and Records of Depositors)

Name of Shareholders	No. of Shares	% of Shares
11. RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Impeccable Ace Sdn Bhd)	6,000,000	2.31
12. Warisan Istimewa Sdn Bhd	5,388,560	2.08
13. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (Kitson Foong & Associates for Tan Sri Dato' Tan Chee Sing)	4,677,744	1.80
14. Amsec Nominees (Tempatan) Sdn Bhd (Ambank (M) Berhad for Tan Sri Dato' Tan Chee Sing)	4,000,000	1.54
15. Lanjut Persada Sdn Bhd	4,000,000	1.54
16. ABB Nominee (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Tan Chee Sing)	2,300,000	0.88
17. Gan Eng Jin	1,989,748	0.76
18. Yap Leong Po	1,811,900	0.70
19. Tengku Adnan Bin Tengku Mansor	1,531,461	0.59
20. Aneka Angkasa Sdn Bhd	1,508,800	0.58
21. Wong Chee Choon	1,082,300	0.42
22. CL & Yew Construction Sdn Bhd	1,000,000	0.39
23. HSBC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Tan Chee Yioun)	800,200	0.31
24. Chan Wan Moi	772,000	0.30
25. Aneka Angkasa Sdn Bhd	615,000	0.24
26. Citicorp Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Fund)	612,100	0.23
27. Yayasan Islam Negeri Kedah	570,075	0.22
28. Dato' Dr Thong Kok Cheong	485,106	0.19
29. Berjaya General Insurance Berhad	481,000	0.18
30. A.A. Assets Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Maszura Binti Kamaruddin)	384,000	0.15
<b>Total</b>	<b>211,309,736</b>	<b>81.42</b>

**DIRECTORS' SHAREHOLDINGS**

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri Dato' Tan Chee Sing	75,150,374	28.96	72,948,604 <sup>(i)</sup>	28.11
2. Tong Kien Onn	20,000	0.01	51,000 <sup>(ii)</sup>	0.02
3. Roslan Bin Hj Yahya	–	–	11,530,458 <sup>(iii)</sup>	4.44
4. Dato' Ahmad Hassan Bin Osman	–	–	4,022,544 <sup>(iv)</sup>	1.55
5. Loh Chen Peng	67,000	0.03	–	–

**Note:**<sup>(i)</sup> Deemed interested by virtue of his shareholdings in Impeccable Ace Sdn Bhd and Golden Diversity Sdn Bhd.<sup>(ii)</sup> Deemed interested by virtue of the shareholding of his spouse.<sup>(iii)</sup> Deemed interested by virtue of his shareholding in Bayangan Impresif Sdn Bhd.<sup>(iv)</sup> Deemed interested by virtue of his shareholding in Lanjut Persada Sdn Bhd.

## list of

## PROPERTIES As at 31 December 2005

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Location	Tenure	Approx. Age of Building	Net Book Value RM'000	Description/ Existing Use	Area	Year of Acquisition
<b>TROPICANA GOLF &amp; COUNTRY RESORT BERHAD</b>						
Tropicana Golf & Country Resort 47410 Petaling Jaya	Leasehold (99 years) – expiring on 25.10.2090	11 years	119,144	Golf course and mixed development	342.6 acres	1990
<b>MAWAR HEBAT SDN BHD</b>						
1002-3, 1005, 1009-10, 1031 1065, 1072, 2416 Mukim Ulu Behrang East Daerah Batang Padang	Freehold	N/A	11,364	Agriculture land	517 acres	1995
<b>IKATAN ENGINEERING SDN BHD</b>						
Lot 50-51, IGB International Industrial Park	Leasehold (99 years) – expiring on 17.10.2089	Lot 50 – 14 years	1,237	Industrial land	4.9 acres	1990
Jalan Kuala Kangsar Ipoh, Perak		Lot 51 – 11 years	1,390			
Lot 92, IGB International Industrial Park, Jalan Kuala Kangsar Ipoh, Perak	Leasehold (99 years) – expiring on 17.10.2089	N/A	1,515	Industrial land	3.0 acres	1994
Lot 35, Taman Alkaff Jalan Silibin Ipoh, Perak	Leasehold (99 years) – expiring on 16.07.2079	22 years	154	Shoplot	1,399 sq ft	1994
<b>ASPEK ANALISA SDN BHD</b>						
H.S.(D) 101536, Lot PT 35938 9 1/2 Miles Jalan Sungai Besi Serdang, Selangor	Leasehold (99 years) – expiring on 21.01.2095	N/A	2,510	Development land	24.5 acres	1996
<b>ARAH PELANGI SDN BHD</b>						
Lot Nos. 405, 413, 415 & 417 Section 4 Town of Bukit Mertajam District of Seberang Perai Tengah Pulau Pinang	Freehold	N/A	6,003	Development land	10.9 acres	1997
<b>DICORP LAND SDN BHD</b>						
Grant 54976 Lot 10 Pekan Sungai Penchala District of Petaling, Selangor	Freehold	N/A	8,311	Development land	0.8 acres	1995
<b>DIJAYA LAND SDN BHD</b>						
H.S. (D) 136188 Lot PT8 Bandar Petaling Jaya, Tambahan 1, District of Petaling, Selangor	Freehold	N/A	3,692	Development land	1.1 acres	1995
H.S. (D) 136187, Lot P.T. 7, Bandar Petaling Jaya, Tambahan 1, District of Petaling, State of Selangor	Freehold	N/A	65,967	Development land	9.1 acres	1995
<b>DAMANSARA IMPIAN SDN BHD</b>						
Section 1 Kota Damansara Daerah Petaling, Selangor	Leasehold (99 years) – expiring on 19.05.2098	N/A	22,452	Development land	80.4 acres	1994
<b>NADI JELITA SDN BHD</b>						
Parcel No. 6, Storey No. PH, Block A, Meranti Park, Phase 1 Bukit Tinggi Resort Pahang Darul Makmur	Leasehold (99 years) – expiring on 04.05.2094	6 years	366	Residential Apartment	1,300 sq ft	1997

# reports and financial statements

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# directors'

## REPORT

36

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and property management.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

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

### RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit after taxation	37,959	10,832
Minority interests	(8,766)	–
<b>Net profit for the year</b>	<b>29,193</b>	<b>10,832</b>

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 2004 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
First and final dividend of 3% less 28% taxation on 259,525,583 ordinary shares, declared on 23 February 2005 and paid on 22 July 2005	5,606

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005, of 4% less 28% taxation on 259,525,583 ordinary shares amounting to a dividend payable of RM7,474,337 (2.88 sen net per share) 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 the shareholders' equity in the financial year ending 31 December 2006.

### DIRECTORS

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

Tan Sri Dato' Seri Mohd Sedek Bin Mohd Ali (appointed on 20 June 2005)

Tan Sri Dato' Tan Chee Sing

Poh Pai Kong

Tong Kien Onn

Michael Lim Hee Kiang

Roslan Bin Hj. Yahya

Dato' Ahmad Hassan Bin Osman

Loh Chen Peng

Rohana Binti Tan Sri Mahmood

**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 acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS") of the Company.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 27 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

**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 during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
	1 January 2005	Bought	Sold	
<b>The Company</b>				
<b>Direct Interest</b>				
Tan Sri Dato' Tan Chee Sing	75,150,374	–	–	75,150,374
Tong Kien Onn	20,000	–	–	20,000
Loh Chen Peng	67,000	–	–	67,000
<b>Indirect Interest</b>				
Tan Sri Dato' Tan Chee Sing	70,604,576	2,344,028	–	72,948,604
Tong Kien Onn	51,000	–	–	51,000
Dato' Ahmad Hassan Bin Osman	4,022,544	–	–	4,022,544
Roslan Bin Hj. Yahya	11,530,458	–	–	11,530,458

Tan Sri Dato' Tan Chee Sing, by virtue of his interest in shares of the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

**EMPLOYEE SHARE OPTION SCHEME**

The Company's ESOS had expired on 26 February 2005 and upon the expiry, all outstanding unexercised options under the ESOS lapsed and were deemed null and void.

A new ESOS was implemented on 21 September 2005 and is governed by the by-laws approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 June 2005. The new ESOS is in force for a period of 10 years from the date of implementation. No option has been granted to date.

The salient features and other terms of the new ESOS are disclosed in Note 18 to the financial statements.

**OTHER STATUTORY INFORMATION**

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their 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.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company 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**

The significant events are disclosed in Notes 36 to the financial statements.

**SUBSEQUENT EVENT**

The subsequent event is disclosed in Note 37 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

**Tan Sri Dato' Seri Mohd Sedek Bin Mohd Ali**

**Tan Sri Dato' Tan Chee Sing**

Petaling Jaya, Malaysia  
26 April 2006

# statement

BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

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We, Tan Sri Dato' Seri Mohd Sedek Bin Mohd Ali and Tan Sri Dato' Tan Chee Sing, being two of the directors of Dijaya Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 83 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**Tan Sri Dato' Seri Mohd Sedek Bin Mohd Ali**

**Tan Sri Dato' Tan Chee Sing**

Petaling Jaya, Malaysia

26 April 2006

# statutory

DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Tong Kien Onn, being the director primarily responsible for the financial management of Dijaya Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 83 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
 abovenamed Tong Kien Onn at Petaling ) **Tong Kien Onn**  
 Jaya in Selangor Darul Ehsan )  
 on 26 April 2006 )

Before me,

**Ng Kok Song** PCB  
 B.113  
 Commissioner for Oaths

# report

## OF THE AUDITORS

To the Members of Dijaya Corporation Berhad

40

We have audited the financial statements set out on pages 41 to 83. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; 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 of which we have not acted as auditors, as indicated in Note 5 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

**Wong Kang Hwee**  
No. 1116/01/08(J)  
Partner

Kuala Lumpur, Malaysia  
26 April 2006

# consolidated

## BALANCE SHEET

As at 31 December 2005

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	Note	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	<b>276,855</b>	286,645
Land held for property development	4	<b>39,878</b>	31,772
Investment in associates	6	<b>46,159</b>	45,467
Other investments	7	<b>24,244</b>	51,318
Security retainers accumulation fund	8	<b>2,332</b>	2,166
Negative goodwill, net	22	<b>(14,015)</b>	(15,230)
		<b>375,453</b>	402,138
<b>CURRENT ASSETS</b>			
Property development costs	4	<b>301,034</b>	342,463
Inventories	9	<b>28,561</b>	36,159
Trade receivables	10	<b>37,323</b>	51,210
Other receivables	11	<b>7,287</b>	7,957
Marketable securities	12	<b>19,450</b>	25,191
Cash and bank balances	13	<b>161,745</b>	135,470
		<b>555,400</b>	598,450
<b>CURRENT LIABILITIES</b>			
Provision for liabilities	14	<b>445</b>	452
Short term borrowings	15	<b>24,082</b>	31,238
Trade payables	16	<b>66,982</b>	128,463
Other payables	17	<b>56,576</b>	85,321
Tax payable		<b>11,353</b>	7,359
		<b>159,438</b>	252,833
<b>NET CURRENT ASSETS</b>		<b>395,962</b>	345,617
		<b>771,415</b>	747,755
<b>FINANCED BY:</b>			
Share capital	18	<b>259,526</b>	259,526
Reserves		<b>252,888</b>	229,648
Shareholders' equity		<b>512,414</b>	489,174
Minority interests		<b>68,706</b>	61,363
		<b>581,120</b>	550,537
Provision for liabilities	14	<b>5,700</b>	–
Long term borrowings	15	–	1,578
Deferred taxation	19	<b>86,768</b>	98,775
Sinking fund reserve	20	<b>3,524</b>	2,810
Security retainers	21	<b>27,370</b>	27,370
Deferred license fees		<b>66,933</b>	66,685
Non-current liabilities		<b>190,295</b>	197,218
		<b>771,415</b>	747,755

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

# consolidated

## INCOME STATEMENT

For the year ended 31 December 2005

42

	Note	2005 RM'000	2004 RM'000
Revenue	23	<b>250,801</b>	214,255
Cost of sales	24	<b>(138,448)</b>	(131,808)
Gross profit		<b>112,353</b>	82,447
Other operating income		<b>30,760</b>	28,408
Administration expenses		<b>(32,321)</b>	(29,795)
Other operating expenses		<b>(53,039)</b>	(25,710)
Profit from operations	25	<b>57,753</b>	55,350
Finance cost	28	<b>(1,521)</b>	(2,515)
Share of results of associates		<b>1,148</b>	1,572
Profit before taxation		<b>57,380</b>	54,407
Taxation:	29	<b>(19,421)</b>	(11,919)
Company and subsidiaries		<b>(18,966)</b>	(11,518)
Associates		<b>(455)</b>	(401)
Profit after taxation		<b>37,959</b>	42,488
Minority interests		<b>(8,766)</b>	(942)
Net profit for the year		<b>29,193</b>	41,546
Earnings per share (sen)			
Basic	30	<b>11.25</b>	16.01
Net dividends per ordinary share in respect of the year (sen)	32	<b>2.88</b>	2.16

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

# consolidated statement

OF CHANGES IN EQUITY For the year ended 31 December 2005

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	Note	Share Capital RM'000	Share Premium RM'000	Non Distributable Foreign Exchange Reserve (Note 31) RM'000	Accumulated Losses RM'000	Total RM'000
<b>At 1 January 2004</b>		259,526	402,654	365	(211,180)	451,365
Dividend paid		–	–	–	(3,737)	(3,737)
Net profit for the year		–	–	–	41,546	41,546
<b>At 31 December 2004</b>		259,526	402,654	365	(173,371)	489,174
<b>At 1 January 2005</b>		<b>259,526</b>	<b>402,654</b>	<b>365</b>	<b>(173,371)</b>	<b>489,174</b>
Dividend paid	32	–	–	–	<b>(5,606)</b>	<b>(5,606)</b>
Net profit for the year		–	–	–	<b>29,193</b>	<b>29,193</b>
Foreign exchange differences, representing net losses not recognised in the income statement		–	–	<b>(347)</b>	–	<b>(347)</b>
<b>At 31 December 2005</b>		<b>259,526</b>	<b>402,654</b>	<b>18</b>	<b>(149,784)</b>	<b>512,414</b>

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

# consolidated

## CASH FLOW STATEMENT

For the year ended 31 December 2005

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	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>57,380</b>	54,407
Adjustment for:		
Depreciation	<b>6,331</b>	6,822
Gain on disposal of property, plant and equipment	<b>(147)</b>	(273)
Share of results in associates	<b>(1,148)</b>	(1,572)
Loss on disposal of marketable securities	<b>17</b>	–
Gain on disposal of other investments	<b>–</b>	(7,876)
Loss on disposal of land held for property development	<b>–</b>	2,114
Provision for liabilities	<b>5,700</b>	–
Provision for diminution in value of other investments	<b>26,798</b>	717
Provision for diminution in value of marketable securities	<b>4,886</b>	1,794
Provision for doubtful debts	<b>876</b>	893
Bad debts written off	<b>12</b>	58
Property, plant and equipment written off	<b>9</b>	138
Impairment losses on goodwill	<b>–</b>	1,643
Impairment losses on investment in associates	<b>–</b>	54
Provision for diminution in value of corporate golf memberships	<b>275</b>	–
Marketable securities written off	<b>–</b>	267
Amortisation of endowment fund premium	<b>11</b>	11
Unrealised returns on endowment policy	<b>(177)</b>	(172)
Net accretion of negative goodwill	<b>(1,215)</b>	(1,214)
Gross dividend income from quoted investments	<b>(466)</b>	(352)
Interest income	<b>(3,235)</b>	(2,498)
Interest expense	<b>1,521</b>	2,515
Operating profit before working capital changes	<b>97,428</b>	57,476
Decrease/(increase) in receivables	<b>13,164</b>	(24,438)
Decrease/(increase) in inventories	<b>7,598</b>	(1,768)
Decrease in land held for property development/property development costs	<b>33,035</b>	45,344
(Decrease)/increase in payables	<b>(83,546)</b>	1,261
Cash generated from operations	<b>67,679</b>	77,875
Taxes paid, net refund	<b>(26,047)</b>	(24,566)
Net cash generated from operating activities	<b>41,632</b>	53,309

## consolidated CASH FLOW STATEMENT (cont'd) For the year ended 31 December 2005

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	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	<b>177</b>	622
Proceeds from disposal of marketable securities	<b>838</b>	–
Consideration paid for the acquisition of equity interest in subsidiaries	–	(499)
Purchase of property, plant and equipment	<b>(3,954)</b>	(4,137)
Interest received	<b>3,235</b>	2,498
Dividend income received	<b>336</b>	253
Net cash generated from/(used in) investing activities	<b>632</b>	(1,263)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term borrowings	<b>(1,578)</b>	(1,903)
Interest paid	<b>(1,521)</b>	(2,515)
Repayment of short term borrowings	<b>(5,236)</b>	(18,378)
Repayment of hire purchase and lease payables	–	(1,121)
Dividend paid	<b>(5,606)</b>	(3,737)
Net cash used in financing activities	<b>(13,941)</b>	(27,654)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>28,323</b>	24,392
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>131,863</b>	107,471
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)</b>	<b>160,186</b>	131,863

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

# balance

46 SHEET As at 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	975	1,275
Investment in subsidiaries	5	242,391	242,391
Other investments	7	312	587
		<b>243,678</b>	244,253
<b>CURRENT ASSETS</b>			
Other receivables	11	381,061	380,484
Cash and bank balances	13	1,138	927
		<b>382,199</b>	381,411
<b>CURRENT LIABILITIES</b>			
Short term borrowings	15	20,000	25,000
Other payables	17	20,055	19,547
Tax payable		-	521
		<b>40,055</b>	45,068
<b>NET CURRENT ASSETS</b>		<b>342,144</b>	336,343
		<b>585,822</b>	580,596
<b>FINANCED BY:</b>			
Share capital	18	259,526	259,526
Reserves		326,296	321,070
Shareholders' equity		<b>585,822</b>	580,596

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

# income

## STATEMENT

For the year ended 31 December 2005

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	<b>Note</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Revenue	23	<b>23,214</b>	18,486
Cost of sales		-	-
Gross profit		<b>23,214</b>	18,486
Other operating income		-	73
Administrative expenses		<b>(1,772)</b>	(2,772)
Other operating expenses		<b>(4,336)</b>	(489)
Profit from operations	25	<b>17,106</b>	15,298
Finance cost	28	<b>(1,258)</b>	(1,808)
Profit before taxation		<b>15,848</b>	13,490
Taxation	29	<b>(5,016)</b>	(5,040)
Net profit for the year		<b>10,832</b>	8,450

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

# statement

## OF CHANGES IN EQUITY

For the year ended 31 December 2005

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	Note	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000
At 1 January 2004		259,526	402,654	(86,297)	575,883
Net profit for the year		-	-	8,450	8,450
Dividend paid		-	-	(3,737)	(3,737)
At 31 December 2004		259,526	402,654	(81,584)	580,596
Net profit for the year		-	-	10,832	10,832
Dividend paid	32	-	-	(5,606)	(5,606)
<b>At 31 December 2005</b>		<b>259,526</b>	<b>402,654</b>	<b>(76,358)</b>	<b>585,822</b>

# cash

## FLOW STATEMENT

For the year ended 31 December 2005

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	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,848	13,490
Adjustment for:		
Depreciation	342	487
Interest expense	1,258	1,808
Provision for diminution in value of corporate golf membership	275	-
Provision for doubtful debts	4,061	-
Gain on disposal of property, plant and equipment	-	(62)
Interest income	-	(11)
Bad debts written off	-	15
Dividend income	(23,000)	(18,000)
Operating loss before working capital changes	(1,216)	(2,273)
(Increase)/decrease in receivables	(4,842)	27,236
Increase/(decrease) in payables	508	(13,239)
Net cash (used in)/generated from operations	(5,550)	11,724
Taxes refunded	1,107	-
Net cash (used in)/generated from operating activities	(4,443)	11,724
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(42)	(77)
Additional investment in subsidiary	-	(499)
Dividend received	16,560	12,960
Interest received	-	11
Proceeds from disposal of property, plant and equipment	-	67
Net cash generated from investing activities	16,518	12,462
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(5,606)	(3,737)
Interest paid	(1,258)	(1,808)
Repayment of short term borrowings	(5,000)	(17,794)
Net cash used in financing activities	(11,864)	(23,339)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>211</b>	<b>847</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>927</b>	<b>80</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)</b>	<b>1,138</b>	<b>927</b>

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

# notes

## TO THE FINANCIAL STATEMENTS

31 December 2005

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### 1. CORPORATE INFORMATION

The principal activities of the Company are that of investment holding and property management. The principal activities of the subsidiaries are described in Note 5. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 301, 3rd Floor, Wisma Dijaya, No. 1A, Jalan SS20/1, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 725 (2004: 682) and 3 (2004: 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2006.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

#### (b) Basis of Consolidation

##### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation. The policy for the measurement of goodwill and negative goodwill is in accordance with Note 2(c).

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Basis of Consolidation (cont'd)****(ii) Associates**

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

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

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

**(c) Goodwill and Negative Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and associates as at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of those investments. Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries or associates at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent that negative goodwill relates to expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

**(d) Investments in Subsidiaries and Associates**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

Freehold land is not depreciated. Leasehold land and golf course expenditure are depreciated over the period of the lease of 99 years which will expire on 25 October 2090. 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:

Leasehold buildings	2% – 5%
Plant and machinery	5% – 15%
Office furniture, fittings and equipment	10% – 25%
Motor vehicles	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

**(f) Land Held for Property Development and Property Development Costs****(i) Land held for property development**

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (r).

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

**(ii) 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 reference to the value of work certified.

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 purchases over revenue recognised in the income statement is classified as progress billings within trade payables.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(g) Engineering Contracts**

Where the outcome of an engineering 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 an engineering 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 engineering 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 shown as amount due to customers on contracts.

**(h) Inventories**

Inventories represent completed residential and commercial properties, consumables and finished goods.

Inventories of completed properties are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Inventories of consumables are stated at the lower of cost and net replacement cost. Cost is determined on the first-in, first-out basis.

Finished goods are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of finished goods includes direct materials, direct labour, other direct costs and appropriate production overheads.

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

**(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, net of outstanding bank overdrafts.

**(j) Lease**

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

**(i) Finance Leases**

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 minimum lease payments at the inception of the leases, 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 lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(j) Lease (cont'd)****(i) Finance Leases (cont'd)**

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 as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

**(ii) Operating Leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

**(k) Provisions for Liabilities**

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

**(l) 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, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statement. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

**(m) Sinking Fund Reserve**

Sinking fund reserve of the Group is established for the purpose of covering costs of periodic major repairs or capital replacements in the golf and country resort of the Group. A fraction of 10% of monthly subscription fees received from members during the year are credited to this reserve.

The amount credited into the reserve during the year is subsequently paid to a fund in the third month following the year. This fund is kept in a separate trust account and administered by a Trustee.

Monies in the sinking fund are invested by the Trustee. Any income arising out of the investment is accrued to the fund.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(n) Deferred License Fees**

License fees are received upon admission of new members of the golf and country resort of the Group after January 1993, and are recognised to the income statement over the remaining terms of the membership licenses, which would expire on 9 October 2051.

**(o) Employee Benefits****(i) Short Term Benefits**

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

**(ii) Defined Contribution Plan**

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

**(p) Revenue Recognition**

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

**(i) Sale of Properties**

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2 (f). All anticipated losses are fully provided for.

Revenue from the sale of land and completed properties are recognised as and when billings are raised.

**(ii) Recreation and Resort Operations**

Entrance fees are recognised upon signing of membership agreements. Deferred license fees are recognised over the period of the membership. Income from monthly subscription fees is recognised on an accrual basis.

**(iii) Engineering Contracts**

Revenue from engineering contracts is recognised based on the percentage of completion method as described in Note 2(g).

**(iv) Sale of Goods**

Revenue relating to sale of goods is recognised net of discounts and returns upon the transfer of risks and rewards.

**(v) Investment Income**

Dividend income is recognised when the shareholder's right to receive payment is established. Interest and rental income are recognised on accrual basis except where there exists doubt as to its recoverability.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(q) Foreign Currencies****(i) Foreign Currency Transactions**

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

**(ii) Foreign Entities**

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

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
United States Dollar	<b>3.78</b>	3.80
100 Hong Kong Dollars	<b>49.74</b>	48.88

**(r) Impairment of Assets**

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

An impairment loss is recognised as an expense in the income statement immediately.

**(s) 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 recognised directly in 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 (cont'd)****(s) Financial Instruments (cont'd)****(i) Other Non-Current Investments**

Non-current investments other than investments in subsidiaries and associates are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

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

**(ii) Marketable Securities**

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

**(iii) Trade and Other Receivables**

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

**(iv) Trade and Other Payables**

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

**(v) Interest-Bearing Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred

**(vi) Equity Instruments**

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

**3. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Long term leasehold land and buildings RM'000</b>	<b>Golf course RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Office furniture, fittings, and equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>							
At 1 January 2005	7,374	269,701	46,701	20,627	12,382	3,030	359,815
Additions	-	592	-	1,907	859	596	3,954
Disposals	-	-	-	(1,227)	(205)	(293)	(1,725)
Write off	-	-	-	-	(41)	-	(41)
Transfer to land held for property development (note 4)	(7,374)	-	-	-	-	-	(7,374)
At 31 December 2005	-	270,293	46,701	21,307	12,995	3,333	354,629
<b>Accumulated Depreciation and Impairment Losses</b>							
At 1 January 2005	-	37,136	8,504	17,648	8,403	1,479	73,170
Charge for the year	-	3,230	817	839	939	506	6,331
Disposals	-	-	-	(1,217)	(185)	(293)	(1,695)
Write off	-	-	-	-	(32)	-	(32)
At 31 December 2005	-	40,366	9,321	17,270	9,125	1,692	77,774
<b>Net Book Value</b>							
At 31 December 2005	-	229,927	37,380	4,037	3,870	1,641	276,855
At 31 December 2004	7,374	232,565	38,197	2,979	3,979	1,551	286,645
<b>Details at 1 January 2004</b>							
Cost	7,374	268,990	46,701	20,318	11,191	3,345	357,919
Accumulated depreciation	-	32,946	7,687	17,891	7,888	1,690	68,102
<b>Depreciation charge for 2004</b>							
Recognised in income statements (Note 25)	-	4,225	817	513	813	454	6,822

**3. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Company	Office furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2005	2,730	1,001	3,731
Additions	42	-	42
At 31 December 2005	2,772	1,001	3,773
<b>Accumulated Depreciation and Impairment Losses</b>			
At 1 January 2005	2,156	300	2,456
Charge for the year	146	196	342
At 31 December 2005	2,302	496	2,798
<b>Net Book Value</b>			
At 31 December 2005	470	505	975
At 31 December 2004	574	701	1,275
<b>Details at 1 January 2004</b>			
Cost	2,653	1,237	3,890
Accumulated depreciation	1,883	318	2,201
<b>Depreciation charge for 2004</b>			
Recognised in income statement (Note 25)	273	214	487

- (a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM3,954,000 (2004: RM4,137,000) and RM42,000 (2004: RM77,000) for cash.
- (b) The net book values of property, plant and equipment pledged to financial institutions for short term borrowings as referred to in Note 15 are as follows:

	Group	
	2005 RM '000	2004 RM '000
Freehold land	-	7,374
Long term leasehold land and buildings	85,545	86,942
Golf course	37,380	38,196
	<b>122,925</b>	132,512

**4. LAND HELD FOR DEVELOPMENT/PROPERTY DEVELOPMENT COSTS****(a) Land Held for Property Development**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January:		
Freehold land	<b>28,738</b>	25,815
Leasehold land	<b>20,074</b>	56,406
Additions	<b>2,194</b>	3,766
Disposal	–	(37,175)
Transfer from property, plant and equipment (note 3)	<b>7,374</b>	–
Transfer to property development costs	<b>(12,090)</b>	–
At 31 December	<b>46,290</b>	48,812
<b>Accumulated Impairment Losses</b>		
At 1 January	<b>17,040</b>	18,479
Disposal	–	(1,439)
Transfer to property development costs	<b>(10,628)</b>	–
At 31 December	<b>6,412</b>	17,040
<b>Carrying Amount at 31 December</b>	<b>39,878</b>	31,772
<b>(b) Property Development Costs</b>		
Property development costs at 1 January:		
Freehold land	<b>168,404</b>	168,404
Leasehold land	<b>296,444</b>	308,953
Development costs	<b>110,808</b>	151,472
	<b>575,656</b>	628,829
Costs incurred during the year:		
Development costs	<b>100,076</b>	60,590
	<b>100,076</b>	60,590
Costs recognised in income statement:		
At 1 January	<b>(326,661)</b>	(264,824)
Completed projects	<b>46,552</b>	–
At 1 January	<b>(280,109)</b>	(264,824)
Recognised during the year	<b>(93,912)</b>	(61,837)
At 31 December	<b>(374,021)</b>	(326,661)
Transfers:		
From land held for property development	<b>1,462</b>	–
To inventories	<b>(2,139)</b>	(20,295)
	<b>(677)</b>	(20,295)
Property development costs at 31 December	<b>301,034</b>	342,463

The freehold and leasehold land of the Group amounting to RM4,663,000 (2004: RM10,225,000) have been pledged as security for bank borrowings as referred to in Note 15.

**5. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost	<b>249,219</b>	249,219
Less: Accumulated impairment losses	<b>(6,828)</b>	(6,828)
	<b>242,391</b>	242,391

Details of the subsidiaries are as follows:

<b>Name of Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Equity Interest Held (%)</b>		<b>Principal Activities</b>
		<b>2005</b>	<b>2004</b>	
Accroway Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment holding
Arah Pelangi Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment and property holding
* Aspek Analisa Sdn. Bhd.	Malaysia	<b>100</b>	100	Property development
* Dijaya Management Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Property management and maintenance services
JMI Manufacturing Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant
Terbit Berkat Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment holding
Jasa Megah Marketing Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant
* Dijaya Development Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment holding
* Dijaya Credit & Leasing Sdn. Bhd.	Malaysia	<b>100</b>	100	Credit and leasing
* Bright Phase Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment holding
Ikatan Engineering Sdn. Bhd.	Malaysia	<b>80.1</b>	80.1	Contractor for mechanical and structural fabrication works
* Malaysian PR Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant
* Banjaran Mutiara Sdn. Bhd. and its subsidiary:	Malaysia	<b>100</b>	100	Investment holding
* Izasaja Sdn. Bhd.	Malaysia	-	100	Dissolved by way of members' voluntary winding up on 24 November 2005
* Nagasari Cerdas Sdn. Bhd. and its subsidiary:	Malaysia	<b>100</b>	100	Investment holding
* Desiran Realiti Sdn. Bhd.	Malaysia	<b>100</b>	100	Investment holding

**5. INVESTMENT IN SUBSIDIARIES (cont'd)**

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
* Seleksi Kembara Sdn. Bhd. and its subsidiary:	Malaysia	100	100	Investment holding
* Dijaya Wangsa Sdn. Bhd.	Malaysia	60	60	Dormant
Sumber Saujana Sdn. Bhd. and its subsidiary:	Malaysia	100	100	Investment holding
Sinbor Corporation Sdn. Bhd.	Malaysia	100	100	Investment holding
Tropicana Golf and Country Resort Berhad and its subsidiaries:	Malaysia	100	100	Real property and resort development
* Tropicana Management Services Sdn. Bhd.	Malaysia	100	100	Property management and maintenance services
Nadi Jelita Sdn. Bhd.	Malaysia	100	100	Property holding
Puncak Suria Sdn. Bhd.	Malaysia	100	100	Property development
Mawar Hebat Sdn. Bhd.	Malaysia	100	55	Property development
* Desiran Idaman Sdn. Bhd.	Malaysia	100	100	Dormant
* Dijaya Digital Sdn. Bhd. and its subsidiaries:	Malaysia	100	100	Investment holding
* Dijaya dotCom.Ventures Limited	Hong Kong	100	100	Investment holding
* Atlantic Marketing Sdn. Bhd.	Malaysia	100	100	Ceased operations
Bakat Rampai Sdn. Bhd. and its subsidiaries:	Malaysia	100	100	Investment holding
Dijaya Land Sdn. Bhd. and its subsidiary:	Malaysia	100	100	Property development
* DiCasa Management Services Sdn. Bhd.	Malaysia	100	100	Property management and maintenance services
Dicorp Land Sdn. Bhd.	Malaysia	100	100	Property development
Maxi Legacy Sdn. Bhd.	Malaysia	100	100	Dormant
Irama Sejati Sdn. Bhd. and its subsidiary	Malaysia	100	100	Investment holding
* Damansara Impian Sdn. Bhd.	Malaysia	70	70	Property development

\* Audited by firms of auditors other than Ernst & Young

**6. INVESTMENT IN ASSOCIATES**

	<b>Group</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
In Malaysia:		
Unquoted shares at cost	<b>26,546</b>	26,546
Share of post-acquisition reserve	<b>22,250</b>	21,558
	<b>48,796</b>	48,104
Less: Accumulated impairment losses	<b>(290)</b>	(290)
Accumulated amortisation of goodwill	<b>(2,347)</b>	(2,347)
	<b>46,159</b>	45,467
Represented by:		
Share of net assets	<b>46,159</b>	45,467
Goodwill on acquisition	<b>2,347</b>	2,347
Less: Accumulated amortisation of goodwill	<b>(2,347)</b>	(2,347)
	<b>46,159</b>	45,467

Details of the associates are as follows:

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Equity Interest Held (%)</b>		<b>Principal Activities</b>
		<b>2005</b>	<b>2004</b>	
Tenaga Kimia Berhad	Malaysia	<b>30</b>	30	Manufacture of explosives, chemicals and blasting accessories
Ikatan Hulee Engineering (J.V) Sdn. Bhd.	Malaysia	<b>50</b>	50	Ceased operation
Ikatan Technology Sdn. Bhd.	Malaysia	<b>33</b>	33	Ceased operation
South Johor Equities Sdn. Bhd.	Malaysia	<b>31</b>	31	Ceased operation

**7. OTHER INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
At cost:				
Unquoted shares in Malaysia	-	1,800	-	-
Less: Provision for diminution in value	-	(1,799)	-	-
	-	1	-	-
Quoted shares in Malaysia	<b>87,406</b>	87,406	-	-
Less: Provision for diminution in value	<b>(63,474)</b>	(36,676)	-	-
	<b>23,932</b>	50,730	-	-

**7. OTHER INVESTMENTS (cont'd)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
Transferable club memberships	587	587	587	587
Less: Provision for diminution in value	(275)	–	(275)	–
	<b>312</b>	587	<b>312</b>	587
	<b>24,244</b>	51,318	<b>312</b>	587
Market value*:				
Quoted shares in Malaysia	23,932	95,364	–	–
Corporate golf club membership	312	587	312	587

\* The market value of the quoted shares is based on the respective closing prices as at 31 December, except for the market value of Matrix International Berhad shares in the previous year which is based on the last transacted pre-suspension price on 31 December 2004.

**8. SECURITY RETAINERS ACCUMULATION FUND**

	Group	
	2005 RM'000	2004 RM'000
At 1 January	2,280	2,108
Unrealised returns	177	172
	<b>2,457</b>	2,280
Less: Accumulated amortisation	(125)	(114)
At 31 December	<b>2,332</b>	2,166

The security retainers accumulation fund of the golf and country resort of the Group relates to the unamortised portion of the single premium paid for the purchase of a "Group Endowment with Profits" policy from a local insurer in 1994 and the unrealised returns which accrues to this policy on a cumulative basis, annually. The total accumulated returns together with the insured sum will only be received upon maturity of the said policy on 2 October 2051. The purpose of this scheme is to provide the Group with funds to repay the security retainers received from members of the golf and country resort of the Group, who registered prior to January 1993, at the end of their membership license term on 9 October 2051.

**9. INVENTORIES**

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Completed properties	24,666	34,195
Consumable stores and spares	608	661
Finished goods	3,287	1,303
	<b>28,561</b>	36,159

The cost of inventories recognised as an expense during the year in the Group amounted to RM8,542,000 (2004: RM17,697,000).

**10. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	<b>30,103</b>	45,415
Accrued billings in respect of property development costs	<b>10,344</b>	5,858
Due from customers on engineering contracts	<b>2,517</b>	5,386
Retention sums from engineering contracts	<b>181</b>	176
Less: Provision for doubtful debts	<b>(5,822)</b>	(5,625)
	<b>37,323</b>	51,210

The retention sums and amounts due from customers on engineering contracts are represented as follows:

	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Engineering contract costs incurred to date	<b>23,488</b>	14,587
Attributable profits	<b>2,269</b>	1,240
Foreseeable losses	<b>(8)</b>	(106)
	<b>25,749</b>	15,721
Less: Progress billings	<b>(27,075)</b>	(10,609)
	<b>(1,326)</b>	5,112
Due from customers on engineering contracts, included under trade receivables	<b>2,517</b>	5,386
Due to customers on engineering contracts, included under trade payables (Note 16)	<b>(3,843)</b>	(274)
	<b>(1,326)</b>	5,112
Retention sums on engineering contracts, included under trade receivables	<b>181</b>	176
Advances received on contracts, included under trade payables (Note 16)	<b>(1,388)</b>	(2,867)
Contract cost recognised as an expense	<b>20,695</b>	16,646

The Group's normal trade credit term ranges from 14 to 120 days (2004: 14 to 120 days). Other credit terms are assessed and approved on a case-to-case basis.

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

**11. OTHER RECEIVABLES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from subsidiaries	-	-	<b>494,413</b>	489,522
Less: Provision for doubtful debts	-	-	<b>(114,141)</b>	(110,080)
	-	-	<b>380,272</b>	379,442
Due from associate	-	18	-	18
Tax recoverable	<b>2,133</b>	3,000	<b>604</b>	808
Deposits	<b>2,521</b>	1,433	<b>157</b>	-
Sundry receivables	<b>3,293</b>	4,184	<b>125</b>	313
Less: Provision for doubtful debts	<b>(660)</b>	(678)	<b>(97)</b>	(97)
	<b>2,633</b>	3,506	<b>28</b>	216
	<b>7,287</b>	7,957	<b>381,061</b>	380,484

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

**12. MARKETABLE SECURITIES**

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Quoted shares, in Malaysia	<b>28,908</b>	34,349
Less: Provision for diminution in value	<b>(9,466)</b>	(9,228)
	<b>19,442</b>	25,121
Quoted loan stocks, in Malaysia	<b>77</b>	325
Less: Provision for diminution in value	<b>(69)</b>	(255)
	<b>8</b>	70
	<b>19,450</b>	25,191
Market values:		
Quoted shares in Malaysia	<b>19,442</b>	25,134
Quoted loan stocks in Malaysia	<b>8</b>	70

**13. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with licensed banks	<b>62,042</b>	47,690	<b>800</b>	–
Cash on hand and at banks	<b>99,703</b>	87,780	<b>338</b>	927
Cash and bank balances	<b>161,745</b>	135,470	<b>1,138</b>	927
Cash and bank balances	<b>161,745</b>	135,470	<b>1,138</b>	927
Less: Bank overdrafts (Note 15)	<b>(1,239)</b>	(3,159)	–	–
Cash and cash equivalents	<b>160,506</b>	132,311	<b>1,138</b>	927
Less: Cash and cash equivalents not available for use	<b>(320)</b>	(448)	–	–
	<b>160,186</b>	131,863	<b>1,138</b>	927

Included in cash at banks of the Group are amounts of RM90,412,000 (2004: RM76,488,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

Included in deposits with licensed banks of the Group are:

- Deposits held in trust by a trustee of RM320,000 (2004: RM448,000), representing cash and cash equivalents not available for use.
- Deposits amounting to RM222,000 (2004: RM150,000) which were pledged as security for bank guarantees granted to the Group.

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

	Group	
	2005 %	2004 %
Licensed banks	<b>2.73</b>	2.81

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

	Group	
	2005 Days	2004 Days
Licensed banks	<b>109</b>	25

**14. PROVISION FOR LIABILITIES**

	<b>Liquidated ascertained damages RM'000</b>	<b>Infra- structure costs RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
At 1 January 2005	452	-	452
Additional provision during the year	-	5,700	5,700
Utilisation of provision during the year	(7)	-	(7)
At 31 December 2005	<b>445</b>	<b>5,700</b>	<b>6,145</b>
At 31 December 2005			
Current	445	-	445
Non-current			
Later than 1 year but not later than 2 years	-	5,700	5,700
	<b>445</b>	<b>5,700</b>	<b>6,145</b>
At 31 December 2004			
Current	452	-	452

**(a) Liquidated Ascertained Damages**

Provision for liquidated ascertained damages is in respect of projects undertaken by a certain subsidiary in the Group. The provision is recognised for expected liquidated ascertained damages claims based on the terms of the applicable sale and purchase agreements, which are expected to be settled within one year.

**(b) Infrastructure Costs**

The infrastructure costs are in respect of the North Klang Valley Expressway tunnel expansion project and upgrading of Persiaran Tropicana into a dual carriage way.

**15. BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>Short Term Borrowings</b>				
Secured:				
Bank overdrafts (Note 13)	1,239	3,159	-	-
Revolving credits	20,000	25,000	20,000	25,000
Bankers' acceptance	2,843	1,759	-	-
Term loan	-	1,320	-	-
	<b>24,082</b>	<b>31,238</b>	<b>20,000</b>	<b>25,000</b>
<b>Long Term Borrowings</b>				
Secured:				
Term loan	-	1,578	-	-

## notes TO THE FINANCIAL STATEMENTS (cont'd) 31 December 2005

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**15. BORROWINGS (cont'd)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Total Borrowings</b>				
Bank overdrafts (Note 13)	1,239	3,159	-	-
Revolving credits	20,000	25,000	20,000	25,000
Bankers' acceptance	2,843	1,759	-	-
Term loan	-	2,898	-	-
	<b>24,082</b>	<b>32,816</b>	<b>20,000</b>	<b>25,000</b>
Maturity of borrowings:				
Within one year	24,082	31,238	20,000	25,000
Between one and two years	-	1,578	-	-
	<b>24,082</b>	<b>32,816</b>	<b>20,000</b>	<b>25,000</b>

The weighted average effective interest rates during the financial year for borrowings were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bank overdrafts	7.50	7.25	-	-
Revolving credits	5.00	5.00	5.00	5.00
Bankers' acceptance	2.88-3.55	2.88-3.20	-	-
Term loan	-	9.00	-	-

The secured bank overdrafts, revolving credits and bankers' acceptance of the Group are secured by certain assets of the Group and of the Company as follows:

- (i) Fixed charge over certain property, plant and equipment as disclosed in Note 3;
- (ii) Fixed charge over certain land held for property development and property development cost as disclosed in Note 4;
- (iii) Fixed and floating charge over the assets of certain subsidiaries.

**16. TRADE PAYABLES**

	Group	
	2005 RM'000	2004 RM'000
Trade payables	51,225	59,915
Progress billings in respect of property development costs	10,526	65,407
Due to customers on engineering contracts (Note 10)	3,843	274
Advances received from engineering contracts (Note 10)	1,388	2,867
	<b>66,982</b>	<b>128,463</b>

The normal trade credit term granted to the Group ranges from 30 to 90 days (2004: 30 to 90 days).

**17. OTHER PAYABLES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due to subsidiaries	-	-	19,192	19,264
Due to an associate	33,739	33,757	-	-
Due to a director of the Company	-	8,073	-	-
Due to shareholders of subsidiaries	751	751	-	-
Due to directors of subsidiaries	334	6,383	-	-
Advances from third parties	213	213	-	-
Deposits	6,296	6,555	-	-
Sundry payables	15,243	29,589	863	283
	<b>56,576</b>	<b>85,321</b>	<b>20,055</b>	<b>19,547</b>

The amounts due to subsidiaries, associate, shareholders of the subsidiaries, a director of the Company, directors of subsidiaries and advances from third parties are unsecured, interest free and have no fixed terms of repayment.

**18. SHARE CAPITAL**

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Authorised:				
At 1 January/31 December	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Issued and fully paid:				
At 1 January/31 December	<b>259,526</b>	259,526	<b>259,526</b>	259,526

The new ESOS has been implemented on 21 September 2005 and is governed by the by-laws approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 June 2005. No option has been granted to date.

The salient terms of the new ESOS are as follows:

- (i) The Option Committee has the full discretion in determining the eligibility of Executive Directors and employees of the Group to participate in the ESOS provided that they are at the date of offer at least eighteen years of age and are employed by the Group and have served at least one (1) continuous year with the Group and have been confirmed their positions in writing.
- (ii) The ESOS shall be in force for a period of 10 years from 21 September 2005 to 20 September 2015.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to eligible executive directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible executive director or employee who, either singly or collectively through his/her association, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) No options shall be granted for less than 1,000 shares or more than the maximum allowable allotment of shares.

**18. SHARE CAPITAL (cont'd)**

- (v) The options granted may be exercised at any time, whilst the option holder is in the employment of the Group from the Date of Offer to the Date of Expiry or such shorter period prescribed in the offer.
- (vi) The option price for each share shall be the weighted average of the share market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the date on which the option is offered, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the period of ESOS or at the par value of the shares of RM1 each, whichever is higher.
- (vii) An offer made by the Option Committee shall be valid for a period of forty-five (45) days from the date of offer and may be accepted within this prescribed period by the eligible employees to whom the offer is made by written notice to the Option Committee of such acceptance accompanied by a payment to the Company of a nominal non-refundable sum of RM1.00 as consideration for the grant of the option. If the offer is not accepted in the manner aforesaid, such offer shall upon the expiry of the said forty-five (45) days automatically lapse and be null and void and of no further force and effect.
- (viii) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank parri passu in all respects with the then existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise date.

**19. DEFERRED TAXATION**

	Group	
	2005 RM'000	2004 RM'000
At 1 January	98,775	110,968
Recognised in the income statement (Note 29)	(12,495)	(12,193)
Arising from acquisition of additional interest in a subsidiary	488	-
At 31 December	<b>86,768</b>	98,775
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	90,824	100,966
Deferred tax assets	(4,056)	(2,191)
	<b>86,768</b>	98,775

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

**Deferred Tax Liabilities of the Group**

	Accelerated Capital Allowances RM'000	Fair Value Adjustment on Business Combination RM'000	Others RM'000	Total RM'000
At 1 January 2005	11,529	80,523	8,914	100,966
Recognised in the income statement	456	(7,486)	(3,600)	(10,630)
Acquisition of subsidiary	-	488	-	488
At 31 December 2005	<b>11,985</b>	<b>73,037</b>	<b>5,314</b>	<b>90,824</b>
At 1 January 2004	11,296	96,695	4,312	112,303
Recognised in the income statement	233	(16,172)	4,602	(11,337)
At 31 December 2004	11,529	80,523	8,914	100,966

**19. DEFERRED TAXATION (cont'd)****Deferred Tax Assets of the Group**

	<b>Provision for Liabilities RM'000</b>	<b>Tax Losses and Unabsorbed Capital Allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2005	(44)	(1,350)	(797)	(2,191)
Recognised in the income statement	(1,596)	171	(440)	(1,865)
At 31 December 2005	<b>(1,640)</b>	<b>(1,179)</b>	<b>(1,237)</b>	<b>(4,056)</b>
At 1 January 2004	(27)	(921)	(387)	(1,335)
Recognised in the income statement	(17)	(429)	(410)	(856)
At 31 December 2004	(44)	(1,350)	(797)	(2,191)

Deferred tax asset has not been recognised in respect of the following items:

	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Unused tax losses	<b>70,857</b>	71,525
Unabsorbed capital allowances	<b>3,596</b>	3,048

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

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

**20. SINKING FUND RESERVE**

	<b>Group</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
At 1 January	<b>2,810</b>	3,562
Additions	<b>1,575</b>	954
Claims made during the financial year	<b>(861)</b>	(1,706)
At 31 December	<b>3,524</b>	2,810

**21. SECURITY RETAINERS**

Security retainers are collected from members of the golf and country resort of the Group who joined prior to January 1993. These security retainers are refundable to the members on cessation of membership, upon the expiry of the term of the membership license on 9 October 2051 or upon revocation or termination of the membership at its discretion at any time before the expiry date.

**22. NEGATIVE GOODWILL, NET**

	Group	
	2005 RM'000	2004 RM'000
<b>Goodwill:</b>		
At 1 January	18,357	18,357
Less: Accumulated amortisation	(10,375)	(9,929)
Accumulated impairment losses	(4,069)	(4,069)
At 31 December	<b>3,913</b>	4,359
<b>Negative goodwill:</b>		
At 1 January	(33,211)	(33,211)
Add: Accumulated accretion	15,283	13,622
At 31 December	<b>(17,928)</b>	(19,589)
<b>Negative goodwill, net</b>	<b>(14,015)</b>	(15,230)

**23. REVENUE**

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue and progress billings net of discount				
from sale of development properties	200,084	169,080	-	-
Revenue from recreation and resort operations	19,715	19,261	-	-
Revenue from certified value of contracts and sales				
of trading goods	24,944	18,836	-	-
Property management and maintenance fee income	5,575	6,710	214	486
Interest income from investment holding, credit				
and leasing activities	17	16	-	-
Gross dividend income from:				
- Subsidiary	-	-	23,000	18,000
- Other quoted instruments	466	352	-	-
	<b>250,801</b>	214,255	<b>23,214</b>	18,486

**24. COST OF SALES**

Cost of sales of the Group represents cost of property development costs, costs of inventories sold, contract costs incurred and cost of consumables.

**25. PROFIT FROM OPERATIONS**

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs (Note 26)	<b>26,889</b>	21,481	<b>64</b>	1,244
Non-executive directors' remuneration (Note 27)	<b>313</b>	201	<b>170</b>	62
Auditors' remuneration:				
Statutory audits	<b>192</b>	195	<b>43</b>	43
Other services	<b>3</b>	3	<b>3</b>	3
Depreciation	<b>6,331</b>	6,822	<b>342</b>	487
Rental of office premises	<b>552</b>	571	<b>161</b>	535
Rental of office equipment	<b>69</b>	60	<b>30</b>	23
Amortisation of endowment fund premium	<b>11</b>	11	–	–
Bad debts written off	<b>12</b>	58	–	15
Property, plant and equipment written off	<b>9</b>	138	–	–
Marketable securities written off	–	267	–	–
Provision/(reversal of provision) for doubtful debts:				
– Trade receivables	<b>876</b>	902	–	–
– Other receivables	–	(9)	–	–
– Amount due from subsidiaries	–	–	<b>4,061</b>	–
Provision for liabilities	<b>5,700</b>	–	–	–
Impairment losses on goodwill	–	1,643	–	–
Impairment losses on investment in associates	–	54	–	–
Loss on disposal of land held for property development	–	2,114	–	–
Provision for diminution in value of				
– other investments	<b>26,798</b>	717	–	–
– marketable securities	<b>4,886</b>	1,794	–	–
– corporate golf membership	<b>275</b>	–	<b>275</b>	–
Loss on disposal of marketable securities	<b>17</b>	–	–	–
Gain on disposal of investment in Berjaya Times Square Sdn. Bhd.	–	(7,876)	–	–
Gain on disposal of property, plant and equipment	<b>(147)</b>	(273)	–	(62)
Unrealised returns on endowment policy	<b>(177)</b>	(172)	–	–
Rental income	<b>(6,970)</b>	(6,194)	–	–
Interest income	<b>(3,235)</b>	(2,498)	–	(11)
Net accretion of negative goodwill arising from acquisition of subsidiaries and an associate	<b>(1,215)</b>	(1,214)	–	–
Interest expense on borrowings	<b>1,521</b>	2,515	<b>1,258</b>	1,808

**26. STAFF COSTS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Salary and bonuses	<b>23,374</b>	18,352	<b>30</b>	1,062
Social security costs	<b>172</b>	107	–	6
Short term accumulating compensated absences	–	8	–	(27)
Pension costs – defined contribution plan	<b>2,368</b>	2,025	<b>3</b>	103
Other staff related expenses	<b>975</b>	989	<b>31</b>	100
	<b>26,889</b>	21,481	<b>64</b>	1,244

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM5,085,000 (2004: RM2,897,000) and RMNil (2004: RM223,000) respectively as further disclosed in Note 27.

**27. DIRECTORS' REMUNERATION**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	3,051	1,549	–	199
Pension costs – defined contribution plan	473	240	–	24
Bonus	890	452	–	–
Benefits-in-kind	36	32	–	–
	<b>4,450</b>	<b>2,273</b>	<b>–</b>	<b>223</b>
Non-executive:				
Fees	146	105	133	57
Other emolument	73	5	37	5
	<b>219</b>	<b>110</b>	<b>170</b>	<b>62</b>
<b>Other Directors</b>				
Executive:				
Salaries and other emoluments	494	484	–	–
Pension costs – defined contribution plan	63	65	–	–
Bonus	114	107	–	–
	<b>671</b>	<b>656</b>	<b>–</b>	<b>–</b>
Non-executive:				
Fees	70	66	–	–
Other emoluments	24	25	–	–
	<b>94</b>	<b>91</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>5,434</b>	<b>3,130</b>	<b>170</b>	<b>285</b>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration	5,085	2,897	–	223
Total non-executive directors' remuneration	313	201	170	62
Total directors' remuneration	<b>5,398</b>	<b>3,098</b>	<b>170</b>	<b>285</b>

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

	Number of Directors	
	2005 RM'000	2004 RM'000
Executive directors:		
RM350,001 – RM400,000	–	1
RM400,001 – RM450,000	1	–
RM850,001 – RM900,000	–	1
RM950,001 – RM1,000,000	–	1
RM1,050,001 – RM1,100,000	1	–
RM2,950,000 – RM3,000,000	1	–
Non-executive directors		
Below RM50,000	5	5
RM50,001 – RM100,000	1	–

**28. FINANCE COSTS**

Finance costs represents interest expense incurred on borrowings.

**29. TAXATION**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense for the year:				
Malaysian income tax	<b>31,787</b>	22,761	<b>6,440</b>	5,040
(Over)/underprovided in prior years	<b>(326)</b>	755	<b>(1,424)</b>	–
	<b>31,461</b>	23,516	<b>5,016</b>	5,040
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 19)	<b>(12,495)</b>	(12,193)	–	–
Share of taxation of associates	<b>455</b>	401	–	–
Real property gains tax	–	195	–	–
	<b>19,421</b>	11,919	<b>5,016</b>	5,040

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

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:

	2005 RM'000	2004 RM'000
<b>Group</b>		
Profit before taxation	<b>57,380</b>	54,407
Taxation at Malaysian statutory tax rate of 28 % (2004: 28%)	<b>16,066</b>	15,234
Effects of different tax rates for subsidiaries with paid-up capital of RM2.5 million and below	<b>(93)</b>	(122)
Income not subject to tax	<b>(3,065)</b>	(10,555)
Expenses not deductible for tax purposes	<b>11,840</b>	11,967
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	<b>(288)</b>	(662)
Deferred tax assets not recognised during the year	<b>206</b>	2,470
Overprovision of deferred tax in prior years	<b>(4,919)</b>	(7,363)
(Over)/underprovision of income tax expense in prior years	<b>(326)</b>	755
Real property gains tax	–	195
Tax expense for the year	<b>19,421</b>	11,919
<b>Company</b>		
Profit before taxation	<b>15,848</b>	13,490
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	<b>4,437</b>	3,777
Income not subject to tax	–	(20)
Expenses not deductible for tax purposes	<b>2,003</b>	1,283
Utilisation of previously unrecognised tax losses	–	–
Overprovision of income tax expense in prior years	<b>(1,424)</b>	–
Tax expense for the year	<b>5,016</b>	5,040

**29. TAXATION (cont'd)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax savings recognised during the year arising from previously unrecognised tax losses and unabsorbed capital allowances	289	662	-	-

**30. EARNINGS PER SHARE**

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

	2005 RM'000	2004 RM'000
Net profit for the year	29,193	41,546
Weighted average number of ordinary shares in issue	259,526	259,526
Basic earnings per share (sen)	11.25	16.01

- (b) The effect on the basic earnings per share arising from the assumed exercise of ESOS is anti-dilutive. Accordingly, diluted earnings per share is not presented.

**31. FOREIGN EXCHANGE RESERVE**

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**32. DIVIDENDS**

	Amount		Net Dividends per Ordinary Share	
	2005 RM'000	2004 RM'000	2005 Sen	2004 Sen
<b>Final</b>				
- 4% less 28% taxation on 259,525,583 ordinary shares (2004: 3% less 28% taxation on 259,525,583 ordinary shares, declared on 23 February 2005 and paid on 22 July 2005)	7,474	5,606	2.88	2.16

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005, of 4% less 28% taxation on 259,525,583 ordinary shares amounting to a dividend payable of RM7,474,337 (2.88 sen net per share) 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 the shareholders' equity in the financial year ending 31 December 2006.

**33. COMPARATIVES**

	As restated RM'000	Adjustments RM'000	As previously stated RM'000
<b>Group</b>			
Land held for property development	31,772	(16,316)	15,456
Property development costs	342,463	16,316	358,779

The reclassification from property development costs to land held for property development relates to a piece of land for which development activities are not expected to be completed within the normal operating cycle.

**34. CONTINGENT LIABILITY**

	Company	
	2005 RM'000	2004 RM'000
Unsecured corporate guarantees given to banks for credit facilities granted to certain subsidiaries	-	2,918

**35. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Insurance charges payable to Berjaya General Insurance Berhad, a subsidiary of Berjaya Capital Berhad, of which Tan Sri Dato' Tan Chee Sing is a director	314	182	6	8
Rental expenses payable to Elite Meridian Sdn. Bhd., a company owned substantially by a director, Tan Sri Dato' Tan Chee Sing	535	535	535	535
Management fees receivable from Aliran Firasat Sdn. Bhd., a company owned substantially by a director, Tan Sri Dato' Tan Chee Sing	214	486	214	486
Rental income receivable from Inland Sports and Recreation Club Sdn. Bhd., a company owned substantially by a director, Tan Sri Dato' Tan Chee Sing	465	465	-	-
Rental income receivable from TT Resources Berhad's subsidiaries, a group in which a director, Tan Sri Dato' Tan Chee Sing has substantial interest	686	707	-	-

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

**36. SIGNIFICANT EVENTS**

- (a) On 27 April 2005, Tropicana Golf & Country Resort Berhad ("TGCRB") a wholly-owned subsidiary of the Company concluded its acquisition of the remaining 450,000 ordinary shares in Mawar Hebat Sdn. Bhd. ("MHSB"), thus making MHSB, a wholly-owned subsidiary of TGCRB.
- (b) Sinbor Corporation Sdn Bhd ("SCSB"), an indirect wholly-owned subsidiary of the Company which currently holds 9,600,000 shares in Tenaga Kimia Bhd ("TKB") representing 30% equity interest in TKB will offer 960,000 TKB shares for sale at an offer price of RM1.50 per share pursuant to the proposed listing of TKB on the Second Board of Bursa Malaysia Securities Berhad.

On 1 August 2005, SCSB entered into a Call and Put Option Agreement with Dyno Nobel ASA ("Dyno"), a major shareholder of TKB in respect of another 3,360,000 TKB shares ("Option Shares") held by SCSB. As per the Agreement, Dyno has a Call Option and SCSB a Put Option at a price of RM1.50 per Option Share. Since then, there has been no further development.

- (c) The Company at an Extraordinary General Meeting held on 10 October 2005, obtained shareholders' approval for the proposed authority to the Company to purchase its own shares ("Proposed Share Buy-Back"). The Proposed Share Buy-Back is pending implementation.

**37. SUBSEQUENT EVENT**

The Company had on 12 April 2006 entered into a Sale of Shares Agreement ("SSA") with a third party to dispose of the entire equity interest of the Company in Ikatan Engineering Sdn Bhd ("IESB"), comprising 4,004,165 ordinary shares of RM1.00 each, representing approximately 80.1% of the issued and paid-up share capital of IESB for a cash consideration of RM4.0 million. The transaction is expected to complete within 6 months from the date of the SSA. Upon completion of the aforesaid disposal, IESB shall cease to be a subsidiary of the Company.

**38. 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, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

**(b) Interest Rate Risk**

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

**(c) Liquidity Risk**

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

**38. FINANCIAL INSTRUMENTS (cont'd)****(d) Credit Risk**

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

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 instruments.

**(e) Fair Values**

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

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
As 31 December 2005				
Security retainers accumulation fund (Note 8)	2,332	#	-	-
Amounts due from subsidiaries (Note 11)	-	-	380,272	*
<hr/>				
As 31 December 2004				
Security retainers accumulation fund (Note 8)	2,166	#	-	-
Amounts due from subsidiaries (Note 11)	-	-	379,442	*
Amounts due from associate (Note 11)	18	*	18	*
<hr/>				
<b>Financial Liabilities</b>				
As 31 December 2005				
Amounts due to subsidiaries (Note 17)	-	-	19,192	*
Amounts due to an associate (Note 17)	33,739	*	-	-
Amounts due to other related parties (Note 17)	1,085	*	-	-
<hr/>				
As 31 December 2004				
Amounts due to subsidiaries (Note 17)	-	-	19,264	*
Amounts due to an associate (Note 17)	33,757	*	-	-
Amounts due to other related parties (Note 17)	15,207	*	-	-

# It is not practical to estimate the fair value because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the carrying amount represents the approximate recoverable values.

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

**38. FINANCIAL INSTRUMENTS (cont'd)**

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

**(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings**

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

**(ii) Other Investments and Marketable Securities**

The fair value of quoted shares and loan stocks is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. The fair value of corporate golf club memberships is determined by reference to market value of the membership.

**(iii) Provision for Liabilities**

The carrying amount of provisions approximate their fair values.

**(iv) Long Term Borrowings**

The carrying amounts of these floating rate loans are estimated to approximate fair value as the effective interest rates are not forecasted to differ from current market rates.

**39. SEGMENTAL INFORMATION****(a) Business Segments:**

The Group operates principally in Malaysia organised into three major business segments as follows:

- (i) Real property and resort development – development of residential and commercial properties and provision of golfing and other sporting and recreational facilities development
- (ii) Engineering and trading – mechanical and structural fabrication
- (iii) Investment holding – investment income

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

**39. SEGMENTAL INFORMATION (cont'd)****(a) Business Segments: (cont'd)****Segmental Information by Business Segments:**

	Real property and resort development		Engineering and trading		Investment holding		Others		Consolidated	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue and Expenses</b>										
<b>Revenue</b>										
External sales	225,374	195,051	24,944	18,836	483	368	-	-	250,801	214,255
<b>Results</b>										
Profit from operations	40,468	55,852	625	(1,593)	16,345	(5,575)	315	6,666	57,753	55,350
Finance costs	(141)	(605)	(123)	(75)	(1,257)	(1,835)	-	-	(1,521)	(2,515)
Share of results of associates	-	-	-	-	1,148	1,572	-	-	1,148	1,572
Taxation	-	-	-	-	-	-	-	-	(19,421)	(11,919)
Profit after taxation									37,959	42,488
Minority interests									(8,766)	(942)
Net profit for the year									29,193	41,546
<b>Assets</b>										
Segment assets	870,888	938,568	16,042	15,331	11,586	16,256	193	196	898,709	970,351
Investment in equity method of associates	-	-	-	-	46,159	45,467	-	-	46,159	45,467
<b>Consolidated total assets</b>									<b>944,868</b>	<b>1,015,818</b>
<b>Segment liabilities</b>										
	296,804	378,791	12,247	11,778	54,682	74,685	15	27	363,748	465,281

## notes TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2005

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**39. SEGMENTAL INFORMATION (cont'd)****(a) Business Segments: (cont'd)****Segmental Information by Business Segments:**

	Real property and resort development		Engineering and trading		Investment holding		Others		Consolidated	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Other information</b>	<b>3,598</b>	3,815	<b>313</b>	171	<b>43</b>	77	<b>43</b>	74	<b>3,954</b>	4,137
Capital expenditure	<b>5,752</b>	6,092	<b>234</b>	240	<b>343</b>	488	<b>2</b>	2	<b>6,331</b>	6,822
Depreciation										
Provision for diminution in value of other investments, marketable securities and corporate golf membership	<b>24,265</b>	-	-	-	<b>7,694</b>	2,511	-	-	<b>31,959</b>	2,511
Impairment losses	-	-	-	-	-	1,643	-	-	-	1,643
Non-cash expenses other than depreciation and impairment losses	<b>6,157</b>	812	<b>431</b>	1,078	-	1,517	-	196	<b>6,588</b>	3,603

**(b) Geographical Segments**

The Group's major business segments are in Malaysia and the areas of operation are principally property development and investment holding.

**40. CURRENCY**

All amounts are stated in Ringgit Malaysia unless otherwise stated.

# notice of

## ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh (27th) Annual General Meeting of Dijaya Corporation Berhad ("DIC" or "Company") will be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 26 June, 2006 at 10.30 a.m. for the following purposes:-

### AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a first and final dividend of 4% per share less 28% Malaysian Income Tax for the year ended 31 December 2005. **Resolution 2**
3. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association: -
  - (a) Mr. Michael Lim Hee Kiang **Resolution 3**
  - (b) Encik Roslan Bin Hj Yahya **Resolution 4**
  - (c) Dato' Ahmad Hassan Bin Osman **Resolution 5**
4. To approve the payment of Directors' fees amounting to RM133,000.00 for the year ended 31 December 2005 (2004: RM50,300.00). **Resolution 6**
5. To re-appoint Messrs. Ernst & Young as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
6. **As Special Businesses:-**  
To consider and, if thought fit, pass the following resolutions, with or without modifications:-
  - Ordinary Resolution 1**  
**Authority under Section 132D of the Companies Act, 1965 for the Directors to issue Shares** **Resolution 8**  
"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
  - Ordinary Resolution 2**  
**Proposed Renewal of Authority to DIC to Purchase its Own Shares ("Proposed Share Buy-Back Renewal")** **Resolution 9**  
"THAT, subject to the provisions under the Companies Act, 1965 ("Act"), the Companies Regulations 1966, the Memorandum and Articles of Association of DIC, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ("DIC Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities 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 purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company;

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back Renewal shall not exceed the Company's share premium account. As at the latest financial year ended 31 December 2005, the audited share premium account of the Company stood at RM402,654,000.00.

## notice of ANNUAL GENERAL MEETING (cont'd)

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THAT authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any DIC Shares so purchased by the Company in the following manner:-

- (i) the DIC Shares so purchased could be cancelled; or
- (ii) the DIC Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of DIC and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) the DIC Shares so purchased could be in part be retained as treasury shares, in part be sold and in part be cancelled;

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution until:

- (i) the conclusion of the next annual general meeting of DIC following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the general meeting, the authority is renewed either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first;

AND THAT the Directors of the Company be and are hereby authorised to take such steps to give full effect to the Proposed Share Buy-Back Renewal with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all acts and things as the Directors may deem fit and expedient in the best interest of the Company."

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

#### **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES**

Subject to the approval of the shareholders, the first and final dividend of 4% per share less 28% Malaysian Income Tax for the year ended 31 December 2005 will be paid on 22 July 2006 to depositors whose names appear in the record of depositors at the close of business on 4 July 2006.

Further notice is hereby given that a depositor shall qualify for entitlement only in respect of:-

- (a) Shares deposited into the depositor's securities accounts before 12.30 p.m. on 30 June 2006 (in respect of shares which are exempted from mandatory deposit).
- (b) Shares transferred into the depositor's securities accounts before 4.00 p.m. on 4 July 2006 in respect of transfer.
- (c) Shares bought on Bursa Malaysia Securities Bhd ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

**DIJAYA CORPORATION BERHAD**

**LOW NYOKE FUN** (MAICSA No. 7005037)

*Secretary*

Petaling Jaya  
2 June 2006

## notice of ANNUAL GENERAL MEETING (cont'd)

**Notes:**

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (subject always to a maximum of two (2) proxies) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
- (ii) To be valid, the instrument appointing a proxy or proxies, under the hand of the appointer or his attorney duly authorised in writing, must be completed and deposited at the Company's Registered Office at Lot 302, 3rd Floor, Wisma Dijaya, No. 1A, Jalan SS20/1, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
- (iii) 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.
- (iv) If the appointer is a corporation, the instrument appointing a proxy must be executed under its seal or under the hand of its attorney.

**Explanatory Notes on Special Businesses****Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The Resolution No. 8, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting.

**Proposed Share Buy-Back Renewal**

The Resolution No. 9, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the Share Buy-Back Statement dated 31 May 2006 for further details.

# statement accompanying

## THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Securities

**1. Directors who are standing for re-election at the 27th Annual General Meeting of the Company**

The Directors retiring pursuant to the Articles of Association and seeking re-election are:-

- (a) Mr. Michael Lim Hee Kiang
- (b) Encik Roslan Bin Hj Yahya
- (c) Dato' Ahmad Hassan Bin Osman

Further details of the above Directors seeking re-election are set out in the Profile of Directors appearing on pages 6 and 7 and Directors' Shareholdings on page 33 of the Annual Report.

**2. Details of 27th Annual General Meeting**

The 27th Annual General Meeting of the Company is to be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 26 June 2006 at 10.30 a.m.

**3. Details of attendance of Directors at Board Meetings**

The details of the attendance of the Directors at Board Meetings held in the year ended 31 December 2005 are set out in the Statement on Corporate Governance appearing from pages 19 to 26 of the Annual Report.

# proxy FORM

**DIJAYA CORPORATION BERHAD**

(47908-K)

Incorporated in Malaysia

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **DIJAYA CORPORATION BERHAD** hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty Seventh (27th) Annual General Meeting of the Company to be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 26 June 2006 at 10.30 a.m. or any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon.		
2.	To declare a first and final dividend of 4% per share less 28% Malaysian Income Tax for the year ended 31 December 2005.		
3.	To re-elect Mr. Michael Lim Hee Kiang as Director.		
4.	To re-elect Encik Roslan Bin Hj Yahya as Director.		
5.	To re-elect Dato' Ahmad Hassan Bin Osman as Director.		
6.	To approve the payment of Directors' fees amounting to RM133,000.00 for the year ended 31 December 2005 (2004 : RM50,300.00).		
7.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.		
8.	Special Business – Ordinary Resolution 1: - To authorise Directors to issue shares up to 10% of the issued capital for the time being.		
9.	Special Business – Ordinary Resolution 2: - Proposed Share Buy-Back Renewal.		

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.

\_\_\_\_\_  
Signature/Seal of Shareholder(s)

**No. of shares held**

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

**Notes:**

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (subject always to a maximum of two (2) proxies) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
- (ii) To be valid, the instrument appointing a proxy or proxies, under the hand of the appointer or his attorney duly authorised in writing, must be completed and deposited at the Company's Registered Office at Lot 302, 3rd Floor, Wisma Dijaya, No. 1A, Jalan SS20/1, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
- (iii) 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.
- (iv) If the appointer is a corporation, the instrument appointing a proxy must be executed under its seal or under the hand of its attorney.

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Stamp

**Dijaya Corporation Berhad**  
Lot 302, 3rd Floor, Wisma Dijaya  
No. 1A, Jalan SS 20/1  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

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