



▲ The existing Sitra Causeway Bridges, Bahrain with a view of Nabih Saleh Island



▲ Artist impression of Nam Theun 1 Hydropower Dam, Laos



▲ The completed Durgapur Expressway, India

Gulf States' Projects - New Doha International Airport (NDIA), Qatar



▲ A satellite view of the NDIA site



▲ One of the four wharfs serving the NDIA site



▲ An overview of the project site showing one of the four asphalt plants

Gulf States' Projects - Dukhan Highway, Qatar



▲ Ongoing road works at Dukhan



▲ Asphalt Plant



▲ Excavation works in progress



▲ Rock breaking and trimming works

Corporate Social Responsibilities

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At Gamuda, we are ever mindful of our responsibilities to our various stakeholders, the environment, and the communities in which we operate. For the 30 years that the Group has been in business, we have always been guided by the principles of responsible corporate citizenship in the management of operations and delivery of business commitments.

The sponsorship of community and educational programs are issues that have always remained close to our heart. Towards this end, we have, over the past 10 years alone, committed RM30 million to various worthy causes. Amongst others, the following are some of the CSR programmes undertaken by us:

1 Gamuda Annual Scholarship & Excellence Award

Since 1996, we have awarded 84 scholarships worth more than RM7 million to qualified and deserving Malaysians studying at local and foreign universities. In the last financial year, we increased the number of awards to 16 scholarship and excellence awards as evidenced by a minimum of RM2 million commitment a year to furthering this cause. The Group's associates, Litrak and SPLASH have similar annual scholarship awards based on the same principles.

2 Quantity Surveying Apprenticeship Program

Since 1995, the Group has sponsored 98 school-leavers as in-company trainees under the Quantity Surveying apprenticeship program as an alternative pathway to a tertiary education. Upon

successful completion, the trainees can either further their education at various universities or gain employment within the Group. Following the success of this program, it has now been upgraded into a diploma program in collaboration with Universiti Teknologi Malaysia (UTM).

3 Gamuda Plant Operator School

To address an acute shortage of competent plant operators and the need for better safety practices in the construction industry, the Gamuda Plant Operator School (GPOS) was established in 1997 at a cost of RM10 million to provide construction plant and heavy machinery operation skills and work safety training.

As a non-profit organization, GPOS has, over the years, in collaboration with CIDB, ABM Selangor, DOSH

and NIOSH, provided opportunities for 15,000 unskilled and semi-skilled workers across both rural as well as urban worksites from the general construction industry to upgrade their skills and safety practices. Last year, of the 1,800 GPOS trainees who attended apprenticeship and plant operation competency and safety programs, many found gainful employment overseas.

4 Recognition for Environmental Practice

The Group is the proud recipient of many prestigious awards, locally and overseas, is an affirmation of the Group's steadfast adherence to good environmental practices. The awards include the :

- Malaysia Environmental and Social Reporting Award
- Corporate Social and Environmental Responsibility Award



▲ Gamuda Scholarship & Excellence Award presentation 2006

▲ Y A M Raja Dato' Seri Eleena with one of the recipients at the inauguration of Gamuda's maiden Scholarship Award in 1996



▲ Practical training at the Gamuda Plant Operator School



▲ SSP3 Project – New Kg. Pertak for resettled orang asli



▲ Taman Gamuda at Sekolah Kebangsaan, Sg. Buloh
- a school greening project in collaboration with WWF



▲ School children visiting the Bukit Badong Water Treatment Plant

- Air Quality Protection Model Award
- Planning and Implementation Award for Environmental Protection Policies

5 Orang Asli Community Development

The Malaysian-Canadian Business Council "Award for Good Corporate Citizen" to Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH) is testament to the success of our community-based projects in improving the livelihood of the Orang Asli community

6 Tsunami Disaster Relief Fund

The Group contributed generously to the Tsunami Disaster Relief Fund to aid the relief and re-generation process.

7 Educational Project for Our Future Generation

- 7a School Greening in collaboration with WWF**
To support the WWF Malaysia Environmental

Education Program, we adopted Sekolah Kebangsaan Sungai Buloh for one year and together with WWF Malaysia will aid the school in the development of outdoor learning stations, mini-gardens and school greening activities.

7b Power Learning Workshop for Employees Children

In June 2006, teenage children of the Group's employees enjoyed a workshop aimed at developing their creative capacities and team-building skills that was funded by the Group.

7c Encouraging English Proficiency in collaboration with Star Education

The Group enabled UPSR students from 150 primary schools throughout the country to receive complimentary

copies of The Star to help prepare them for the transition of Math & Science subjects from Bahasa Malaysia to the English Language as they enter Form 1.

7d Understanding Traffic Safety in collaboration with PDRM

LITRAK, in collaboration with the Petaling Jaya and Subang Jaya Traffic Police Division and PDRM conducted traffic safety talks to school students.

7e Learning About Water Treatment Processes

Some 300 visitors including school children and local residents toured SPLASH's Bukit Badong Water Treatment Plant to gain a better insight about water treatment processes, in conjunction with World Water Day 2005.

Awards & Achievements

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International Recognition

- 1 Contractor of the month : September 2006** for outstanding ES&H Performance for the New Doha International Airport Project
 - 2 Top Rated Residential Landed Properties - CONQUAS 21 Construction Quality Assessment** by the Building Construction Authority (BCA) of Singapore, received by Harum Intisari Sdn Bhd for Bandar Botanic in 2006
 - 3 Corporate, Social and Environmental Responsibilities Award 2004** by the Bahrain Malaysia International Trade and Investment Bureau, received by Hicom-Gamuda Development Sdn Bhd
- Air Quality Protection Model Award 2003** by The Environmental Bureau of Kaohsiung County Government, received by New Asia Construction & Development Corporation-Gamuda Berhad, Joint Venture

Planning and Implementation Award 2003 for Environmental Protection Policies by the Government of Taiwan through The Environmental Protection Administration, Executive Yuan, Republic of China, received by New Asia Construction & Development Corporation-Gamuda Berhad Joint Venture.

- 4 FIABCI Property Award of Distinction, Best Master Plan 2003** for Bandar Botanic by the International Real Estate Federation (FIABCI)

Landscape Planning Award, International Award 2003 for Kota Kemuning Wetland Park by the Singapore Institute of Landscape Architects, received by Hicom-Gamuda Development Sdn Bhd

Recipient of the American Business Initiative Directions' (BID) Quality Summit International Award 2002, Gold Category. Held in New York, the BID award was extra special because KPGCC was the only Malaysian business entity amongst 64 countries present at the convention.

Builder's Gold Medal Award 1998 by the International Federation of Asian & Western Pacific Contractor's Association (IFAWPCA), received by Kesas Sdn Bhd for civil engineering construction works on the Shah Alam Expressway (SAE).

Government of Malaysia

Landscape Award 2005: Main Road/Protocol Road Category by the Kuala Lumpur City Hall, received by Western KL Dispersal Scheme (SPRINT Highway)

Merit Award of the KLSSE Corporate Sectoral Award 2003 for Main Board, Construction Sector, received by Gamuda Berhad

Best Maintained Township 2003 for Kota Kemuning by the Ministry of Housing and Local Government, received by Hicom-Gamuda Development Sdn Bhd



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3

Landscape Community Hillpark Award 2003 by the State Government of Selangor, received by Hicom-Gamuda Development Sdn Bhd

2.5 Million 'Manhours Without A Loss Time Injury' for the construction of the Sungai Selangor Water Supply Scheme Phase 3 Project awarded in 2002 by the Department of Occupational Health and Safety (DOSH) Selangor

The Malaysian Construction Industry Award 2001 by the Construction Industry Development Board for Large Scale Project: Western KL Dispersal Scheme (SPRINT Highway), received by Gamuda Berhad

Professional Bodies

- 5 Engineering Award 2006** by the Association of Consulting Engineers Malaysia (ACEM), received by Harum Intisari Sdn Bhd, for fostering Engineering Excellence in the Bandar Botanic Development

Malaysia Environmental and Social Reporting Award (MESRA) 2005 by the Association of Chartered Malaysian Accountants, received by Lingkaran Trans Kota Sdn Bhd (LITRAK) and Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT), the first highway concessionaires to receive the award

Urban Re-Development, Conservation and Rehabilitation Award 2003, Planning Excellence for Kota Kemuning Wetland Park by the Malaysian Institute of Planners, received by Hicom-Gamuda Development Sdn Bhd

- 6 National Landscape Award 2004** by the Malaysian Landscape Industry Association, received by Harum Intisari Sdn Bhd for Best Landscape Township Category: Bandar Botanic Central Lake

Planning, Innovation and Concept Award 2000 for Kota Kemuning by the Malaysian Institute of Planners, received by Hicom-Gamuda Development Sdn Bhd

Publications

Forbes "Best Under A Billion 200 Companies" for 2002 & 2005, received by Gamuda Berhad

FinanceAsia's Best Companies 2002 – Categories of Best Managed Company and Strongest Commitment to Enhancing A Shareholder Value, received by Gamuda Berhad

Euromoney's Best Managed Companies in Asia 2000 – Construction, received by Gamuda Berhad

The 2000 Reuters Survey of Global Emerging Markets

- First in terms of quality of information provided via one-to-one meetings and quality of on-going relationship
- Second for quality of information provided via one-to-one telephone calls as well as quality of information via e-mail
- Third for speed of responses and preparation of one-to-one meetings



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Top Golf Course, Most Scenic and Most Memorable Golf Course in Malaysia 2005/2006
for Kota Permai Golf & Country Club by Golf Malaysia Poll

Runner-up for Best Maintained Golf Course in Malaysia 2005/2006 for Kota Permai Golf & Country Club by Golf Malaysia Poll

Most Scenic, Memorable and No. 1 Golf Course in Malaysia by Golf Malaysia Poll 2001/2002
for Kota Permai Golf & Country Club by Golf Malaysia Poll

ISO Certification

Gamuda Berhad and Gamuda Engineering Sdn Bhd
MS ISO 9002:1994 Quality Systems for the Provision of Construction Services in Building and Civil Engineering Works

Gamuda Berhad and Gamuda Engineering Sdn Bhd
Upgraded to MS ISO 9001:2000 Quality Systems for the Provision of Construction Services in Building and Civil Engineering Works

Gamuda Land (Hicom-Gamuda Development, Valencia Development Sdn Bhd, Harum Intisari Sdn Bhd)
MS ISO 9001:2000 Quality Management Systems for the Provision of Property Development Services in Residential, Commercial, Industrial and Institutional Projects

Lingkar Trans Kota Holdings Berhad (LITRAK)
MS ISO 9002:1994 Quality Systems for the Provision of Highway Operations and Maintenance Services

Kesas Sdn Bhd
MS ISO 9002:1994 Quality System for the Management and Operations of Shah Alam Expressway

7 Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH)
ISO/IEC 17025 Laboratory Quality Management for Rasa Water Treatment Plant Laboratory.

8 Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH)
ISO/IEC 17025 Laboratory Quality Management for Bukit Badong Water Treatment Plant Laboratory

GB Kuari Sdn Bhd
MS ISO 9002:1994 Quality Management Systems for Manufacture of Aggregates and Premix

MS ISO 14001:1997 Environmental Management Systems for the Operation of a Plant for Manufacturing of Premix and Aggregates including Quarrying

Megah Sewa Sdn Bhd
MS ISO 9002:1994 Quality Systems for the Provision of Rental and Maintenance Services for Construction Plant and Equipment



7



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Corporate Governance

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Corporate Governance Statement

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Gamuda continues to uphold its commitment to high standards of corporate governance. This statement describes how the Company has applied the main and supporting principles and best practices identified in the Malaysian Code on Corporate Governance (the Code) throughout the financial year ended 31 July 2006 ("2006" or the year).

THE BOARD

The composition of the Board has not changed since the last report. The Board considers that the current composition of the Board to be in line with the Code and is of the appropriate size and with the right mix of skills and experience. The Board's main roles are to create value for shareholders, to provide leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those

objectives to be achieved. The Non-executive Directors are a strong element within the Board with their views carrying significant weight in the Board's decision-making process. The Board met formally on six occasions during 2006, of which four meetings were held following meetings of the Audit Committee. Additionally, the Directors met informally on two other occasions during the course of the directors' in-house training programmes. The Board has a supporting committee structure in

line with the recommendations of the Code. The standing committees of the Board are the Audit Committee, Remuneration Committee and Nomination Committee. Directors serving on the Board's committees together with their profiles are identified in the Directors' Profile beginning on page 30. Individual attendance at meetings of the Board and of the Audit, Remuneration and Nomination committees during 2006 is set out in the tables below.

The Board	Number of meetings attended during 2006	%
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim (Chairman)	5/6	83
Dato' Lin Yun Ling	6/6	100
Tan Sri Dato' Mohd Ramli bin Kushairi	5/6	83
Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain	6/6	100
Raja Dato' Seri Eleena binti Raja Azlan Shah	6/6	100
Raja Dato' Seri Abdul Aziz bin Raja Salim	5/6	83
Dato' Ir Kamarul Zaman bin Mohd Ali	6/6	100
Dato' Ir Haji Azmi bin Mat Nor	5/6	83
Mr Ng Kee Leen	6/6	100
Mr Goon Heng Wah	6/6	100
Ir Ha Tiing Tai	4/6	67
Ms Wong Chin Yen	5/6	83
Mr Saw Wah Theng	6/6	100
Mr Chow Chee Wah (Alternate to Dato' Lin Yun Ling)	5/6	83

Audit Committee	Number of meetings attended during 2006	%
Raja Dato' Seri Abdul Aziz bin Raja Salim (Chairman)	3/4	75
Tan Sri Dato' Mohd Ramli bin Kushairi	4/4	100
Ms Wong Chin Yen	4/4	100
Mr Ng Kee Leen	3/4	75

Remuneration Committee	Number of meetings attended during 2006	%
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim (Chairman)	1/1	100
Dato' Lin Yun Ling	1/1	100
Raja Dato' Seri Abdul Aziz bin Raja Salim	1/1	100

Nomination Committee	Number of meetings attended during 2006	%
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim (Chairman)	1/1	100
Tan Sri Dato' Mohd Ramli bin Kushairi	1/1	100
Ms Wong Chin Yen	1/1	100

The division of responsibilities between the Chairman and the Managing Director is clearly defined. The Chairman is primarily responsible for organising the business of the Board, setting its agenda, ensuring the effective running of the Board; and facilitates the constructive relations between the executive and non-executive Directors whilst the Managing Director is primarily responsible for managing and supervising the day-to-day businesses of the Group and the development and implementation of strategy. The Company has a designated Senior Independent Non-executive Director. The Senior Independent Non-executive Director acts as a facilitator for communication between the shareholders and the Board and he

ensures that the Board is aware of any shareholder concerns not resolved through the existing mechanisms for investor communication. Tan Sri Dato' Mohd Ramli bin Kushairi is the Senior Independent Non-executive Director appointed to this role since 2001. The Board considers that it is appropriate for Tan Sri Dato' Mohd Ramli bin Kushairi to continue to act as Senior Independent Non-executive Director.

The Board has a formal schedule of matters specifically reserved for its decision, which can only be changed, as and when appropriate, by the Board itself. The specific responsibilities include approval of strategic direction of the Group and policy issues; approval of

quarterly results and annual financial statements; approval of major acquisitions and disposals, and related due diligence requirements; and approval of major capital expenditure, related party transactions, dividend policy, changes to membership of the Board and its committees. To assist the Board in performing these responsibilities, information appropriate in quality and timeliness, is received for each Board meeting. The Directors have access to the advice and services of the Company Secretary and it is acknowledged that individual Directors may wish to seek independent professional advice in connection with their responsibilities and duties. The Company will meet reasonable expenses incurred in this regard.

Corporate Governance Statement

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Throughout their period in office, the Directors are continually updated on the Group's business and environment in which it operates, by written briefings and by meetings with senior executives, who are invited to attend and present at each Board meeting. They are also updated on any changes to legal and governance requirements of the Group and which affect themselves as Directors. In-house and external trainings are available to all Directors on an ongoing basis as required. Directors will continue to undergo relevant training programmes to keep abreast of relevant new legislations, financial reporting requirements, changing commercial risks or other developments in the market place; and to aid them in the discharge of their duties as director more effectively. The Company Secretary facilitates the organisation of the in-house training programmes and maintains a record of the Directors' attendances and details of all in-house and external training programmes attended by the Directors. During the year, all Directors had attended at least one training programme, with some attending all the in-house training programmes lined up for them throughout the year, which are all one-day programmes. The programmes attended by them collectively or individually included the following:-

- i. Finance for Non-Finance Directors
- ii. Ernst & Young Technical Seminar - Financial Reporting Standards (FRS) Update

iii. Managing Regulation Enforcement & Compliance

The Board utilises a formal and internal process for the annual evaluation of the performance of the Board, its committees and individual Directors. During the year, the Directors were presented with a new format of questionnaire for completion. The new format was aimed at improving the process of evaluation.

As set out in the Code and the Company's Articles of Association, each director must stand for re-election every three years. Any director who has attained the age of seventy, is required to stand for re-appointment annually at the Annual General Meeting (AGM) in accordance with the Companies Act, 1965 (the Act). The Board is pleased to inform that all Directors who are required to seek re-appointment at the 2007 AGM have indicated their willingness to stand for re-appointment.

AUDIT COMMITTEE

The membership of the Committee has not changed since the last report. The Committee is constituted in accordance with the relevant requirements of the Listing Requirements of Bursa Malaysia Securities Berhad. The Committee undertakes a detailed review of the Group's quarterly results and annual financial statements, and is responsible for monitoring accounting policies; internal controls compliance and internal and external audit

functions including the independence and objectivity of the auditors. The Committee meets at least four times a year, generally before the Board meetings at which the quarterly results and annual financial statements were approved. During the year, the Committee met on four occasions. In addition, the Independent Non-executive Directors have met privately with the external auditors, without their Executive colleagues present, and additionally without the Management present. The meeting enables the external auditors to, in confidence, raise issues or concerns in matters of financial reporting. The external auditors attended one Audit Committee meeting during the year, during which they presented the proposed nature and scope of their work and areas of audit emphasis before the audit commenced, raised matters requiring consideration in particular as regards the Group's accounting policies and audit approach. During one of its meetings, in the month of September, the Committee conducted a verification of the allocation of share options to eligible Directors and employees of the Group for the financial year ended 31 July 2006 to ascertain whether or not it complied with the criteria of allocation set out in the By-laws of the Company's Employees Share Option Scheme. The Committee is satisfied that the allocation of share options is in compliance and will continue to conduct such verification on an annual basis.

The work of this committee during 2006 is described at greater length in the Audit Committee Report beginning on page 78.

REMUNERATION COMMITTEE

The membership of the Committee has not changed since the last report. The Committee is constituted in line with the recommendations of the Code. The Committee makes recommendations to the Board on structuring directors' remuneration packages. No director plays a part in any discussion or decision on his or her own remuneration.

Remuneration packages of the Directors are prudently designed to attract, motivate and retain directors of the calibre required to ensure the continued success and development of the Group's businesses. The Committee continues to view the Employees Share Option Scheme as an appropriate method to incentivise executive directors and senior management; and to attract and retain capable individuals to act as non-executive directors needed to run the Company successfully. In deciding the appropriate level of the executive and non-executive directors' remuneration, the Committee relies on objective market survey, from internal and external sources, with as up-to-date information as possible on a comparator group of companies. The Committee met on one occasion in 2006 and there were no absentees. The meeting is ordinarily held in the month of

January. During the meeting, the Committee reviewed the remuneration packages of the Directors on the basis of market survey information received from Group Human Resources & Administration Division and Watson Wyatt. The Executive Directors received certain benefits in kind, principally in the provision of car benefit, fuel or equivalent cash allowance, private health care and life assurance. Fees are paid to Non-executive Directors with the approval of shareholders at the AGM. Details of the Directors' remuneration are shown on pages 112 and 113.

NOMINATION COMMITTEE

The membership of the Committee has not changed since the last report. The Committee is constituted in line with the recommendations of the Code. The Committee met on one occasion in 2006 and there were no absentees. During the meeting, the Committee reviewed a new format of questionnaire for the evaluation of the Board's performance; identified suitable in-house training programmes for the Directors for the new financial year commencing 1 August 2006 for recommendation to the Board; and identified Directors who are to stand for re-election and re-appointment at the Company's 2007 AGM for recommendation to the Board, after they were evaluated to be eligible to stand for re-election and re-appointment respectively.

INTERNAL CONTROL

The Board is responsible for the Group's system of control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing significant risks across the Group. The Audit Committee receives reports setting out key risk indicators of each business unit and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the business units and reinforced by risk awareness training. The Audit Committee also receives reports from the internal audit function and, where appropriate, recommendations for improvement are considered. The Board's agenda includes consideration of risk maps and controls, and it receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The work undertaken by the internal audit function and the Audit Committee helps to enable the Board to make the statement relating to internal control in the Statement on Internal Control.

Corporate Governance Statement

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FINANCIAL REPORTING & CONTROL

The Group has a detailed budgeting system and a comprehensive system for reporting financial results to the Board. Each business unit maintains financial controls and prepares monthly results with a comparison against budget. There are clearly defined guidelines for the review and approval of capital expenditure projects. These include annual budgets and designated levels of authority. The Group's centralised internal audit function reviews the systems and procedures in all business units and reports regularly to the Audit Committee who reports to the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Act to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- applied appropriate accounting policies and applied them consistently;

- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group, which enable them to ensure that financial statements comply with the requirements of the Act. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

RELATIONS WITH SHAREHOLDERS & INVESTORS

The Board as a whole is responsible for ensuring that there is effective dialogue with shareholders and investors. The Company has an active investor relations programme with the Managing

Director and/or the Group Senior General Manager, Business Development & Corporate Finance hosting events enabling communication with institutional investors, analysts and the media, in the periods following the announcement of the quarterly results and new projects; and at other appropriate times during the year. The Company reports formally to shareholders four times a year when its quarterly results are announced and another time when its Annual Report is issued to shareholders. The Board considers the Quarterly Results Report and the Annual Report including the Chairman's Perspective and Review of Operations present a balanced and clear assessment of the Group's position and prospects. These information together with other information about the Group are also posted on the Company's website at www.gamuda.com.my. Notice of the Company's AGM and the Annual Report are sent to shareholders at least twenty-one days before the meeting, and separate resolutions are proposed on each special issue with explanatory notes given on the special issue. The Company allows proxy voting for all shareholders. To ensure effective two-way communication, the Chairman together with his fellow Directors also meets with shareholders during the AGM. The Board welcomes all shareholders to the AGM to discuss appropriate topics during the meeting or with the Directors after the formal proceedings have ended.

CODE OF PRACTICE

The Company has a written code on business practices/ethics, applicable Group-wide, which sets out guidelines for all staff to enable the Group to meet the highest standards of conduct in business dealings including those with overseas clients and partners.

CORPORATE SOCIAL RESPONSIBILITY

The Group is aware of its responsibilities to the communities in which it operates and is committed to progressively embedding Corporate Social Responsibility best practice into every aspect of the Group's operations. Environmental risk is monitored across all our operations and there is a system in place to ensure that all plants and facilities comply with relevant environmental management standards. The Company's contribution to the "Golf for Nature 2005" a fundraising golf tournament organised by WWF-Malaysia, has led to its adoption of a school, Sekolah Kebangsaan Sungai Buloh, for one year. It is a partnership approach with WWF-Malaysia, to aid the school in the development of outdoor learning stations, mini gardens and school greening activities ("School Greening Programme"). The programme is part of the WWF-Malaysia Environmental Education Programme. The winning of many prestigious awards, locally and overseas, is an affirmation of the Group's good environmentally-responsible practice. The awards included:-

- "Malaysia Environmental and Social Reporting Award" by the Association of Chartered Malaysian Accountant, received by Lingkaran Trans Kota Sdn Bhd (LITRAK) and Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT), the first highway concessionaires to be awarded the Award;
- "Corporate, Social and Environmental Responsibility Award" by the Bahrain Malaysia International Trade & Investment Bureau, received by Hicom-Gamuda Development Sdn Bhd;
- "Air Quality Protection Model Award" by The Environmental Bureau of Kaohsiung County Government, received by New Asia Construction & Development Corporation-Gamuda Berhad Joint Venture;
- "Planning and Implementation Award for Environmental Protection Policies" by the Government of Taiwan through The Environmental Protection Administration, Executive Yuan, Republic of China, received by New Asia Construction & Development Corporation-Gamuda Berhad Joint Venture.

The Group is dedicated to helping deserving students to continue their studies at universities through its annual GAMUDA Scholarship Award, LITRAK Scholarship Award and SPLASH Scholarship Award (open to the aboriginal/'Orang Asli'

community). The Group employs the scholarship students upon their graduation. In addition, our recruitment team went on a road show to conduct a series of interviews at a few public universities. The road show resulted in the employment of fifteen graduates from these universities. The success of our community-based project in improving the livelihood of the Orang Asli community has been recognised by the award to Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH) of the "Malaysian-Canadian Business Council Award for Good Corporate Citizen". When lives and communities were destroyed by a tsunami that devastated large areas of Asian and African coastline, the Group contributed generously to the Tsunami Disaster Relief Fund to aid the relief and regeneration process. During the year, teenage children of the Group's employees enjoyed a workshop aimed at developing their creative capacities and team building skills during the start of the June semester holidays, funded by the Group. Employees of the Group are also encouraged to become involved with and to support local community projects, schools, charities and other causes. Underpinning the Group's health and safety policies, appropriate procedures to safeguard the health and safety of its employees, customers and visitors to its premises and others affected by it activities have been adopted within each of the Group's operations, with business unit heads responsible for their implementation, supported by the Group's centralised Health & Safety Committee.

Statement on Internal Control

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INTRODUCTION

The Malaysian Code of Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of the system. The Listing Requirements of the Bursa Malaysia Securities Berhad require the Board of Directors of listed companies to include an Internal Control Statement in their Annual Reports about the state of internal control in their Companies.

BOARD'S RESPONSIBILITY

The Board of Directors (the Board) affirms the overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. However, the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Accordingly, the internal control system can only provide reasonable and not absolute assurance against material misstatement or losses. The system of internal control covers inter alia, financial, operational and compliance system controls and risk management. The Board confirms that there is an on-going process of identifying, evaluating and managing all significant risks faced by the Group, that has been in place for the year and up to the date of approval of the Annual Report and Financial Statements, and that this process is regularly reviewed by the Board so as to be in accordance with the Internal Control Guidelines.

CURRENT RISK MANAGEMENT FRAMEWORK

The risk management framework has been embedded in the company's management systems. Authority and accountability have been clearly defined to implement the risk management process and internal control system. The Management assists the Board to implement the process of identifying, evaluating, and managing significant risks applicable to their respective areas of business and to formulate suitable internal controls to mitigate and control these risks.

Assessment and evaluation of risks that have an impact on new investments are undertaken by the respective project task force. For existing business operations, risk assessment and evaluation is an integral part of the annual business planning and budgeting process. The Management of each business unit, in establishing its business objectives, is required to identify and document all possible risks that can affect their achievements together with the associated controls that are

capable of mitigating such risks. By this process, each business unit's identified risks, the controls and processes for managing them are tabulated in a risk assessment report. Significant risks of business units are summarised into risk maps and presented annually to the Audit Committee for their consideration.

KEY INTERNAL CONTROL FEATURES

Key features of the processes established within the Group which can contribute to a sound system of internal control are as follows:

- Clearly defined operating structure, lines of responsibilities and delegated authority. Various Board and Management Committees have been established to assist the Board in discharging its duties. Among the committees are:
 - Audit Committee
 - Nomination Committee
 - Remuneration Committee
 - Budget Committee

- Internal control activities have been established in all business units with clearly defined lines of responsibilities, authority limits for major capital expenditure, contract awards and other significant transactions, segregation of duties, performance monitoring and safeguarding of assets.
- Policies, Procedures and Standard Operating Procedures which are systematically documented have been made available to guide staff in their day-to-day work. These policies and procedures are reviewed regularly and updated when necessary.
- A detailed budgeting process where operating units prepare their annual budgets, business plans and control measures to mitigate identified risk for consideration by the Budget Committee before being presented to Directors for approval.
- A comprehensive information system comprising budgets, key business indicators and performance results on operations are reported to Management and the Directors. The presence of comprehensive information system allows the Management and Directors to review business unit's performance against budgets and performance indicator on monthly basis.
- An ISO 9001:2000 Quality Management System, which is subject to regular review and improvement, continuously manages and controls the quality requirement of the Company's products and services.
- A Performance Management System which assists employees in planning their targets to achieve business objectives. Employees' performances are monitored on a half-yearly basis and are appraised and rewarded according to the achievement of targets set.
- Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance and job expectations.
- An adequately resourced Internal Audit function which reports directly to the Audit Committee, conducts regular reviews on integrity and effectiveness of the Group's system of internal controls.
- Board representation in its associated companies. Information on the financial performance of these associated companies is provided regularly to the management of the Company via Group management reporting procedures.
- Visits to business units by members of the Board and Senior Management.
- In respect of joint ventures entered into by the Group, the management of the joint ventures, which consist of representations from the Group and other joint venture partners are responsible to oversee the administration, operation, performance and executive management of the joint venture. Financial and operational information of these joint ventures are provided regularly to the Management of the Company.

The Board confirms that the Group's system of internal control was generally satisfactory throughout the financial year and up to the date of approval of the Annual Report. There were no major internal control weaknesses that require disclosure in the Annual Report and corrective actions have been taken on control exceptions identified.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed the Statement on Internal Control and reported to the Board that nothing has come to their attention that cause them to believe the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls. Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board.

Audit Committee Report

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The Board Audit Committee of Gamuda Berhad is pleased to present the Audit Committee Report for the year ended 31 July 2006.

MEMBERSHIP AND MEETINGS

The Audit Committee (AC) was formed by the Board and currently the AC comprises four (4) directors as follows:

1. YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Chairman / Independent Non-Executive Director
2. YBhg Tan Sri Dato' Mohd Ramli bin Kushairi
Member / Senior Independent Non-Executive Director
3. Ms Wong Chin Yen
Member / Independent Non-Executive Director
4. Mr Ng Kee Leen
Member / Non-independent Executive Director

The AC met four (4) times during the financial year ended 31 July 2006. Meeting attendance record of the members is as follows:

Name of Directors	Number of Meetings	
	Held	Attend
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4	3
YBhg Tan Sri Dato' Mohd Ramli bin Kushairi	4	4
Ms Wong Chin Yen	4	4
Mr Ng Kee Leen	4	3

TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board of Directors from amongst its Directors and shall consist of not less than three (3) members. The majority of the Audit Committee must be independent Directors. An Alternate Director must not be appointed as a member of the Audit Committee. The members of an Audit Committee shall elect a chairman from among their number who shall be an Independent Director.

At least one member of the Audit Committee:

- i. must be a member of the Malaysian Institute of Accountants (MIA); or
- ii. if he is not a member of MIA :
 - a. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 and have at least three years' working experience; or
 - b. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967 and have at least three years' working experience; or

- c. he must have a degree / masters / doctorate in accounting or finance and has at least 3 years' post qualification experience in accounting or finance; or
- d. he must have at least 7 years' experience as a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Audit Committee resulting in non-compliance with Bursa Malaysia Securities Berhad's Listing Requirements, the Board must fill the vacancy within three (3) months.

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

MEETINGS AND MINUTES

Meetings

Meetings shall be held not less than four (4) times a year. Additional meetings may be held upon request by any Audit Committee member, the Management, Internal or External Auditors. The Finance Director and Head of Internal Audit normally attend the meetings. Other directors, employees and the external auditors may attend meetings upon the invitation of the Audit Committee. At least once a year, the Audit Committee shall meet with the external auditors without the presence of any executive officer of the Group.

Quorum

A quorum shall consist of a majority of Independent Directors and shall not be less than two (2).

Secretary

The Company Secretary shall act as secretary of the Audit Committee.

Reporting Procedure

The minutes of each meeting shall be circulated to the Audit Committee members and to all Board members. Key issues discussed are reported by the Chairman of the Audit Committee to the Board.

AUTHORITY AND DUTIES

Authority

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

- i. have the authority to investigate any matter within its terms of reference;
- ii. have full and unrestricted access to any information pertaining to the Group;
- iii. have direct communication channels with the external and internal auditors, as well as employees of the Group; and
- iv. be able to obtain independent professional or other advice if it deems necessary.

Duties

The duties of the Audit Committee shall include a review of the following:

- i. the effectiveness of management information system and other systems of internal control within the Company and the Group.
- ii. the management's compliance with laws, regulations, established policies, plans and procedures.
- iii. with the assistance of the Management, the quarterly financial results and year-end financial statements prior to deliberation and approval by the Board, focusing particularly on :
 - a. changes in major accounting policies;
 - b. significant and unusual events;
 - c. the going concern assumption;
 - d. compliance with accounting standards and other legal requirements.

- iv. independence of the External Auditors and the framework within which the External Auditors can assert their independence.
- v. together with the External Auditors, the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements.
- vi. the selection, remuneration and resignation or dismissal of the External Auditors.
- vii. the scope, function and resources of Internal Audit function and authority necessary to carry out its duties.
- viii. the Internal Audit programme, processes and results of the audit work, process of investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function.
- ix. any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct concerning Management's integrity.
- x. allocation of options during the year under the Employee Share Option Scheme (ESOS) is in accordance with the criteria determined by the ESOS committee and in compliance with the ESOS by-laws.
- xi. matters conveyed to the Board that have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad are promptly reported to Bursa Malaysia Securities Berhad.
- xii. any other matters as may be directed by the Board from time to time.

Audit Committee Report

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INTERNAL AUDIT FUNCTION

The Company has an adequately resourced Internal Audit Department which adopts a risk-based audit approach when establishing its audit plan and strategy. The Internal Audit Department's main role is to provide reasonable assurance that the internal control systems continue to operate satisfactorily and effectively. During the year, the Internal Audit Department had undertaken independent and objective reviews of the system of internal controls that included governance, risk management and information system of major areas within the Group operations. The Internal Audit reports were deliberated by the Audit Committee and the recommendations were duly implemented by management.

Regular risk assessment reports, arising from risk evaluations undertaken by the management, were summarised by Internal Audit Department for consideration of the Audit Committee.

SUMMARY OF ACTIVITIES

Activities carried out by the Audit Committee during the financial year ended 31 July 2006 included the deliberation and review of :

- i. the unaudited quarterly financial results of the Group prior to submission to the Board for consideration and approval; matters arising from the audit of the Group in a meeting with the external auditors without the presence of the management;
- ii. the audited year-end financial results of the Group prior to submission to the Board for consideration and approval;
- iii. the Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report;
- iv. the Statement on Internal Control and Statement of Corporate Governance and its recommendation to the Board for inclusion in the Annual Report;
- v. the audit plan of the External Auditors in terms of their scope of audit prior to commencement of their annual audit;
- vi. the audit reports of the External Auditors in relation to audit and accounting issues arising from the audit;
- vii. new development and updates on Financial Reporting Standards issued by Malaysian Accounting Standards Board and their impact on the Group;
- viii. the performance of the External Auditors and the recommendations to the Board on their reappointment and remuneration;
- ix. related party transactions as required under the Bursa Malaysia Securities Berhad's Listing Requirements to ascertain that transactions are conducted at arm's length prior to submission for the Board's consideration and where appropriate, shareholders' approval;
- x. the summaries of risk assessment results arising from risk evaluations conducted by the Management prior to their submission to the Board for their consideration;
- xi. the risk-based annual audit plan presented by the Internal Auditors for the Group;
- xii. the audit reports presented by the Internal Auditors on major findings, recommendations and Management's responses thereto;
- xiii. options allocation pursuant to the ESOS of the company during the Financial Year Ended 31 July 2006 that was verified by the Internal Auditors, was found to the satisfaction of the Audit Committee to be consistent with the ESOS by-laws and the criteria set out by the ESOS Committee;
- xiv. the results of follow-up audits conducted by the Internal Auditors on the Management's implementation of audit recommendations.

Statement of Directors' Interests

as at 27 November 2006

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As shown in the Register of Directors' Shareholdings.

Other than disclosed below, there is no other Director of the Company who has interest in the shares, warrants and options over shares in Gamuda Berhad and its related corporations.

GAMUDA BERHAD

NO. OF ORDINARY SHARES OF RM1.00 EACH

Name of Director	Direct	%	Deemed	%
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim	325,828	0.04	—	—
Dato' Lin Yun Ling	—	—	46,848,818 [^]	6.13
Raja Dato' Seri Eleena binti Raja Azlan Shah	—	—	76,000,000 [*]	9.95
Dato' Ir Kamarul Zaman bin Mohd Ali	667,000	0.09	—	—
Ng Kee Leen	12,636,114	1.65	—	—
Goon Heng Wah	10,000,000	1.31	—	—
Ha Tiing Tai	11,907,938	1.56	—	—

Notes:

[^] Through HSBC (Malaysia) Trustee Berhad

^{*} Through Generasi Setia (M) Sdn Bhd and include ordinary shares held by Generasi Setia (M) Sdn Bhd through a nominee company

NO. OF WARRANTS 1996/2006

Name of Director	Direct	%	Deemed	%
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim	110	#	—	—
Dato' Lin Yun Ling	—	—	8,053,442 [^]	13.18
Ng Kee Leen	2,168,000	3.55	—	—
Goon Heng Wah	1,000,058	1.64	—	—

Notes:

Less than 0.01%

[^] Through HSBC (Malaysia) Trustee Berhad

NO. OF WARRANTS 2001/2007

Name of Director	Direct	%	Deemed	%
Dato' Lin Yun Ling	–	–	12,240,551 [^]	9.59
Raja Dato' Seri Eleena binti Raja Azlan Shah	–	–	8,800,000 [*]	6.89
Dato' Ir Kamarul Zaman bin Mohd Ali	271,500	0.21	–	–
Ng Kee Leen	4,308,335	3.37	–	–
Goon Heng Wah	2,996,000	2.35	–	–
Ha Tiing Tai	3,477,000	2.72	–	–

Notes:

[^] Through HSBC (Malaysia) Trustee Berhad^{*} Through Generasi Setia (M) Sdn Bhd**EMPLOYEES' SHARE OPTION SCHEME OF GAMUDA BERHAD**

Name of Director	No. of option shares
Tan Sri Dato' Ir Talha bin Haji Mohd Hashim	100,000
Dato' Lin Yun Ling	1,500,000
Tan Sri Dato' Mohd Ramli bin Kushairi	100,000
Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain	100,000
Raja Dato' Seri Eleena binti Raja Azlan Shah	100,000
Raja Dato' Seri Abdul Aziz bin Raja Salim	100,000
Dato' Ir Kamarul Zaman bin Mohd Ali	630,000
Dato' Ir Haji Azmi bin Mat Nor	715,000
Ng Kee Leen	900,000
Goon Heng Wah	900,000
Ha Tiing Tai	900,000
Wong Chin Yen	100,000
Saw Wah Theng	825,000
Chow Chee Wah	715,000
(Alternate Director to Dato' Lin Yun Ling)	

Additional Compliance Information

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NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the financial year 2006 was RM218,000.

SHARES BUY-BACK

The Company did not purchase any of its own shares during the financial year 2006.

EXERCISE OF OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year 2006,

- i) 3,580,000 options were exercised in relation to the Employees' Share Option Scheme;
- ii) 80,000 Warrants 2001/2007 were exercised and converted into ordinary shares.

MATERIAL CONTRACTS INVOLVING DIRECTORS'/ MAJOR SHAREHOLDERS' INTERESTS

Other than as disclosed in Note 38 of the Financial Statements, there were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since 1 August 2005.

REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy of regular revaluation.

IMPOSITION OF SANCTIONS OR PENALTIES

There were no material sanctions or penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, directors or management during the financial year 2006.

STATUS OF UTILISATION OF PROCEEDS FROM THE BONDS ISSUE AND RIGHTS ISSUE OF WARRANTS

The status of utilisation of the proceeds from the 3% Redeemable Unsecured Bonds 2000/2007 and Rights Issue of Warrants as at 31 July 2006 was as follows:

Description	Approved Utilisation RM'000	Actual Utilised RM'000
Repayment of borrowings	115,000	115,000
Part payment for land acquisition	60,000	60,000
Working capital	100,700	100,700
Expenses of bonds issue	4,300	4,300
Investment in Syarikat Pengeluar Air Selangor Holdings Berhad (Holding company of SPLASH)	120,000	120,000
Total	400,000	400,000

RECURRENT RELATED PARTY TRANSACTION

The recurrent related party transaction conducted pursuant to Shareholders' Mandate during the financial year 2006 was as follows:

Nature of Transaction	Party Transacting with Gamuda Engineering Sdn Bhd ("GESB")*	Transacted Value (RM'000)	Relationship of Interested Related Party
Design and construction for upgrading works on Lebuhraya Damansara-Puchong	Lingkaran Trans Kota Sdn Bhd ("LTKSB")#	844	Dato' Lin Yun Ling and Mr Ng Kee Leen are common directors of Gamuda and Litrak. Dato' Lin Yun Ling is also a major shareholder of Gamuda and a shareholder of Litrak. Mr Ng Kee Leen is also a shareholder of Gamuda and Litrak.

* GESB is a wholly-owned subsidiary of Gamuda Berhad ("Gamuda").

LTKSB is a wholly-owned subsidiary of Lingkaran Trans Kota Holdings Berhad ("Litrak").