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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at the Penang Room, Level 3, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 23 June 2003 at 10.00 am for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2002 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a first and final dividend of 15% less 28% tax for the year ended 31 December 2002. **(Resolution 2)**
3. To approve the payment of Directors' Fees for the year ended 31 December 2002. **(Resolution 3)**
4. To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company:-
 - (i) Dato' Wan Zakariah bin Haji Wan Muda **(Resolution 4)**
 - (ii) Dato' Ismail @ Mansor bin Said **(Resolution 5)**
 - (iii) Datuk (Prof.) A Rahman @ Omar bin Abdullah **(Resolution 6)**
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

"THAT, Dato' Mohamed bin Awang, a Director after having attained the age of seventy years, be and is hereby re-appointed as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."**(Resolution 7)**
6. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

As Special Business:

7. To consider and if thought fit, passing the following Resolutions as Ordinary Resolutions:-

PROPOSED BONUS ISSUE OF UP TO 20,372,440 NEW ORDINARY SHARES OF RM1.00 EACH IN AZRB TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF TWO (2) NEW ORDINARY SHARES OF RM1.00 EACH FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN AZRB AT A DATE TO BE DETERMINED

"THAT, subject to the approval of the Kuala Lumpur Stock Exchange ("KLSE") for the listing of and quotation for all the new ordinary shares of RM1.00 each in the Company to be issued hereunder ("Bonus Shares"), approval be and is hereby given for the Company to capitalise a sum of RM20,372,440 from its share premium account and retained earnings, **AND THAT** the Directors be and are hereby authorised to apply such sums and to issue and allot up to 20,372,440 new Bonus Shares credited as fully paid-up and such Bonus Shares to be allotted to the registered shareholders of the Company whose names appear on the Record of Depositors at the close of business on an entitlement date to be determined by the Directors, in the proportion of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1.00 each held ("Proposed Bonus Issue"), fractions of a

Notice Of Annual General Meeting (Cont'd)

PROPOSED BONUS ISSUE OF UP TO 20,372,440 NEW ORDINARY SHARES OF RM1.00 EACH IN AZRB TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF TWO (2) NEW ORDINARY SHARES OF RM1.00 EACH FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN AZRB AT A DATE TO BE DETERMINED (CONT'D)

share to be dealt with by the Directors as they may deem fit **AND THAT** such Bonus Shares shall, upon issue and allotment, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of RM1.00 each of the Company save and except that they shall not be entitled to the dividends declared by AZRB in respect of financial year ended 31 December 2002, and any other dividends, rights, allotments and/or other distributions, the entitlement date (namely the date as at the close of business on which the shareholders must be registered in order to be entitled to any dividends, rights, allotments and/or other distributions) of which is prior to the date of allotment of the Bonus Shares **AND THAT** the Bonus Shares shall be treated for all purposes as an increase in the issued and fully paid-up capital of the Company and not as income **AND THAT** the Directors of the Company be and are hereby authorised to take all such necessary steps to give effect to the aforesaid Proposed Bonus Issue with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities in connection with the Proposed Bonus Issue as they may deem fit."

(Resolution 9)

PROPOSED PRIVATE PLACEMENT OF UP TO 7,130,000 NEW ORDINARY SHARES OF RM1.00 EACH IN AZRB REPRESENTING NOT MORE THAN 10.0% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF AZRB UPON THE COMPLETION OF THE PROPOSED BONUS ISSUE

"THAT, subject to the approval of the KLSE for the listing of and quotation for all the new ordinary shares of RM1.00 each in the Company to be issued hereunder ("Placement Shares"), approval be and is hereby given for the Company to issue and allot up to not more than ten percent (10%) of the issued and paid-up share capital of the Company after the completion of the Proposed Bonus Issue as stated in Ordinary Resolution 9 above at an issue price to be determined based on the weighted average market price of the Company's shares for the past five (5) days prior to the price fixing date, with a discount of not more than ten percent (10%) and to place the Placement Shares to prospective placees and deal with the same upon such terms and conditions as the Directors of the Company shall deem fit ("Proposed Placement") **AND THAT** such Placement Shares shall upon issue and allotment, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of RM1.00 each of the Company save and except that they shall not be entitled to the dividends declared by AZRB in respect of financial year ended 31 December 2002, and any other dividends, rights, allotments and/or other distributions, the entitlement date (namely the date as at the close of business on which the shareholders must be registered in order to be entitled to any dividends, rights, allotments and/or other distributions) of which is prior to the date of allotment of such Placement Shares **AND THAT** the Directors of the Company be and are hereby authorised to take all such necessary steps to give effect to the aforesaid Proposed Placement with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities in connection with the Proposed Placement as they may deem fit."

(Resolution 10)

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ZAKI HOLDINGS (M) SDN BHD AND RESIDENCE INN & MOTELS SDN BHD

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of KLSE ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries ("AZRB Group") to continue to enter into all arrangements and/or transactions with Zaki Holdings (M) Sdn Bhd and Residence Inn & Motels Sdn Bhd, involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the AZRB Group ("Related Parties") as disclosed in section 2.4 of the circular to shareholders dated 1 June 2003 ("Circular") provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders

(hereinafter known as "Shareholders' Mandate 1");

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 7th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of Shareholders' Mandate 1 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 7th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

Notice Of Annual General Meeting (Cont'd)

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ZAKI HOLDINGS (M) SDN BHD AND RESIDENCE INN & MOTELS SDN BHD (CONT'D)

whichever is earlier;

AND THAT the aggregate value of the transactions of Shareholders' Mandate 1 conducted during a financial year will be disclosed in accordance with the Listing Requirements in the annual report for the said financial year and the disclosure will include amongst others, the following information:

- (i) the types of recurrent related party transactions ("RRPT"); and
- (ii) the names of the Related Parties who have interests in each type of the RRPT entered into and their relationship with the AZRB Group;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to Shareholders' Mandate 1."

(Resolution 11)

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH QMC SDN BHD, CHUAN HUAT INDUSTRIAL MARKETING SDN BHD, CHUAN HUAT HARDWARE SDN BHD AND DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

"THAT, subject to the Act, the Memorandum and Articles of Association of the Company and the Listing Requirements, approval be and is hereby given to the AZRB Group to continue to enter into all arrangements and/or transactions with QMC Sdn Bhd, Chuan Huat Industrial Marketing Sdn Bhd, Chuan Huat Hardware Sdn Bhd and Dato' Haji Wan Zaki Bin Haji Wan Muda, involving the interests of the Related Parties as disclosed in section 2.4 of the Circular provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders

(hereinafter known as "Shareholders' Mandate 2");

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH QMC SDN BHD, CHUAN HUAT INDUSTRIAL MARKETING SDN BHD, CHUAN HUAT HARDWARE SDN BHD AND DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA (CONT'D)

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company (being the 7th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of Shareholders' Mandate 2 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 7th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

AND THAT the aggregate value of the transactions of Shareholders' Mandate 2 conducted during a financial year will be disclosed in accordance with the Listing Requirements in the annual report for the said financial year and the disclosure will include amongst others, the following information:

- (i) the types of RRPT; and
- (ii) the names of the Related Parties who have interests in each type of the RRPT entered into and their relationship with the AZRB Group;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to Shareholders' Mandate 2."

(Resolution 12)

Notice Of Annual General Meeting (Cont'd)

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH AZTECH CORPORATION SDN BHD

"THAT, subject to the Act, the Memorandum and Articles of Association of the Company and the Listing Requirements, approval be and is hereby given to the AZRB Group to continue to enter into all arrangements and/or transactions with Aztech Corporation Sdn Bhd, involving the interests of the Related Parties as disclosed in section 2.4 of the Circular provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders

(hereinafter known as "Shareholders' Mandate 3");

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company (being the 7th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority of Shareholders' Mandate 3 is renewed;
- (ii) the expiration of the period within which the next AGM of the Company (being the 7th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

AND THAT the aggregate value of the transactions of Shareholders' Mandate 3 conducted during a financial year will be disclosed in accordance with the Listing Requirements in the annual report for the said financial year and the disclosure will include amongst others, the following information:

- (i) the types of RRPT; and

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH AZTECH CORPORATION SDN BHD (CONT'D)

- (ii) the names of the Related Parties who have interests in each type of the RRPT entered into and their relationship with the AZRB Group;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to Shareholders' Mandate 3."

(Resolution 13)

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the first and final dividend of 15% less 28% tax for the financial year ended 31 December 2002, if approved, will be paid on 17 July 2003 to depositors registered in the Record of Depositors at the close of business on 11 July 2003.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m on 11 July 2003 in respect of ordinary transfer; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board
BAHARI BIN JOHARI
LIM MING TOONG
LIEW WAI KEAN
 Secretaries

Kuala Lumpur
 1 June 2003

Notice Of Annual General Meeting (Cont'd)

NOTES:

1. *A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
3. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.*
5. *Where the Form of Proxy is executed by a corporation, it must be executed under its Seal or under the hand of its attorney.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrar, Mega Corporate Services Sdn. Bhd., Share Registration Department, Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.*

Explanatory notes on the Special Business**Resolution 9**

This resolution, if passed, will allow the Company to issue up to 20,372,440 ordinary shares of RM1.00 each in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1.00 each in AZRB ("AZRB Shares") held by shareholders whose names appear in the Record of Depositors of the Company at a date to be determined ("Proposed Bonus Issue"). The Proposed Bonus Issue will increase the issued and paid-up share capital of the Company to a level which commensurates with the value of its assets employed and will enable the Company to comply with the minimum capital requirement of at least RM60 million for a company listed on the Main Board of the Kuala Lumpur Stock Exchange.

Further information on the Proposed Bonus Issue is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

Resolution 10

This resolution, if passed, will allow the Company to implement a placement of up to 7,130,000 new ordinary shares of RM1.00 each in the Company, representing not more than 10.0% of the enlarged issued and paid-up share capital of AZRB after the completion of the Proposed Bonus Issue at a discount of not more than 10.0% from the theoretical ex-bonus price of the five (5) day weighted average market price of AZRB Shares prior to the price fixing date ("Proposed Placement"). The Proposed Placement will enable AZRB to raise funds for the working capital of the AZRB Group.

Further information on the Proposed Placement is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

Resolutions 11-13

These resolutions, if passed, will allow the AZRB Group to continue to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandates").

The Proposed Shareholders' Mandates would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the AZRB Group.

Further information on the Proposed Shareholders' Mandates is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

Statement Accompanying Notice Of AGM

Pursuant to Paragraph 8.28(2) of the Kuala Lumpur Stock Exchange Listing Requirements

- Attendance of Board meetings held during financial year ended 31 December 2002.

There were 4 Board meetings held during the financial year ended 31 December 2002. Details of attendance of the Directors are as follows:-

Name of Director	Total Meetings attended by the Director	% of Attendance
Executive Directors		
Dato' Haji Wan Zaki bin Haji Wan Muda	4/4	100%
Dato' Hamzah bin Hasan*	4/4	100%
Haji Mustaffa bin Mohamad	4/4	100%
Dato' Wan Zakariah bin Haji Wan Muda**	4/4	100%
Non-Executive Directors		
Dato' Ismail @ Mansor bin Said	4/4	100%
W Zulkifli bin Haji W Muda#	2/4	50%
Dato' Mohamed bin Awang	4/4	100%
Datuk (Prof.) A Rahman @ Omar bin Abdullah##	N/A	N/A

Notes

- * Dato' Hamzah bin Hasan was redesignated to Non-Executive Director on 1 January 2003 and subsequently resigned on 1 March 2003.
- ** Dato' Wan Zakariah bin Haji Wan Muda was appointed as Managing Director on 1 January 2003.
- # W Zulkifli bin Haji W Muda was redesignated to Executive Director on 1 March 2003.
- ## Datuk (Prof.) A Rahman @ Omar bin Abdullah was appointed on 1 January 2003.

- Place, Date and Time of Meeting

The Sixth Annual General Meeting of the Company will be held at the Penang Room, Level 3, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 23 June 2003 at 10.00 a.m.

- Profiles of Directors who are standing for re-election

The Directors who are offering themselves for re-election at the Annual General Meeting of the Company are as follows:

Name of Director

- Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director)
- Dato' Wan Zakariah bin Haji Wan Muda (Managing Director)
- Datuk (Prof.) A Rahman @ Omar bin Abdullah (Independent Non-Executive Director)
- Dato' Mohamed bin Awang (Independent Non-Executive Director)

Further details of the above Directors are set out in the Profile of Directors on pages 15 to 18 of this Annual Report and Statement of Directors' shareholdings on pages 45 to 46 of this Annual Report.

Corporate Information

DIRECTORS

Dato' Haji Wan Zaki bin Haji Wan Muda

Executive Chairman

Dato' Wan Zakariah bin Haji Wan Muda

Managing Director

Haji Mustaffa bin Mohamad

Executive Director

W Zulkifli bin Haji W Muda

Executive Director

Datuk (Prof.) A Rahman @ Omar bin Abdullah

Independent Non-Executive Director

Dato' Ismail @ Mansor bin Said

Independent Non-Executive Director

Dato' Mohamed bin Awang

Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Ismail @ Mansor bin Said

(Chairman, Independent Non-Executive Director)

Dato' Haji Wan Zaki bin Haji Wan Muda

(Member, Executive Chairman)

Dato' Mohamed bin Awang

(Member, Independent Non-Executive Director)

COMPANY SECRETARIES

Bahari bin Johari (LS No. 04998)

Lim Ming Toong (MAICSA: 7000281)

Liew Wai Kean (MAICSA: 7020245)

REGISTERED OFFICE

Mezzanine Floor
8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2094 1888
Fax: 03-2094 7673

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2692 4271
Fax: 03-2732 5388

PRINCIPAL BANKERS

Affin Bank Berhad
AmBank Berhad
AmMerchant Bank Berhad
Bumiputra-Commerce Bank (M) Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

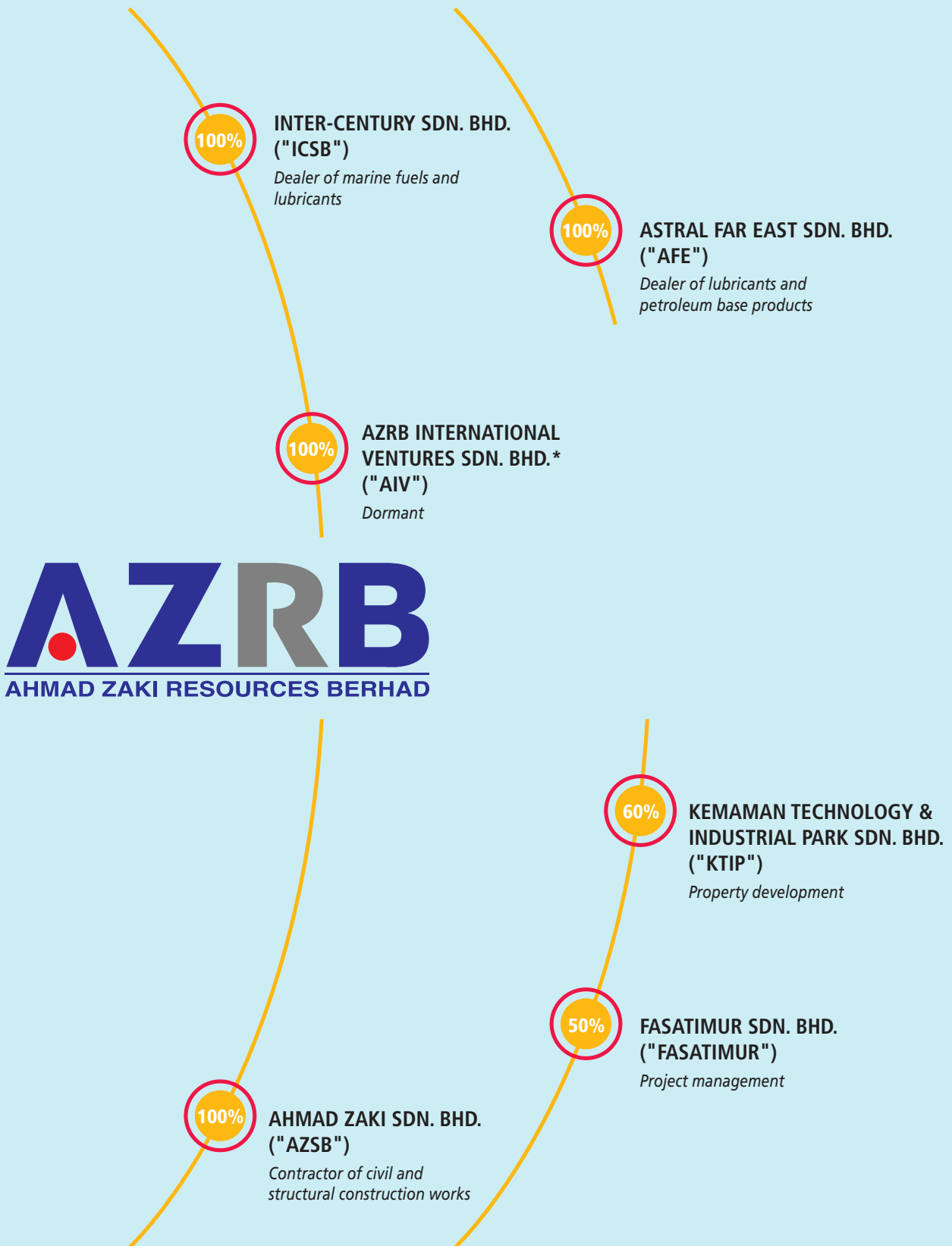
AUDITORS

Moore Stephens
Chartered Accountants
8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

STOCK EXCHANGE

Second Board of the
Kuala Lumpur Stock Exchange

Corporate Structure

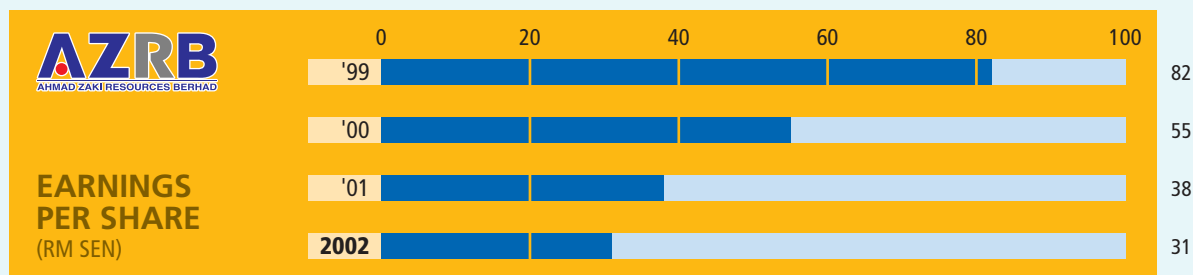
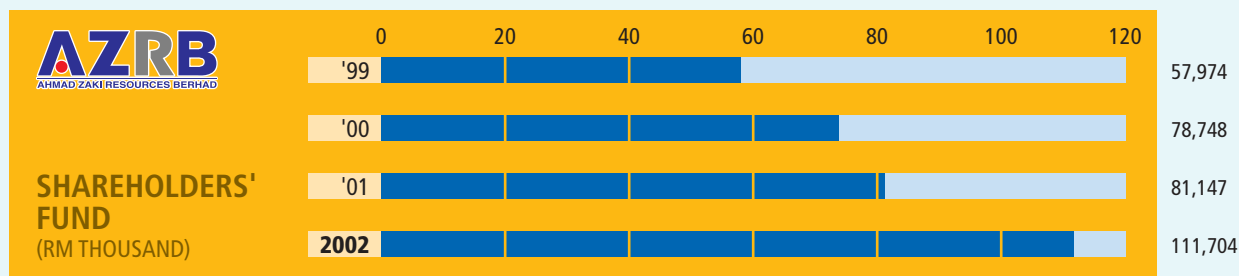
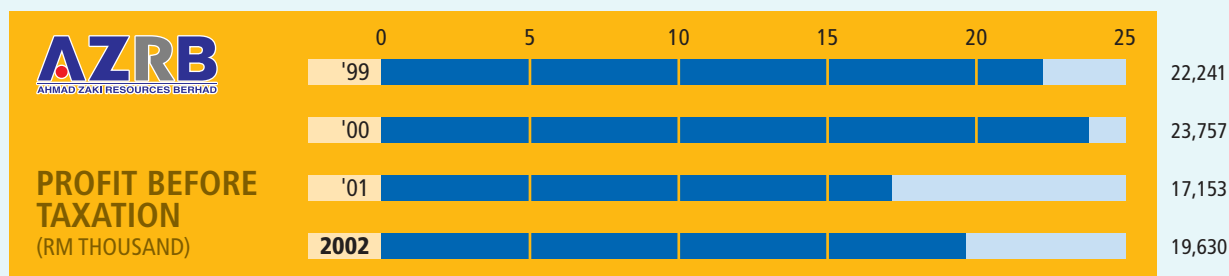
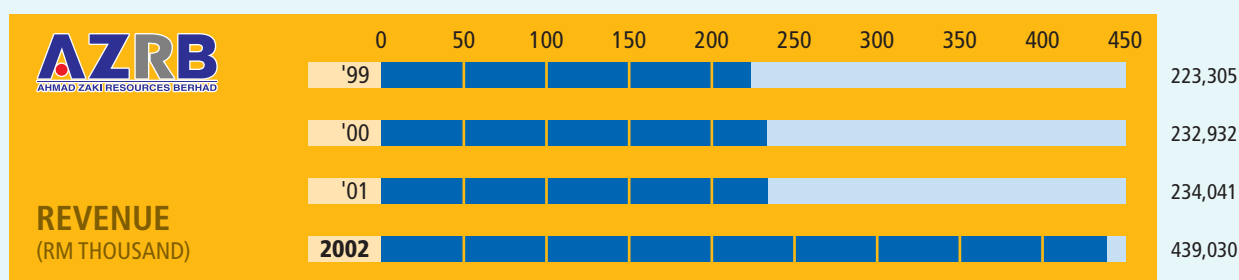


* Incorporated on 12 April 2003

Financial Highlights

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	223,305	232,932	234,041	439,030
Profit before taxation	22,241	23,757	17,153	19,630
Profit after taxation and minority interest	22,272	16,614	11,479	13,436
Paid up capital	30,000	30,000	30,000	46,301
Shareholders' funds	57,974	73,748	81,147	111,704
Earnings per share (sen)	* 82	55	38	* 31
Net tangible assets per share (sen)	190	243	268	240

* Based on weighted average number of shares issued during the year



Directors' Particulars



Dato' Haji Wan Zaki bin Haji Wan Muda, DPMT, PPN, PJK, aged 54, a Malaysian, was appointed the Executive Vice Chairman of AZRB on 24 March 1999. He now holds the post of Executive Chairman as of 1 March 2000 and is the Chairman of Remuneration Committee and an ordinary member of the Audit Committee .

He is the founder member of AZSB. Dato' Haji Wan Zaki began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd, a Pahang state-owned company. In 1973, he joined Perkayuan Pahang Sdn Bhd as a Financial Assistant and Marketing Officer and subsequently rose to the position of Marketing Manager. He left Perkayuan Pahang Sdn Bhd in 1977 to join Pesaka Terengganu Bhd as its Operation Manager where he served until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to start AZSB.

Dato' Haji Wan Zaki is also a Director of Chuan Huat Resources Bhd (a company listed on the Second Board of the KLSE) and also sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he attended 4 out of 4 Board meetings held.



Dato' Wan Zakariah bin Haji Wan Muda, DSSA aged 43, a Malaysian, was appointed an Executive Director of AZRB on 24 March 1999 and subsequently assumed the Managing Director of AZRB with effect from 1 January 2003. He is presently the Chairman of the Establishment Committee and sits in the Remuneration Committee as an ordinary member.

He holds a Bachelor of Science (Quantity Surveying) degree which he obtained in 1986 from the Thames Polytechnic, United Kingdom. He joined AZSB in 1986 as a Quantity Surveyor and was appointed a Director of AZSB in 1994. In 1996, he was promoted to the position of Managing Director of AZSB which he held until 6 February 2003.

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he attended 4 out of 4 Board meetings held.



Haji Mustaffa bin Mohamad, aged 52, a Malaysian, was appointed an Executive Director of AZRB on 24 March 1999 and is an ordinary member of the Establishment Committee.

He obtained his Bachelor of Law (Honours) degree from the University of London, England in 1976 and was called to the English Bar at Lincoln's Inn in 1981. In 1985 he obtained a Post Graduate Diploma in Port and Shipping Administration from the University of Wales, Institute of Science and Technology, Cardiff. He is also a member of the Chartered Institute of Transport (United Kingdom) since 1986. In 1993 he was awarded a Diploma in Syariah Law and Practice by the International Islamic University, Malaysia. He was with Terengganu State Economic Development Corporation, serving in various capacities from 1977-1985 prior to joining ICSB as Managing Director in 1993. From 1985-1993 he served as the General Manager of Pangkalan Bekalan Kemaman Sdn Bhd and concurrently as the Executive Director of Jasa Merin (M) Sdn Bhd. These companies are directly and solely involved in the provision of infrastructure and support services to the oil and gas industry off the shores of Peninsular Malaysia. He is also a Director of AZSB and AFE.

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he attended 4 out of 4 Board meetings held.



W Zulkifli bin Haji W Muda, aged 41, a Malaysian, was appointed a Non Independent Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits in the Establishment Committee as an ordinary member.

He holds a Bachelor of Science (Civil Engineering) degree which he obtained in 1985 from the University of Southern Illinois, United States of America. He began his career with AZSB as a Project Manager in 1985. He was promoted to the position of Executive Director (Operations) of AZSB in 1996 and subsequently become the Managing Director of AZSB effective from 7 February 2003.

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he attended 2 out of 4 Board meetings held.

Directors' Particulars (Cont'd)



Datuk (Prof.) A Rahman @ Omar bin Abdullah, DPMT, PJN, AMN, SMT, JSM, aged 57, a Malaysian, was appointed an Independent Non-Executive Director on 1 January 2003. He presently sits in the Remuneration Committee as an ordinary member.

He holds a Diploma in Quantity Surveying from Thames Polytechnic, London, United Kingdom, and an MSc in Construction Management from the Heriot-Watt University, Scotland. He also holds fellowships with The Royal Institute of Chartered Surveyors (UK) and the Institute of Surveyors Malaysia, as well as Professional Membership with The Chartered Institute of Building of Malaysia.

Datuk A Rahman is currently the Chairman of the Construction Industry Development Board, prior to which he was the Deputy Director General II of the Public Works Department. In 1992, he was accorded an Honorary Professor by the University Teknologi Malaysia. Among other appointments, he has also been President of the Institute of Surveyors, Malaysia, Chariman of the Technical Committee on the Development of the Professional Institute for Baitulmal, Wilayah Persekutuan and the President of the Board of Quantity Surveyors, Malaysia.

He does not hold directorship in any other public companies and sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he did not attend any Board meetings as his appointment commenced in 2003.



Dato' Ismail @ Mansor bin Said, DPMT, AMN, aged 54, a Malaysian, was appointed as Non-Executive Director on 26 May 1997 and subsequently assumed the responsibility as an Independent Director. He is presently the Chairman of the Audit Committee and the Nomination Committee and sits in the Remuneration Committee as an ordinary member.

He holds a Bachelor of Economics degree from the University of Malaya. He was a member of Parliament from 1978-1995, Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995) and the Chairman of MARA from 1987 to 1990. He was also appointed by Parliament as the Chairman of the Public Accounts Committee where he served from 1985 to 1990. He was also a Director in Sistem Televisyen Malaysia Berhad from 1995 to 2000 and the President of Institut Usahawan Bumiputera from 1988 to 2002.

Dato' Ismail is also a Director of Chocolate Products (Malaysia) Berhad (a company listed on the Main Board of the KLSE) and also sits on the board of directors of a private limited company.

During the financial year ended 31 December 2002, he attended 4 out of 4 Board meetings held.



Dato' Mohamed bin Awang, DPMT, AMN, PJK, aged 71, a Malaysian, was appointed an Independent Non-Executive Director on 16 April 2001 and subsequently nominated as Senior Independent Non-Executive Director on 29 April 2002. He sits in the Audit Committee, Nomination Committee and the Remuneration Committee as an ordinary member.

He holds a Diploma in Accounting which he obtained in 1961 from the Perth Technical College, Western Australia. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants since 1989. He is also a member of the Bankers Institute of Australia (1967) and an Associate (1992) and a Fellow of the Malaysian Institute of Taxation (1997). He served Bank Negara Malaysia from 1962 to 1974 in the capacity as an Assistant Accountant and later as a Branch Manager. He joined the Employees Provident Fund Board as a Deputy General Manager in 1975 and in 1976 became a partner to Hashim, Mohamed & Co. Chartered Accountants in Kuala Lumpur. In 1997, he set up his public practice under the name of Mohamed Awang & Co. in Kuala Terengganu.

He does not hold directorship in any other public companies but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2002, he attended 4 out of 4 Board meetings held.

FAMILY RELATIONSHIP

Except for Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Wan Zakariah bin Haji Wan Muda, W Zulkifli bin Haji W Muda who are brothers, none of the other Directors are related to one another, nor with any substantial shareholders.

CONFLICT OF INTEREST

Save as disclosed in the related party transactions on pages 86 to 89 (note 38) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

CONVICTIONS FOR OFFENCES

None of the Directors have been convicted of any offence (excluding traffic offences) within the last 10 years.

Statement Of Internal Control

The Board has the overall responsibility for the Group's system of internal control and for reviewing its effectiveness. However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable and not absolute assurance against material misstatement and losses. The internal control system covers not only financial controls but operational and compliance controls, and risk management. Associated companies and joint-ventures have not been dealt with as part of the Group for the purpose of this statement.

The key elements of the system of internal control are addressed in the following manner:-

CONTROL ENVIRONMENT

The Board has established a proper defined organisation structure to outline the job functions and authorities. Procedures manual has been devised by management to cover major processes to ensure consistency of practices within the Group and to put in place the internal control procedures. The Board also undertakes to review and make amendments to such processes to adopt new requirements from time to time.

RISK ASSESSMENT

The Board and management are responsible for the ongoing identification, evaluation and managing of significant risks. A risk assessment exercise was conducted in November 2001 to identify principal risks and to ensure an appropriate risk assessment and evaluation framework and activities were established within the Group. During the financial year 2002 and prior to signing of the published financial statements, the Board has continued its ongoing process of identifying, evaluating and managing of key financial, operational and compliance risks facing the business.

CONTROL ACTIVITIES AND PROCEDURES

The Board reviews and approves annual budget prepared by management which will be compared against the actual performance and any material variances will be deliberated and immediate actions decided by Board will be implemented by management to address such issues.

Performance appraisals are being carried out annually to gauge the employees' performance for any confirmation, promotion, transfer and annual increment exercise and policies and procedures with regards to employees' code of conducts and benefits are properly set out in the employee handbook for employee to adhere. The Board has also established a Committee to look into employee's welfare, grieve or any improper conducts matters.

The Board has approved a 5-year audit plan after having carried out the risk assessment exercise to evaluate the effectiveness of the Group's system of internal control and mitigate risks including financial, operational and compliance risks. The audit plan will focus in reviewing on areas of significant risks to the Group. Nevertheless, the audit plan shall be also reviewed annually to take into account changes in risks the Group may be exposed to as the Group's objectives, the organisation and the environment in which it operates are continuously evolving.

INFORMATION AND COMMUNICATION

The Board would receive periodic financial and operational progress reports which contain overview performance of various divisions within the Group as well as material related parties' transactions. The Board will also receive periodic reports from the investment committee which studies and makes recommendations on any new business ventures the Group intends to undertake. Major corporate proposals will be tabled and deliberated before such proposals are being endorsed by Board for implementation.

MONITORING

The Board is responsible for reviewing the effectiveness of the system of internal control which is facilitated by reports from Audit Committee at periodic Board meetings. The Audit Committee which has engaged external party to perform the internal audit function has in so far reviewed and made appropriate recommendations to the Audit Committee in area likes procurement, tendering, project management and management information system.

Reviews were conducted on these areas and the results of these reviews including comments from management, were reported to the Audit Committee periodically. Actions agreed in response to recommendations were followed up and reports were updated to reflect the latest position. Follow-ups reviews will be carried by the Group's internal auditor to ensure continuity of compliance with the approved procedures and policies. In so far those internal control weaknesses identified during the financial year under review are being addressed by the Management and none of those weaknesses has resulted in any material loss to the Group for the financial year ended 31 December 2002 which require disclosure in the Group's financial statement.

This Statement of Internal Control is made in accordance with the resolution of the Board of Directors dated 22 May 2003.

Corporate Governance Statement

The Board of Directors ("Board") of Ahmad Zaki Resources Berhad is committed to promote the highest standards of corporate governance within the Group. The statement below reports on how the Group has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance (the "Code"). The Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year unless otherwise noted.

SECTION 1: DIRECTORS

(a) Composition of the Board

The Board is currently led by an Executive Chairman and has seven (7) members comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board comprises a balance of members with experience in business and finance required for an effective and independent decision making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 15 to 18 of the Annual Report.

The presence of three (3) Independent Directors shall provide unbiased and independent views and judgement in the decision making process at the Board level and ensure that no significant decisions and policies are made by any individual and the interest of minority shareholders are safeguarded.

The positions of the Chairman and the Managing Director are held by two individuals. There is a clear division of responsibilities between the Chairman and the Managing Director which will ensure a balance of power and authority. Generally, the Chairman is responsible for the orderly conduct and working of the Board while the Managing Director is responsible for the day to day management of the Group as well as to implement policies and strategies adopted by the Board. The Board exercises its responsibilities collectively.

All the Directors have given their undertaking to comply with the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements and the Independent Directors have confirmed their independence in writing.

(b) Board Responsibilities and Supply of Information

The Board recognizes its responsibilities amongst other includes six principal responsibilities set out in Best Practice AAI of the Code in discharging its stewardship role for its shareholders.

The Board has laid down formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. The Managing Director is responsible to ensure that the management adhered to these guidelines and policies set by the Board.

All Directors have full access to information pertaining to all matters requiring Board's decision. Prior to any Board meeting, all Directors shall be furnished with proper board papers which contained necessary information for each of the meeting agenda in advance to enable the Director to obtain further explanations, where necessary, in order to be briefed properly before the meeting. Matters to be discussed are not limited to financial performance of the Group but also to address major investment decisions as well as operational issues and problems encountered by the Group.

The Board has also set out agreed procedures for the Directors to take independent professional advice at the Company's expense, if necessary.

SECTION 1: DIRECTORS (Cont'd)

(b) Board Responsibilities and Supply of Information (Cont'd)

All Directors have access to the advice and services of the Company Secretary who ensures compliance with statutory obligations, Listing Rules of the KLSE or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

Besides the Audit Committee which was set up on 24 March 1999, several Board committees were established subsequently to assist the Board in discharging its duties and responsibilities. All committees have written terms of reference and procedures duly endorsed by the Board to examine a particular issue and report back to the Board with a recommendation. Chairman of the committee concerned will report to the Board on matters dealt by the said committee which will be incorporated as part of the Board minutes.

The additional committees set up are Nomination Committee, Remuneration Committee and Establishment Committee having the following primary functions and members:

NOMINATION COMMITTEE

Primary function

The Nomination Committee was established on 16 January 2002. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendation to the Board for any new candidate as Board member or Board committee member. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group and continues to ensure that the Board members undergo the necessary Mandatory Accreditation Programme ("MAP") & Continuous Education Programme ("CEP") prescribed by the KLSE.

The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

Member

The present members of the Nomination Committee of the Company are:

- (i) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Chairman)
- (ii) Dato' Mohamed bin Awang (Independent Non-Executive Director, Member)

The Company Secretary is the secretary of the Nomination Committee.

The Nomination Committee met once during the financial year ended 31 December 2002.

REMUNERATION COMMITTEE

Primary function

The Remuneration Committee was established on 20 August 2001. Its primary function is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice as necessary to ensure that the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully.

SECTION 1: DIRECTORS (Cont'd)**(b) Board Responsibilities and Supply of Information (Cont'd)****REMUNERATION COMMITTEE (Cont'd)****Primary function (Cont'd)**

The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

Member

The present members of the Remuneration Committee of the Company are:

- (i) Dato' Haji Wan Zaki bin Haji Wan Muda (Executive Chairman, Chairman)
- (ii) Dato' Wan Zakariah bin Haji Wan Muda (Managing Director, Member)
- (iii) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Member)
- (iv) Dato' Mohamed bin Awang (Independent Non-Executive Director, Member)
- (v) Datuk (Prof.) A Rahman @ Omar bin Abdullah (Independent Non-Executive Director, Member)

The Company Secretary is the secretary of the Remuneration Committee.

ESTABLISHMENT COMMITTEE**Primary function**

The Establishment Committee was established on 16 January 2002. The main purpose for setting up this committee is to formulate policies and execution of the whole spectrum of Human Resource Management for the Group on behalf of the Board as well as to formulate and implement Employee Share Option Scheme ("ESOS") under the direction of the Board, in accordance with the rules and regulations determined by the authorities.

Member

The present members of the Establishment Committee of the Company are:

- (i) Dato' Wan Zakariah bin Haji Wan Muda (Managing Director, Chairman)
- (ii) Haji Mustaffa bin Mohamad (Executive Director, Member)
- (iii) W Zulkifli bin Haji W Muda (Executive Director, Member)

The Assistant General Manager, Human Resource is the secretary of the Establishment Committee.

The Establishment Committee hold six meetings during the financial year ended 31 December 2002.

SECTION 1: DIRECTORS (Cont'd)**(c) Board Meetings**

During the financial year ended 31 December 2002, four (4) meetings were held at the Boardroom, 4th Floor, Lot 88, Jalan Gombak, Setapak, 53000 Kuala Lumpur. The date and details of attendance of each Board meeting held are as follows:-

Date of meeting	Total Board Members	Attendance by Directors (Percentage Attendance)	
		Independent	Non Independent
16 January 2002	7	2 (100%)	4 (80%)
29 January 2002	7	2 (100%)	4 (80%)
21 May 2002	7	2 (100%)	5 (100%)
26 December 2002	7	2 (100%)	5 (100%)

The details of attendance of each Board member in the Board meetings held during the financial year ended 31 December 2002 is set out in the Statement Accompanying Notice of AGM on page 11 of this Annual Report.

(d) Appointment to the Board

In previous years, the process of assessing existing Directors and identifying, recruiting, nominating, appointing and orientating new directors are performed by the Board. In compliance with the best practices recommended by the Code, these functions have been delegated to Nomination Committee with effect from 16 January 2002.

(e) Directors' Remuneration

Prior to the establishment of Remuneration Committee on 20 August 2001, the remuneration of each Director, are determined by the Board, as a whole. The Directors do not participate in discussion and decision of their own remuneration.

Fees payable to Directors by the Company are approved by the shareholders at the AGM, based on the recommendation of the Board.

The details of the remuneration of the Directors of the Company received from the Group are as follows:-

	Salaries* RM'000	Allowances RM'000	Fees RM'000	Bonuses RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors	1,577,255	16,200	120,000	254,994	571,890	2,540,339
Non-Executive Directors	–	3,600	54,000	–	–	57,600

* Salaries inclusive of statutory employer contributions to the Employees' Provident Fund.

Corporate Governance Statement (Cont'd)

SECTION 1: DIRECTORS (Cont'd)**(e) Directors' Remuneration (Cont'd)**

The number of Directors whose remuneration falls into the following bands:-

RANGE OF REMUNERATION	Executive Directors	Non-Executive Directors
Below RM50,000	–	2
RM50,001 - RM100,000	–	–
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	–	–
RM200,001 - RM250,000	–	–
RM250,001 - RM300,000	–	–
RM300,001 - RM350,000	–	–
RM350,001 - RM400,000	–	–
RM400,001 - RM450,000	2	–
RM450,001 - RM500,000	2	–
RM500,001 - RM550,000	–	–
RM550,001 - RM600,000	–	–
RM600,001 - RM650,000	–	–
RM650,001 - RM700,000	–	–
RM750,001 - RM800,000	1	–

(f) Directors' Training

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by the KLSE from time to time. The Company also provides briefings for new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

All Directors have attended the MAP prescribed by the KLSE.

(g) Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors, including Managing Director, shall retire from office by rotation each year and all Directors are subject to retire at least once in every three years. Retiring Directors may offer themselves for re-election at the AGM. Director who is appointed by the Board during the year is required to retire and seek re-election by shareholders at the following AGM held following his appointment. Director over seventy (70) years of age is required to submit himself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

SECTION 2: RELATIONSHIP WITH SHAREHOLDERS

The Board maintained an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

On 29 April 2002, the Board has appointed Dato' Mohamed bin Awang to be the Senior Independent Non-Executive Director, to whom concerns may be conveyed.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:-

- (i) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on audit committee and Board of Directors;
- (ii) various announcements made to the KLSE, which includes announcement on quarterly results; and
- (iii) the Company website at <http://www.azrb.com>.

The AGM serves as an important means for shareholders communication. Notice of the AGM and Annual Reports are sent to shareholders twenty one days prior to the meeting. At each AGM, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The Chairman and the Board will respond to the questions raised by the shareholders during the AGM.

The Board has ensured each item of special business included in the notice of meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

SECTION 3: ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board which is assisted by Audit Committee aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to the KLSE.

The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 27 of this Annual Report.

(b) Internal Control and Risk Management

The Statement of Internal Control is set out on pages 19 to 20 of this Annual Report.

(c) Relationship with the External Auditors

Through the Audit Committee of the Board, the Board has established formal and transparent arrangements for maintaining and appropriate relationship with the Group's external auditors. The role of the Audit Committee in relation to the external auditors is stated in the Audit Committee Report.

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors dated 22 May 2003.

Statement Of Directors' Responsibilities

In Preparing The Financial Statements

The Directors acknowledged their responsibilities as required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- adopted suitable accounting policies and apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- prepared the financial statement on the going concern basis unless it is no longer appropriate to presume that the Company will continue in business due to unavailable resources.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This Statement of Directors' responsibilities is made in accordance with the resolution of the Board of Directors dated 22 May 2003.

Report Of The Audit Committee

COMPOSITION OF THE AUDIT COMMITTEE / MEMBERSHIP

The present members of the Audit Committee of the Company are:

- (i) Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director, Chairman)
- (ii) Dato' Mohamed bin Awang (Independent Non-Executive Director, Member)
- (iii) Dato' Haji Wan Zaki bin Haji Wan Muda (Executive Chairman, Member)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Terms of Membership

- (i) The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three members, of whom majority are Independent Directors.
- (ii) The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or 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; or fulfils such other requirements as prescribed by the Exchange.
- (iii) In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Kuala Lumpur Stock Exchange, the Board shall appoint a new member within three months.
- (iv) The Board of Directors shall review the term of office and the performance of the Committee and each of its members at least once in every three years.
- (v) No alternate Director shall be appointed as a member of the Committee.

Meetings and Quorum of the Audit Committee

- (i) The Committee shall meet at least 4 times a year and the quorum shall be at least two persons with majority being Independent Directors. The details of the attendance of the meetings are disclosed under the heading 'Attendance of Audit Committee Meetings' on page 30 of this Annual Report.
- (ii) The Company Secretary shall act as secretary of the Committee.
- (iii) The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors.
- (iv) The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Report Of The Audit Committee (Cont'd)

Functions of the Audit Committee

The duties and responsibilities of the Audit Committee shall include the following:-

- (i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (iii) To discuss with the external auditor on the evolution of the system of internal controls and the assistance given by the employees to the external auditors;
- (iv) To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
- (v) To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- (vi) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);
- (vii) To review the external auditor's management letter and the management's response;
- (viii) To do the following where there is an internal audit function:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (ix) To consider any related party transactions that may arise within the Company or the Group;
- (x) To consider the major findings of internal investigations and the management's response; and
- (xi) To consider other topics as defined by the Board.

Rights of the Audit Committee

The Audit Committee has ensured that, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure determined by the Board:-

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to the Company;
- (iv) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Procedures of Audit Committee

The Audit Committee regulates its own procedures:-

- (i) the calling of meetings;
- (ii) the notice to be given of such meetings;
- (iii) the voting and proceedings of such meetings;
- (iv) the keeping of minutes; and
- (v) the custody, protection and inspection of such minutes.

Review of the Audit Committee

The Board of Directors has ensured that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee meeting held during the financial year ended 31 December 2002 are as follows:-

Date of meeting	Total committee members	Attendance by committee members (Percentage attendance)	
		Independent	Non-Independent
25 February 2002	3	2 (100%)	1 (100%)
29 April 2002	3	2 (100%)	1 (100%)
21 May 2002	3	2 (100%)	1 (100%)
21 August 2002	3	2 (100%)	1 (100%)
26 November 2002	3	2 (100%)	1 (100%)

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2002 are as follows:-

Name of Audit Committee member	Total meetings attended by Audit Committee member	% of Attendance
Dato' Ismail @ Mansor bin Said	5/5	100%
Dato' Haji Wan Zaki bin Haji Wan Muda	5/5	100%
Dato Mohamed bin Awang	5/5	100%

Report Of The Audit Committee (Cont'd)

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2002 include the following:-

- (i) review the Group's year end audited financial statements presented by the external auditors and recommend the same to the Board for approval;
- (ii) review the quarterly financial result announcements;
- (iii) review audit plan of external auditors;
- (iv) review related party transactions within the Group;
- (v) review of internal audit reports on findings and recommendations in relation to weaknesses in the internal control system presented by the internal auditors and discussed with management on corrective actions to be taken.

Other Information

Required by the Listing Requirements of the Kuala Lumpur Stock Exchange

SHARE BUY BACK

During the financial year, the Company did not engage in any share buyback arrangement.

OPTION, WARRANTS OR CONVERTIBLE SECURITIES

Save for the exercise of options pursuant to the Employees' Share Option Scheme, the amount of which is disclosed in Note 26 of the Notes to the Financial Statements, there were no other exercises of options during the financial year ended 31 December 2002.

During the financial year, the Company did not implement any Warrants or Convertible Securities.

AMERICAN DEPOSITORY RECEIPT ("ADR")/GLOBAL DEPOSITORY RECEIPTS ("GDR")

During the financial year, the Company did not sponsor any ADR/GDR programme.

SANCTIONS AND PENALTIES

Since the end of the previous financial year, there was no material sanction or penalty imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

STATEMENT OF VALUATION POLICY ON LANDED PROPERTIES

Landed properties which held for long term investment purpose will be appraised at least once in every five years.

NON AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2002.

VARIATION IN RESULTS

There is no significant difference between the Audited and Unaudited Results released to KLSE in respect of the financial year ended 31 December 2002.

MATERIAL CONTRACT WITH RELATED PARTIES

Save as those disclosed as recurrent related parties transactions of a revenue in nature in page 33 of the Annual Report, there were no material contracts entered by the Company and its subsidiaries involved Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2002 or entered into since the end of the previous financial year.

Other Information (Cont'd)
Required by the Listing Requirements of the Kuala Lumpur Stock Exchange

RECURRENT RELATED PARTY TRANSACTIONS

The value of related party transactions entered by the Company and its subsidiaries during the financial year which have acquired the shareholders' mandate in the previous AGM are quantified as follows :

Nature of the transactions with related party	Entered by	Period covered from 1 st January to 30 th June of Year 2002 RM,000	Period covered from 1 st July to 31 st December of Year 2002 RM,000
a) Purchases of building materials from following subsidiaries of CHRB			
(i) Chuan Huat Industrial Marketing Sdn. Bhd.	AZSB	8,817	3,816
(ii) Chuan Huat Hardware Sdn. Bhd.	AZSB	554	253
b) Purchases of building materials from QMC	AZSB	82	81
c) Sub-contract works paid and payable to Duta Technic	AZSB	1,394	550
d) Management fee paid to Aztech	AZSB	89	–
e) Accommodation charged paid/payable to RIC	AZSB	–	4
f) Insurance premium paid/payable to ZHSB	AZSB, ICSB, and AZRB	66	127
g) Administrative charges paid/payable to ZHSB	AZSB	61	61
h) Rental of premises paid to Dato' Haji Wan Zaki bin Haji Wan Muda	AZSB	18	18
i) Rental of premises paid to ZHSB	AZSB and AZRB	210	210

Relationship of the related parties :

- (i) Aztech Corporation Sdn. Bhd. ("Aztech") A company in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors.
- (ii) Chuan Huat Resources Berhad, ("CHRB") Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director.
- (iii) Duta Technic Sdn. Bhd. ("Duta Technic") Associate company of Aztech in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors.
- (iv) QMC Sdn. Bhd. ("QMC"), A company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director.
- (v) Residence Inn & Motels Sdn. Bhd. ("RIC") A wholly owned subsidiary of Zaki Holdings (M) Sdn. Bhd.
- (vi) Zaki Holdings (M) Sdn. Bhd. ("ZHSB") Holding company of Ahmad Zaki Resources Berhad

Chairman's Statement

Penyata Pengerusi



Dear shareholders/stakeholders,

It is my pleasure once again to present to you, on behalf of the Board of Directors of Ahmad Zaki Resources Berhad ("AZRB") the Annual Report and Audited Accounts of the Company and Group for the financial year ended 31 December 2002.

FINANCIAL PERFORMANCE

For the financial year ended 31st December 2002, the Group registered a record revenue of RM439.0 million, a significant 87.6% increase compared to previous year of RM234.0 million. The profit before tax has also improved to RM19.6 million, a 14.4% higher than last year of RM17.2 million. The mismatch of the sizeable increase in revenue and a steady increase in profit before tax was primarily due to the fact that most of the contribution recognized during the year under review came from projects with lower profit margins than usually the case.

During the financial year under review, the Group has successfully completed its corporate exercise as approved by the shareholders during the 5th AGM held on 20 June 2002. The Group's paid up capital has increased from its initial number of RM30.0 million to RM46.3 million following a bonus issue of 12 million shares, a private placement exercise of 4.2 million shares at an issue price of RM3.05 per share and 101,000 shares issued through employees share option scheme. These exercises have managed to inject a fresh capital of approximately RM13.1 million to the Group which has been fully utilised for its core businesses during the year and also to meet the minimum share capital requirement of KLSE for company listed on the Second Board.

With the improved financial performance and successful completion of the corporate exercise, the Group's shareholders' fund increased from RM81.1 million to RM111.7 million. The net tangible assets however, has declined from RM2.68 to RM2.40 per share following the enlarged share capital exercise as mentioned earlier.

Kepada semua pemegang saham,

Dengan sukacitanya saya bagi pihak Lembaga Pengarah Ahmad Zaki Resources Berhad ("AZRB"), sekali lagi membentangkan Laporan Tahunan dan Akaun Beraudit Syarikat dan Kumpulan bagi tahun kewangan berakhir 31 Disember 2002.

PRESTASI KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2002, Kumpulan mencatat jumlah pendapatan yang tertinggi hingga kini iaitu RM439.0 juta, peningkatan mendadak 87.6% berbanding tahun sebelumnya sebanyak RM234.0 juta. Keuntungan sebelum cukai juga bertambah baik ketahap RM19.6 juta, peningkatan 14.4% berbanding RM17.2 juta yang dicapai pada tahun sebelumnya. Ketidakseimbangan pertambahan dalam jumlah pendapatan yang begitu besar berbanding dengan peningkatan dalam keuntungan sebelum cukai yang lebih mantap adalah disebabkan oleh sebahagian besar daripada sumbangan yang diiktiraf pada tahun kewangan dalam kajian adalah bepunca daripada projek-projek berjidat lebih rendah daripada biasa.

Di dalam tahun kewangan dalam kajian, Kumpulan telah berjaya menyempurnakan program korporatnya seperti yang telah diluluskan oleh para pemegang saham dalam Mesyuarat Agung Tahunan ke 5 pada 20 Jun 2002. Modal berbayar Kumpulan telah bertambah dari angka awalnya sebanyak RM30.0 juta kepada RM46.3 juta berikutan terbitan bonus sebanyak 12 juta saham, satu "private placement" mengandungi 4.2 juta saham pada harga terbitan RM3.05 sesaham dan 101,000 saham yang diterbitkan menerusi sekim opsyen saham kakitangan. Program-program ini berjaya menyuntik modal baru sebanyak kira-kira

Chairman's Statement (Cont'd) / Penyata Pengerusi (Samb.)



Kompleks Kejjiranan, Putrajaya

During the course of the year, the Group has divested its 100% equity holding in AZSB Industrial Marketing Sdn. Bhd. for a cash consideration of RM182,000, realizing a loss of RM152,000 at Group level. With the divestment, it will enable the Group to streamline its resources and focus more on its core business and future expansion.

OUTLOOK / PROSPECT

Year 2003 will be another challenging year for the Group. The fluctuating construction material prices and saturated government contracts may potentially be a threat to the Group's financial performance. On external front, the post Iraq war effect and the SARS epidemic has taken a toll on Malaysian economic growth.

Nevertheless, the Group has always looked at the bright side of these events. In order to minimize the impact of the events, the Group has formed a new subsidiary called AZRB International Ventures Sdn. Bhd. ("AIV") a vehicle to be used by the Group to tap on foreign venture opportunities.

The Group has also recently offered to purchase the entire equity shareholding in Tadok Granite Manufacturing Sdn. Bhd. for a purchase consideration of RM4 million. With the acquisition, the Group will have access to a potentially substantial granite deposit in particular the well known "Terengganu Green" granite, which will be able to diversify its earnings base.

RM13.1 juta kepada Kumpulan dan telah digunakan sepenuhnya untuk perniagaan terasnya sepanjang tahun dan juga dapat memenuhi syarat modal saham minimum BSKL bagi syarikat yang tersenarai di Papan Kedua.

Hasil prestasi kewangan yang lebih baik serta penyempurnaan program korporat, dana pemegang saham Kumpulan telah meningkat dari RM81.1 juta kepada RM111.7 juta. Walau bagaimanapun, aset ketara bersih telah merosot dari RM2.68 kepada RM2.40 sesaham berikutan program pembesaran modal saham seperti yang dinyatakan sebelum ini.

Di dalam tahun kewangan itu, Kumpulan telah melupuskan 100% pegangan ekuiti didalam AZSB Industrial Marketing Sdn. Bhd. dengan bayaran tunai sebanyak RM182,000 dan menyebabkan kerugian RM152,000 di tahap Kumpulan. Berikutan langkah tersebut, Kumpulan akan dapat menyusunatur sumber-sumbernya dan memberi lebih tumpuan kepada perniagaan teras dan program perluasan masa depannya.

TINJAUAN / PROSPEK MASA DEPAN

Sesungguhnya tahun 2003 bakal menyaksikan satu lagi tahun serba mencabar bagi Kumpulan. Harga bahan binaan yang tidak menentu dan penepuan kontrak kerajaan boleh menjadi satu ancaman kepada prestasi kewangan Kumpulan. Di peringkat dunia luar pula, kesan selepas peperangan di Iraq dan wabak penyakit SARS ternyata memberi tamparan hebat terhadap pertumbuhan ekonomi Malaysia.

Walaupun bagaimanapun, Kumpulan telah sentiasa berpendirian positif terhadap segala peristiwa tersebut. Sebagai langkah untuk mengurangkan kesan dari peristiwa tersebut, Kumpulan telah membentuk sebuah subsidiari baru yang dikenali sebagai AZRB International Ventures Sdn. Bhd. ("AIV"), iaitu satu syarikat yang bakal digunakan oleh Kumpulan untuk meraih peluang perniagaan antarabangsa yang baru.

Kumpulan juga telah baru-baru ini memberi tawaran untuk membeli keseluruhan pegangan ekuiti didalam Tadok Granite Manufacturing Sdn. Bhd. dengan harga sebanyak RM4 juta. Berikutan pengambilalihan tersebut, Kumpulan akan mempunyai akses kepada rezab batuan yang agak besar, khususnya granit bermutu tinggi dari jenama "Terengganu Green", yang akan membolehkannya mempelbagaikan asas pendapatannya.

Kompleks Kejurawatan, Kuantan G.H.



Masjid KLCC

The Board believes with the formation of new subsidiary and acquisition, the Group will be able to sustain the Group's resilience financial performance in the future years.

Lembaga Pengarah yakin bahawa dengan pembentukan subsidiari baru dan juga pengambilalihan tersebut, Kumpulan akan dapat memampai prestasi gemilang Kumpulan di tahun-tahun yang akan datang.

CORPORATE PROPOSAL

In light of AZRB's proven track record and corporate achievements which makes it eligible for a listing on the Main Board of the KLSE, AZRB has embarked on a corporate exercise for upgrading itself to the Main Board by proposing a 2 for 5 bonus issue and followed by a private placement of up to 10% of the enlarged share capital upon completion of the bonus issue. The bonus issue itself will enable AZRB in meeting the minimum paid-up capital requirement of RM60 million of a Main Board company. The details of the corporate exercise are set out in the separate circular enclosed herewith pending the shareholders' approval at the forthcoming AGM. The recapitalization and upgrading to the Main Board will not only bring in fresh capital for the Group as working capital but will also put AZRB in a better position to embark on larger projects. The whole exercise is targeted to be completed by the end of year 2003.

CADANGAN KORPORAT

Berdasarkan rekod pencapaian AZRB yang baik serta pencapaian korporat yang memberangsangkan, AZRB ternyata layak untuk disenaraikan di Papan Utama BSKL. Justeru itu, AZRB telah memulakan cadangan korporat untuk kenaikan taraf ke Papan Utama BSKL dengan mencadangkan terbitan bonus 2 untuk 5 dan disusuli satu "private placement" sebanyak tidak lebih dari 10% daripada modal saham diperbesar berikutan penyempurnaan terbitan bonus tersebut. Terbitan bonus itu sendiri sudah membolehkan AZRB memenuhi syarat modal berbayar minimum sebanyak RM60 juta untuk sebuah syarikat disenaraikan di Papan Utama BSKL. Maklumat lengkap cadangan korporat tersebut dibentangkan dalam pekeliling berasingan yang disertakan bersama Laporan Tahunan ini sambil menunggu kelulusan para pemegang saham di Mesyuarat Agung Tahunan yang akan diadakan kelak. Pemodal semula dan kenaikan taraf ke Papan Utama bukan hanya akan membawa masuk modal baru bagi Kumpulan tetapi juga akan meletakkan AZRB di kedudukan yang lebih kukuh untuk menangani projek-projek yang lebih besar. Keseluruhan cadangan disasarkan untuk disempurnakan menjelang hujung tahun 2003.

Chairman's Statement (Cont'd) / Penyata Pengerusi (Samb.)



Kompleks Kejiranan, Putrajaya



Jalan Matrade, Kuala Lumpur

DIVIDEND PAYOUT

In line with the satisfactory performance of the Group, the Board of Directors are again pleased to recommend a first and final dividend of 15% gross per ordinary share for the financial year ended 31st December 2002 to be paid on 17th July 2003.

APPRECIATION

On behalf of the Board of Directors, I would like to say a BIG "Thank You" to all our shareholders who have supported the AZRB Group of Companies in one way or another. To our valued clients, your continued patronage of AZRB's products and services will always be highly appreciated. To our various Government authorities, bankers, suppliers and other business associates, your invaluable trust in our capacity to be a contributing part of the Malaysian economy is gratefully acknowledged by everyone at all levels of the AZRB's hierarchy, and whom we have fondly come to refer to as members of the AZRB family. And as AZRB progresses from the Second Board to the Main Board of the KLSE, we urge you to make this an integral part of your journey as well.

PEMBAYARAN DIVIDEN

Sejajar dengan prestasi Kumpulan yang memuaskan, para Pengarah sekali lagi mengesyorkan pembayaran dividen pertama dan akhir sebanyak 15% kasar sesaham biasa untuk tahun kewangan berakhir 31 Disember 2002 yang akan dibayar pada 17 Julai 2003.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, izinkan saya untuk mengucapkan ribuan terima kasih kepada semua pemegang saham yang telah menyokong Kumpulan Syarikat AZRB. Kepada para pelanggan pula, penggunaan khidmat dan produk AZRB akan sentiasa dihargai. Kepada pelbagai pihak berkuasa Kerajaan, bank, pembekal dan juga lain-lain sekutu perniagaan, keyakinan anda yang begitu mendalam terhadap keupayaan Syarikat sebagai salah satu penyumbang kepada ekonomi Malaysia sesungguhnya disedari oleh segenap peringkat warga AZRB. Justeru itu, sambil AZRB bergerak maju ke hadapan dari Papan Kedua ke Papan Utama BSKL, kami menjemput agar anda menjadi sebahagian daripada perjalanan yang bakal ditempuhi kelak.

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

Chairman / Pengerusi

22 May 2003 / 22 Mei 2003

Operations Review

CONSTRUCTION DIVISION

The Group's construction division registered remarkable revenue of RM413.3 million representing 94% of Group's revenue. The division posted a profit before tax of RM12.8 million, contributing 65% of the Group's profit before tax results. Both of these financial figures have improved from previous year's results, growing at 93% and 11% respectively for revenue and profit before tax.

The stiff competition among the construction players have put the profit margin under pressure resulting a slow growth in profit before tax despite an impressive recorded revenue.

Nevertheless, with the near completion of those small profit margin projects, the division is expected to record a stronger profit margin in the coming financial year.

In the third and fourth quarter of Year 2002, the construction division has successfully secured another three contracts worth RM220 million. These three additional contracts are Malaysia Design Technology Centre, Upgrading of Jalan Duta, Jalan Kuching and Other Connecting Roads in Kuala Lumpur and Water Treatment Plant at Kepong, Terengganu.

The Group also achieved another milestone when its consortium namely Malaysia-China Hydro Joint Venture ("MCHJV") in which the Group owned 7.7% interest in the consortium, managed to secure the RM 1.79 billion Bakun Hydroelectric project – Package CW2. With its sizeable contracts, the Group expects to secure some of the jobs to be awarded by the MCHJV to its consortium members in the next five years.



Water Treatment Plant, Terengganu



Highway B15, Cyberjaya





With the remaining book value of RM515 million at the end of 2002 and impending new contracts to be concluded, the construction division is expected to deliver better results in this coming financial year.

OIL AND GAS DIVISION

The Group's oil and gas division has proven to be resilient despite the vulnerability of the economic outlook. The division has progressed by leaps and bounds reporting a sterling revenue and profit before tax of RM24.8 million and RM8.3 million respectively representing 6% and 42% of the Group's revenue and profit before tax. The impressive results were better than previous year's results after recording a growth of 28% and 32% respectively for revenue and profit before tax.

The division's performance over the next 12 months will continue to be formidable and able to provide stable earnings for the Group.

PROPERTY DEVELOPMENT DIVISION

The Group's property division registered a turnover and profit before tax of RM0.9 million and RM156,000 respectively for the financial year under review. The market outlook for the commercial property sector remains to be sluggish for the year under review.

Given the slow improvement of the property market in the east coast, the Group expects to see yet again a small contribution from this division for the year 2003 from the sales of the remaining unsold properties for the Phase I development which is estimated at a gross sale value of RM15.6 million.



Bunkering Activities, Kemaman



Completed shophots, Kerteh





Tesco Hypermarket, Melaka



Bangunan IPM, Kuantan

Directors' Report

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2002.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding and providing management services. The principal activities of subsidiaries are shown in note 4 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	13,436,017	16,168,943

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final dividend of 15% less tax at 28% amounting to RM3,240,000/- in respect of the financial year ended 31st December, 2001.

The Directors recommend a first and final dividend of 15% less tax at 28% amounting to RM5,000,508/- in respect of the financial year ended 31st December, 2002.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than those stated in the financial statements and the notes thereto.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and, the making of provision for doubtful debts, and have satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts in the financial statements.

At the date of this report, the Directors are not aware of any circumstances which would require the writing off of 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.

Directors' Report (Cont'd)

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the following issues of shares were made by the Company:-

Class	Number	Terms of Issue	Purpose of Issue
Ordinary RM1/-	12,000,000	Bonus issue via capitalisation of share premium and retained profits	To meet the minimum share capital requirement for companies listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE")
Ordinary RM1/-	4,200,000	Private placement for cash	Working capital
Ordinary RM1/-	101,000	Cash	Exercise of options under Employees' Share Option Scheme

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Group's ESOS was approved by shareholders of the Company at the Annual General Meeting held on 20th June, 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26th July, 2002 and expiring on 25th July, 2012.

The salient features of the ESOS are:-

- eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;
- the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of KLSE for the five (5) Market Days immediately preceding the Date of Offer;
- the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend that may be declared by the Company in respect of financial year ended 31st December, 2001 and any other dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

During the financial year, the number of ESOS options granted, exercised and lapsed were as follows:-

Date Granted	Exercise Price Per Share	NUMBER OF ESOS OPTIONS OVER ORDINARY SHARES OF RM1/- EACH				
		At 1.1.02	Granted	Exercised	Lapsed	At 31.12.02
29.7.2002	RM2.88	–	4,097,000	(101,000)	(342,000)	3,654,000

Directors' Report (Cont'd)

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA	
DATO' WAN ZAKARIAH BIN HAJI WAN MUDA	
DATO' ISMAIL @ MANSOR BIN SAID	
DATO' HAMZAH BIN HASAN	(Resigned on 1.3.2003)
DATO' MOHAMED BIN AWANG	
HAJI MUSTAFFA BIN MOHAMAD	
W ZULKIFLI BIN HAJI W MUDA	
DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH	(Appointed on 1.1.2003)

In accordance with Article 80 of the Articles of Association, Dato' Ismail @ Mansor bin Said and Dato' Wan Zakariah bin Haji Wan Muda retire, and being eligible, offer themselves for re-election.

In accordance with Article 87 of the Articles of Association, Datuk (Prof.) A Rahman @ Omar bin Abdullah retires and being eligible, offers himself for re-election.

In accordance with Section 129 of the Companies Act, 1965, Dato' Mohamed bin Awang retires, and being eligible offers himself for re-appointment as director and to hold office until the next annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS

The interest of those who were directors at the financial year end in the shares and the ESOS options of the Company and related companies are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1/- EACH				AT 31.12.02
	AT 1.1.02	BONUS ISSUE	BOUGHT	SOLD	

THE COMPANY**AHMAD ZAKI RESOURCES BERHAD****- Direct Interest**

Dato' Haji Wan Zaki bin Haji Wan Muda	305,454	122,182	–	–	427,636
Dato' Wan Zakariah bin Haji Wan Muda	76,364	30,546	–	–	106,910
W Zulkifli bin Haji W Muda	46,364	18,546	–	–	64,910
Haji Mustaffa bin Mohamad	712,710	285,084	–	–	997,794
Dato' Ismail @ Mansor bin Said	1	–	–	–	1
Dato' Hamzah bin Hasan	100,000	40,000	200,000	–	340,000

- Indirect Interest

*Dato' Haji Wan Zaki bin Haji Wan Muda	19,904,291	7,961,716	–	–	27,866,007
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DIRECTORS' INTERESTS IN SHARES AND ESOS OPTIONS (Cont'd)

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	AT 1.1.02	BOUGHT	SOLD	AT 31.12.02
ULTIMATE HOLDING COMPANY				
ZAKI HOLDINGS (M) SDN. BHD.				
- Direct Interest				
Dato' Haji Wan Zaki bin Haji Wan Muda	50,001	–	–	50,001
Dato' Wan Zakariah bin Haji Wan Muda	10,000	–	–	10,000
W Zulkifli bin Haji W Muda	10,000	–	–	10,000

* Shares held through Zaki Holdings (M) Sdn. Bhd..

	NUMBER OF ESOS OPTIONS OVER ORDINARY SHARES OF RM1/- EACH					EXERCISE PRICE RM
	AT 1.1.02	GRANTED	EXERCISED	LAPSED	AT 31.12.02	
INTEREST IN SHARE OPTIONS PURSUANT TO THE ESOS						
Dato' Haji Wan Zaki bin Haji Wan Muda	–	420,000	–	–	420,000	2.88
Dato' Wan Zakariah bin Haji Wan Muda	–	304,000	–	–	304,000	2.88
W Zulkifli bin Haji W Muda	–	290,000	–	–	290,000	2.88
Haji Mustaffa bin Mohamad	–	320,000	–	–	320,000	2.88
Dato' Hamzah bin Hasan	–	350,000	(100,000)	(250,000)	–	2.88

By virtue of Dato' Haji Wan Zaki bin Haji Wan Muda having an interest of more than fifteen percent (15%) of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors held any shares or have any interest in the Company and its related companies during the year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors has received or become entitled to receive any benefit (other than those disclosed as directors' fees, emoluments and benefits-in-kind disclosed in notes 38 (d) and 38 (e) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits that may have arisen out of ordinary course of business as disclosed in note 38 (a) and 38 (c) to the financial statements.

Directors' Report (Cont'd)

DIRECTORS' BENEFITS (Cont'd)

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the ESOS disclosed in page 46.

SIGNIFICANT EVENTS

Significant events of the Group and of the Company during the financial year are as follows:-

- 1) On 1st April, 2002, the Company entered into a Deed of Termination to terminate a Joint Venture Agreement dated 29th May, 2001 with a few parties to form a joint venture company to be known as Sally Infrastructures Group Pte. Ltd.
- 2) On 28th June, 2002, the Company obtained approvals from all the relevant authorities for the following corporate proposals:-
 - i. a bonus issue of 12,000,000 new ordinary shares of RM1/- each on the basis of two (2) new ordinary shares of RM1/- each ("Bonus Shares") for every five (5) existing ordinary shares of RM1/- each in the Company;
 - ii. a private placement of up to 4,200,000 new ordinary shares of RM1/- each in the Company; and
 - iii. ESOS for eligible employees and executive directors of the Company and its subsidiaries.
- 3) On 26th July, 2002, the bonus issue was effected by capitalising RM4,688,749/- from the share premium account and RM7,311,251/- from the retained profits of the Company. The Bonus Shares will rank pari passu in all respects with existing shares save and except that they will not be entitled to any dividends declared in respect of the financial year ended 2001 and any other dividends, rights, allotments and/or distributions, the entitlement date of which precedes the date of allotment of the Bonus Shares.
- 4) On 6th September, 2002, a private placement of up to 4,200,000 new ordinary shares of RM1/- each in the Company at an issue price of RM3.05 per share was effected to raise additional fund for working capital of the Group.
- 5) On 30th September, 2002, the Company through its Malaysia-China Hydro Joint Venture ("MCHJV"), received a Letter of Acceptance for the award of the design and execution of works for Bakun Hydroelectric Project Package CW2-Main Civil Works for RM1,788,000,000/-.
- 6) On 16th October, 2002, a wholly owned subsidiary, Inter-Century Sdn. Bhd. ("ICSB"), entered into a Addendum to Throughput and Tenancy Agreement with Pangkalan Bekalan Kemaman Sdn. Bhd. to extend the expiry date of its tenancy to 31st October, 2022 with five (5) years renewable option.
- 7) On 20th November, 2002, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for upgrading Jalan Duta, Jalan Kuching and Other Connecting Roads in Kuala Lumpur, Malaysia for RM140,291,253/-. The completion date will be within thirty two (32) months from 31st December, 2002.
- 8) On 26th November, 2002, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd., entered into a Sale & Purchase Agreement to acquire a freehold property at Taman Duta, Kuala Lumpur, Malaysia for a purchase consideration of RM5,500,000/- to be satisfied by cash.
- 9) On 31st December, 2002, the wholly owned subsidiary, Ahmad Zaki Sdn. Bhd., entered into a Share Sale Agreement to dispose of its entire 100% equity holdings in AZSB Industrial Marketing Sdn. Bhd. for a cash consideration of RM182,000/-.

SUBSEQUENT EVENTS

Significant events of the Group and of the Company arising after the financial year end are as follows:-

- 1) On 14th February, 2003, the Company disposed of its entire investment of 1,000,000 ordinary shares in CIDB Inventures Sdn. Bhd. at par value for cash.
- 2) On 24th February, 2003, the Company announced the following proposals:-
 - (i) a bonus issue of up to 20,372,440 new ordinary shares of RM1/- each in the Company to be credited as fully paid-up on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1/- each in the Company ("Proposed Bonus Issue");
 - (ii) a transfer listing of the enlarged issued and paid-up share capital of the Company from Second Board to the Main Board of the Kuala Lumpur Stock Exchange ("Proposed Transfer Listing"); and
 - (iii) a private placement of up to 7,130,000 new ordinary shares of RM1/- each representing not more than ten percent (10%) of the enlarged issued and paid-up share capital of the Company upon the completion of the Proposed Bonus Issue ("Proposed Private Placement").

On 26th March, 2003, the Company obtained approval from Foreign Investment Committee for the Proposed Private Placement as mentioned in (iii) above.

At the date of this report, other than the approval obtained above, the proposals as mentioned above are pending approvals from the relevant authorities and the shareholders of the Company.

- 3) On 12th April, 2003, the Company incorporated a wholly owned subsidiary known as AZRB International Ventures Sdn. Bhd. with paid-up share capital of RM2/-.

ULTIMATE HOLDING COMPANY

The Directors regard Zaki Holdings (M) Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company of the Company.

AUDITORS

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

KUALA LUMPUR
28 April 2003

Statement By Directors

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 51 to 100, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2002 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

KUALA LUMPUR
28 April 2003

Statutory Declaration

I, Dato' Haji Wan Zaki bin Haji Wan Muda, NRIC No.: 490604-11-5357, being the Director primarily responsible for the financial management of the Company do solemnly and sincerely declare that the financial statements as set out on pages 51 to 100 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
this 28 day of April 2003

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

Before me

HARON HASHIM
W128
Commissioner for Oaths

Report Of The Auditors

To The Members Of Ahmad Zaki Resources Berhad (Incorporated In Malaysia)

We have audited the financial statements set out on pages 51 to 100.

The preparation of the financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31st December, 2002 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date;
- and
- b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

The subsidiaries, all of which we have not acted as auditors, are indicated in note 4 to the financial statements. We have considered the financial statements of the subsidiaries and their auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 these purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174 (3) of the Companies Act, 1965.

MOORE STEPHENS
 CHARTERED ACCOUNTANTS
 (AF. 0282)

CHONG KWONG CHIN
 707/04/04 (J/PH)
 PARTNER

KUALA LUMPUR
 28 April 2003

Balance Sheets

As At 31 December, 2002

	NOTE	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
NON-CURRENT ASSETS					
Property, plant and equipment	2	13,708,784	13,874,356	672,845	2,285
Investment properties	3	24,200,000	16,828,540	–	–
Investment in subsidiaries	4	–	–	20,177,834	20,177,834
Interest in associated companies	5	113,191	202,231	–	–
Interest in joint ventures	6	3,542,603	12,892,631	–	–
Other investments	7	1,115,500	393,000	1,068,000	320,500
Goodwill on consolidation	8	525,000	612,500	–	–
		43,205,078	44,803,258	21,918,679	20,500,619
CURRENT ASSETS					
Inventories	9	5,111,030	3,461,851	–	–
Amount due from customers for contract work	10	71,568,747	23,732,606	–	–
Property development expenditure	11	4,717,395	4,576,274	–	–
Trade receivables	12	54,074,856	41,536,716	–	–
Other receivables, deposits and prepayments	13	8,033,633	4,191,212	100,395	90,020
Tax assets	14	1,229,118	13,592	155,821	155,661
Amount owing by related companies	15	349,794	537,547	36,419,216	15,945,649
Amount owing by associated companies	16	1,073,775	1,073,775	–	–
Amount owing by joint ventures	17	2,493,594	1,975,316	–	–
Cash and cash deposits	18	70,948,185	57,316,882	14,666,297	10,167,674
		219,600,127	138,415,771	51,341,729	26,359,004
LESS : CURRENT LIABILITIES					
Amount due to customers for contract work	10	2,197,457	29,499,835	–	–
Trade payables	19	122,450,875	56,726,453	–	–
Other payables and accruals	20	3,447,137	3,961,978	178,283	128,979
Advance payments received	21	7,736,113	388,733	–	–
Amount owing to directors	22	13,301	16,000	–	15,000
Hire purchase payables	23	1,010,015	1,357,680	89,250	–
Bank borrowings - secured	24	1,726,033	295,079	–	–
Bank overdrafts - secured	25	7,458,215	2,834,893	–	–
Tax liabilities		138,028	2,094,876	–	–
		146,177,174	97,175,527	267,533	143,979
NET CURRENT ASSETS		73,422,953	41,240,244	51,074,196	26,215,025
		116,628,031	86,043,502	72,992,875	46,715,644

	NOTE	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
CAPITAL AND RESERVES					
Share capital	26	46,301,000	30,000,000	46,301,000	30,000,000
Reserves	27	65,402,958	51,147,164	26,332,444	16,715,184
SHAREHOLDERS' EQUITY		111,703,958	81,147,164	72,633,444	46,715,184
MINORITY INTEREST		1,479,693	1,417,857	–	–
NON-CURRENT LIABILITIES					
Hire purchase payables	23	2,196,068	1,998,090	355,731	–
Term loan - secured	28	1,008,482	1,107,931	–	–
Deferred taxation	29	239,830	372,460	3,700	460
		3,444,380	3,478,481	359,431	460
		116,628,031	86,043,502	72,992,875	46,715,644

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

For The Year Ended 31 December, 2002

	NOTE	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
Operating revenue	30	439,029,961	234,040,551	25,300,106	17,300,085
Direct operating cost	31	(403,562,139)	(204,569,656)	–	–
Gross profit		35,467,822	29,470,895	25,300,106	17,300,085
Other operating revenue		2,777,747	3,162,828	360,221	312,291
Distribution costs		(768,304)	(629,463)	–	–
Administrative costs		(13,899,566)	(13,211,295)	(2,460,626)	(1,671,108)
Other operating costs		(855,125)	(483,129)	(1,350)	(200)
		(15,522,995)	(14,323,887)	(2,461,976)	(1,671,308)
Profit from operations		22,722,574	18,309,836	23,198,351	15,941,068
Finance costs		(1,653,799)	(957,864)	(26,138)	(1,165)
Share of results in joint ventures		(1,350,028)	(195,878)	–	–
Share of results in associated companies		(89,040)	(2,737)	–	–
Profit before taxation	32	19,629,707	17,153,357	23,172,213	15,939,903
Taxation	33	(6,131,854)	(5,748,971)	(7,003,270)	(4,759,804)
Profit after taxation but before minority interest		13,497,853	11,404,386	16,168,943	11,180,099
Minority interest		(61,836)	74,866	–	–
Net profit for the year		13,436,017	11,479,252	16,168,943	11,180,099
Basic earnings per ordinary share (sen)	34	30.99	27.33		
Fully diluted earnings per ordinary share (sen)	34	30.91	–		
Proposed net dividend per ordinary share (sen)		10.80	10.80		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements Of Changes In Equity

For The Year Ended 31 December, 2002

GROUP	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Reserve on Consolidation RM	Retained Profits RM	Total Shareholders' Equity RM
At 1.1.01	30,000,000	4,688,749	–	840,433	38,219,163	73,748,345
Amortisation of reserve on consolidation	–	–	–	(840,433)	–	(840,433)
Net profit for the year	–	–	–	–	11,479,252	11,479,252
First and final dividend paid for year 2000 (15% per share less 28% income tax)	–	–	–	–	(3,240,000)	(3,240,000)
At 31.12.01	30,000,000	4,688,749	–	–	46,458,415	81,147,164
Revaluation surplus on investment properties	–	–	7,371,460	–	–	7,371,460
Issuance of share capital pursuant to :-						
- Bonus issue	12,000,000	(4,688,749)	–	–	(7,311,251)	–
- Private placement	4,200,000	8,610,000	–	–	–	12,810,000
- Employees' share option scheme	101,000	189,880	–	–	–	290,880
	16,301,000	4,111,131	–	–	(7,311,251)	13,100,880
* Private placement expenses	–	(111,563)	–	–	–	(111,563)
Net profit for the year	–	–	–	–	13,436,017	13,436,017
First and final dividend paid for year 2001 (15% per share less 28% income tax)	–	–	–	–	(3,240,000)	(3,240,000)
At 31.12.02	46,301,000	8,688,317	7,371,460	–	49,343,181	111,703,958

* Expenses not recognised in income statements

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements Of Changes In Equity (Cont'd)
For The Year Ended 31 December, 2002

COMPANY	Share Capital RM	Share Premium RM	Retained Profits RM	Total Shareholders' Equity RM
At 1.1.01	30,000,000	4,688,749	4,086,336	38,775,085
Net profit for the year	–	–	11,180,099	11,180,099
First and final dividend paid for year 2000 (15% per share less 28% income tax)	–	–	(3,240,000)	(3,240,000)
At 31.12.01	30,000,000	4,688,749	12,026,435	46,715,184
Issuance of share capital pursuant to:-				
- Bonus issue	12,000,000	(4,688,749)	(7,311,251)	–
- Private placement	4,200,000	8,610,000	–	12,810,000
- Employees' share option scheme	101,000	189,880	–	290,880
	16,301,000	4,111,131	(7,311,251)	13,100,880
* Private placement expenses	–	(111,563)	–	(111,563)
Net profit for the year	–	–	16,168,943	16,168,943
First and final dividend paid for year 2001 (15% per share less 28% income tax)	–	–	(3,240,000)	(3,240,000)
At 31.12.02	46,301,000	8,688,317	17,644,127	72,633,444

* Expenses not recognised in income statements

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December, 2002

	NOTE	GROUP	
		2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		19,629,707	17,153,357
Adjustments for:-			
Allowance for doubtful debts		3,265	–
Loss on disposal of investment in subsidiary		152,013	–
Amortisation of goodwill on consolidation		91,529	91,529
Amortisation of reserve on consolidation		–	(840,433)
Depreciation of property, plant and equipment		2,852,890	3,118,243
Dividend revenue		(3,979)	–
Property, plant and equipment written off		3,796	6,921
Interest expenses		940,490	898,655
Interest revenue		(1,817,569)	(1,428,798)
Loss on disposal of other investment		15,566	–
Gain on disposal of property, plant and equipment		(317,976)	(18,491)
Allowance for doubtful debts no longer required		–	(1,500)
Share of loss of joint ventures		1,350,028	195,878
Share of loss / (profit) of associated companies		85,011	(1,292)
Operating profit before working capital changes		22,984,771	19,174,069
Increase in inventories		(1,807,847)	(16,812)
Increase in amount due from customers for contract work		(47,836,141)	(4,686,153)
Increase in property development expenditure		(141,121)	(2,171,614)
(Decrease) / increase in amount due to customers for contract work		(27,302,378)	16,617,178
Increase in trade and other receivables		(16,707,056)	(19,351,427)
Increase in trade and other payables		72,832,684	10,884,775
(Increase) / decrease in amount owing by joint ventures		(518,278)	4,486,328
Decrease in amount owing to joint venture		–	(2,135,270)
Cash generated from operations		1,504,634	22,801,074
Tax paid		(9,448,866)	(5,835,890)
Interest paid		(940,490)	(911,102)
Net cash (used in) / generated from operating activities carried forward		(8,884,722)	16,054,082

Consolidated Cash Flow Statement (Cont'd)
For The Year Ended 31 December, 2002

	NOTE	GROUP	
		2002 RM	2001 RM
Net cash (used in) / generated from operating activities brought forward		(8,884,722)	16,054,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Effect of disposal of subsidiary, net of cash disposed	35	107,846	–
Distribution received from joint ventures		8,000,000	5,500,000
Acquisition of investment in unquoted shares		(747,500)	(310,500)
Proceeds from disposal of other investment		9,434	–
Proceeds from disposal of property, plant and equipment		371,364	19,162
Purchase of property, plant and equipment	36	(1,386,892)	(3,579,075)
Dividend received		3,979	–
Interest received		1,791,475	1,336,830
Net cash generated from investing activities		8,149,706	2,966,417
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments from related companies		187,753	57,019
Dividend paid		(3,240,000)	(3,240,000)
Proceeds from trust receipts		10,426,000	337,876
Repayments of trust receipts		(9,003,022)	(378,015)
Payments to hire purchase payables		(1,525,578)	(1,441,873)
Repayments of term loan		(91,473)	(59,490)
Term loan received		–	1,260,000
Expenses incurred for private placement of shares		(111,563)	–
Proceeds from issuance of shares		13,100,880	–
Net cash generated from / (used in) financing activities		9,742,997	(3,464,483)
Net increase in cash and cash equivalents		9,007,981	15,556,016
Cash and cash equivalents at beginning of the year		54,481,989	38,925,973
Cash and cash equivalents at end of the year	37	63,489,970	54,481,989

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

For The Year Ended 31 December, 2002

	NOTE	COMPANY	
		2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		23,172,213	15,939,903
Adjustments for:-			
Depreciation of property, plant and equipment		119,440	946
Interest expenses		25,317	-
Dividend revenue		(25,000,106)	(17,000,085)
Interest revenue		(359,917)	(312,291)
Operating loss before working capital changes		(2,043,053)	(1,371,527)
(Increase) / decrease in trade and other receivables		(4,396)	15,599
Increase in trade and other payables		34,304	76,264
Cash used in operations		(2,013,145)	(1,279,664)
Tax paid		(160)	(220)
Interest paid		(25,317)	-
Net cash used in operating activities		(2,038,622)	(1,279,884)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment in unquoted shares		(747,500)	(310,500)
Purchase of property, plant and equipment	36	(290,000)	-
Dividend received		12,240,061	4,320,023
Interest received		353,938	319,972
Net cash generated from investing activities		11,556,499	4,329,495
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to related companies		(16,100,000)	-
Repayments from related companies		1,386,448	343,779
Expenses incurred for private placement of shares		(111,563)	-
Proceeds from issuance of shares		13,100,880	-
Dividend paid		(3,240,000)	(3,240,000)
Payments to hire purchase payables		(55,019)	-
Net cash used in financing activities		(5,019,254)	(2,896,221)
Net increase in cash and cash equivalents		4,498,623	153,390
Cash and cash equivalents at beginning of the year		10,167,674	10,014,284
Cash and cash equivalents at end of the year	37	14,666,297	10,167,674

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Notes To The Financial Statements

31 December, 2002

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the respective accounting policies as set out below.

(b) Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, which are listed in note 4 to the financial statements, made up to 31st December, 2002. All significant intragroup balances, transactions and resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions only.

The financial statements of the subsidiaries acquired or disposed of during the year are included in consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively.

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

(c) Goodwill or Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the consideration paid for shares in subsidiaries or associated companies and the fair values attributable to the Group's share of net assets acquired.

Goodwill on consolidation is amortised over a period of ten years or the expected useful life, whichever is shorter, commencing in the year of acquisition of subsidiary or associated company. Reserve on consolidation is amortised over a period of three years or the expected useful life, whichever is shorter, commencing one year after the year of acquisition of subsidiary or associated company. Goodwill on consolidation is written down when there is an impairment in their carrying value.

(d) Subsidiary

A subsidiary is defined as a company in which the Group has a long term equity interest, directly or indirectly, and has control over its financial and operating policies so as to obtain benefits therefrom.

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(e) Associated Company**

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term equity interest and has significant influence over its financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's financial statements.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on audited financial statements of the associated companies. The Group's share of post-acquisition results of associated companies is included in the consolidated income statement. The Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition changes in the net assets of the associated companies.

(f) Joint Venture

Joint venture is defined as a contractual arrangement entered into by two or more parties to undertake a jointly controlled economic activity in which no single venturer has unilateral control in the financial and operating decisions of the joint venture.

Interest in joint venture which does not involve any establishment of a separate entity is accounted for in the financial statements based on the agreed share of the results, assets and liabilities of the joint venture.

Investment in joint venture which involves an establishment of a separate entity is stated at cost less accumulated impairment losses, if any, in the financial statements. Where consolidated financial statements are prepared, the interest in the joint venture entity is accounted for using the equity method based on the audited financial statements of the entity. The consolidated income statement includes the Group's share of the entity's results of the operation. In the consolidated balance sheet, the Group's interest is stated at cost and adjusted for the Group's share of changes in the net assets of the entity.

(g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is not amortised.

Depreciation of property, plant and equipment is calculated to write off their costs on a straight line basis over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period of 76 years
Buildings	2%
Office equipment	10% - 20%
Furniture and fittings	10% - 20%
Plant and machinery	10% - 20%
Motor vehicles	20%
Renovation	20%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment and is recognised in the income statement.

Notes To The Financial Statements (Cont'd)
31 December, 2002

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Impairment of Assets

The carrying amounts of assets other than inventories, assets arising from construction contracts, deferred tax assets and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Reversal of impairment loss due to a subsequent increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

(i) Investment Properties

Investment properties comprise land, buildings and expenditure incurred for development of properties which are held for investment potential. In the subsidiary's financial statements, these investment properties are stated at valuation less accumulated impairment losses, if any, and additions subsequent to the date of last valuation are stated at cost less accumulated impairment losses, if any. In the consolidated financial statements, these properties are initially stated at the Group's cost and would be revalued subsequently in accordance with the Group's revaluation policy. It is the Group's policy to maintain the buildings in a high standard and condition. As such, these properties maintain their residual value of not less than their respective book value such that depreciation would be negligible. In view of this, no depreciation is provided for these properties. The related maintenance expenditure is dealt with in the income statement.

The open market value of these properties will be appraised at least once in every five (5) years by independent professional valuers. A surplus arising therefrom is credited to revaluation reserve. However, a surplus will be recognised as revenue to the extent that it reverses a revaluation deficit of the same property previously recognised as an expense. A deficit arising therefrom is recognised as an expense. However, a deficit will be set-off against any related revaluation surplus to the extent that the deficit does not exceed the amount held in revaluation reserve in respect of the same property.

On disposal of these properties, any surplus in revaluation reserve relating to these properties will be transferred to retained profits.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value and are costed on the first-in- first-out basis. Cost includes the actual cost of purchases and incidentals in bringing the inventories into store.

In arriving at the net realisable value, due allowance would be made for obsolete and slow moving items.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(k) Construction Contracts**

Contract work-in-progress consists of cost incurred to date plus a proportion of estimated profit attributable to contract work performed to date less progress billings received and receivable. Contract costs include direct materials, labour, sub-contract costs and attributable construction overheads. Where foreseeable losses on contract are anticipated, full provision of these losses is made in the financial statements.

The aggregate of the costs incurred plus the profit/loss recognised on each contract is compared against the respective progress billings up to the end of the financial year. The excess of costs incurred plus recognised profit (less recognised losses) over progress billings, is shown as 'Amount due from customers for contract work' under current assets. Conversely, the excess of progress billings over costs incurred and recognised profit (less recognised losses), is shown as 'Amount due to customers for contract work' under current liabilities.

(l) Property Development Expenditure

Property development expenditure consists of cost of land which is under active development and is expected to be completed within the normal operating cycle, development expenditure incurred to date including borrowing costs and a proportion of estimated profit attributable to development work performed to date, less progress payments received and receivable. Where foreseeable losses on development projects are anticipated, full provision for these losses is made in the financial statements.

(m) Capitalisation of Borrowing Costs

Borrowing costs incurred on borrowings related to property, plant and equipment, development properties and investment properties are capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when these assets are ready for their intended use or sale.

(n) Hire Purchase

Hire purchase instalment plans are agreements whereby the lender conveys to the hirer, in return for a series of instalment payments, the rights to use the assets involved with an option for hirer to purchase the assets upon full settlement of the instalment payments.

Cost of property, plant and equipment acquired under the hire purchase instalment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of the instalment plans based on the sum-of-digit method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding instalment payments after deducting the future finance charges, representing the present value of hire purchase liabilities, are included in liabilities.

(o) Lease

Lease is an agreement whereby the lessor conveys to the lessee, in return for a series of minimum lease payments, the rights to use an asset for an agreed lease term.

Notes To The Financial Statements (Cont'd)
31 December, 2002

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Lease (Cont'd)

Property, plant and equipment on leases that transfer substantially all risks and rewards incident to ownership are accounted for under finance lease method in which the fair market value of the leased property, plant and equipment or, if lower at the present value of the minimum lease payments, are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The present value of the minimum lease payments is calculated based on discount factor equivalent to the interest rate implicit in the lease. The related finance charges are allocated to the income statement based on the sum-of-digit method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding minimum lease payments after deducting the future finance charges representing the present value of minimum lease payments, are included in liabilities.

All other leases are accounted for under the operating lease method in which the minimum lease payments are recognised as expenses in the income statement as and when they are incurred.

(p) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rate of exchange ruling at the time of the transaction and where settlement had not taken place at year end, at the approximate rates ruling as at that date. All gains and losses on exchange are included in the income statement.

(q) Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method in respect of all material timing differences except where it is thought reasonable that the tax effects of such deferrals will continue in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(r) Revenue Recognition

Dividend revenue from investment in subsidiaries, associated companies and other investment is recognised when the right to receive the dividend is established.

Rental and management fee revenue are recognised on due and receivable basis.

Interest revenue is recognised on a time proportion basis that reflects the effective yield of the assets.

Sales of goods are recognised when goods are delivered.

Revenue from construction contracts is recognised on the percentage of completion method in the proportion of which the contract costs incurred to date bear to the total estimated contract costs, when the outcome of the contracts can be reliably estimated.

Revenue from development properties sold is recognised on the percentage of completion method in the proportion of which the development costs incurred to date bear to the total estimated development costs, when the outcome of development can be reliably estimated.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value.

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

The measurement bases and nature of the financial instruments are as follows:-

i) Other Investments

Other investments are stated at cost less allowance for diminution in value, if any. Allowance for diminution in value is determined on an individual basis. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

ii) Receivables

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

iii) Payables

Payables are stated at cost which are the fair values of considerations to be paid in the future for goods and services received.

iv) Interest Bearing Bank Borrowings

The interest bearing bank borrowings include bank overdrafts, trust receipts and loans and are stated at the amount of proceeds received, net of transaction costs.

v) Equity Instruments

Equity instruments include ordinary shares and options.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

Notes To The Financial Statements (Cont'd)
31 December, 2002

2. PROPERTY, PLANT AND EQUIPMENT

GROUP	LONG TERM	FREEHOLD	BUILDINGS &	PLANT &	MOTOR	FURNITURE,	TOTAL
	LEASEHOLD					LAND	
	LAND	LAND					
	RM	RM	RM	RM	RM	RM	RM
COST							
At 1.1.02	1,188,180	729,840	5,848,463	9,608,386	11,100,430	2,078,474	30,553,773
Additions	–	–	31,806	290,000	2,070,030	370,947	2,762,783
Disposals	–	–	–	–	(955,271)	–	(955,271)
Written off	–	–	(8,067)	–	–	–	(8,067)
Assets of subsidiary disposed	–	–	(1,599)	–	(95,357)	(73,588)	(170,544)
At 31.12.02	1,188,180	729,840	5,870,603	9,898,386	12,119,832	2,375,833	32,182,674
ACCUMULATED DEPRECIATION							
At 1.1.02	15,431	–	315,915	7,661,263	7,657,218	1,029,590	16,679,417
Charge for the year	15,430	–	130,131	803,211	1,573,759	330,359	2,852,890
Disposals	–	–	–	–	(901,883)	–	(901,883)
Written off	–	–	(4,271)	–	–	–	(4,271)
Assets of subsidiary disposed	–	–	(1,061)	–	(91,984)	(59,218)	(152,263)
At 31.12.02	30,861	–	440,714	8,464,474	8,237,110	1,300,731	18,473,890
NET BOOK VALUE							
At 31.12.02	1,157,319	729,840	5,429,889	1,433,912	3,882,722	1,075,102	13,708,784
At 31.12.01	1,172,749	729,840	5,532,548	1,947,123	3,443,212	1,048,884	13,874,356
Depreciation charge for the year ended 31.12.01	15,431	–	121,633	990,565	1,722,710	267,904	3,118,243

2. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	FURNITURE, FITTINGS & OFFICE EQUIPMENT RM	MOTOR VEHICLE RM	TOTAL RM
COST			
At 1.1.02	4,728	–	4,728
Addition	–	790,000	790,000
At 31.12.02	4,728	790,000	794,728
ACCUMULATED DEPRECIATION			
At 1.1.02	2,443	–	2,443
Charge for the year	946	118,494	119,440
At 31.12.02	3,389	118,494	121,883
NET BOOK VALUE			
At 31.12.02	1,339	671,506	672,845
At 31.12.01	2,285	–	2,285
Depreciation charge for the year ended 31.12.01	946	–	946

Included in property, plant and equipment of the Group are:-

- (i) long term leasehold land with an unexpired lease period of more than 50 years;
- (ii) property, plant and equipment acquired under hire purchase instalment plans as follows:-

GROUP	PLANT & MACHINERY RM	MOTOR VEHICLES RM	TOTAL RM
At 31.12.02			
COST	–	6,486,216	6,486,216
NET BOOK VALUE	–	3,644,829	3,644,829
At 31.12.01			
COST	1,088,340	7,190,308	8,278,648
NET BOOK VALUE	181,391	3,268,957	3,450,348

Notes To The Financial Statements (Cont'd)
31 December, 2002

2. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	MOTOR VEHICLE RM
At 31.12.02	
COST	790,000
NET BOOK VALUE	671,506

- (iii) freehold and leasehold land and buildings with a total net book value of RM5,950,138/- (2001 : RM6,039,502/-) charged to financial institutions as security for banking facilities of a subsidiary, Ahmad Zaki Sdn. Bhd. ("AZSB"), as disclosed in note 25 and note 28 to the financial statements.

3. INVESTMENT PROPERTIES

	GROUP	
	2002 RM	2001 RM
At valuation:		
Freehold land	4,950,000	4,950,000
Hotel properties		
- Freehold land	543,912	335,630
- Hotel buildings	18,706,088	11,542,910
	19,250,000	11,878,540
	24,200,000	16,828,540

The hotel properties are charged to financial institution as security for facilities of a subsidiary, AZSB, as disclosed in note 25 to the financial statements.

During the year, the properties were revalued by the directors of AZSB based on independent professional valuers on the open market value basis.

4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2002 RM	2001 RM
Unquoted shares, at cost	20,177,834	20,177,834

The subsidiaries, all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2002	2001	
Held by the Company			
# Ahmad Zaki Sdn. Bhd.	100%	100%	Contractors of civil and structural contract works
# Inter-Century Sdn. Bhd.	100%	100%	Dealer of marine fuels and lubricants
Held through Ahmad Zaki Sdn. Bhd.			
# AZSB Industrial Marketing Sdn. Bhd.	-	100%	Dealer of industrial gases, accessories and building materials
* Kemaman Technology & Industrial Park Sdn. Bhd. ("KTIP")	60%	60%	Property development
Held through Inter-Century Sdn. Bhd.			
# Astral Far East Sdn. Bhd.	100%	100%	Dealer of lubricants and petroleum-based products

Audited by associated firm of the auditors of the Company.

* Audited by another professional firm of chartered accountants.

5. INTEREST IN ASSOCIATED COMPANIES

	GROUP	
	2002 RM	2001 RM
Unquoted shares, at cost	110,000	110,000
Share of profits of associated companies	3,191	92,231
	113,191	202,231
Represented by:-		
Group's share of net tangible assets	93,048	178,059
Goodwill on consolidation	40,288	40,288
Less : Accumulated amortisation	(20,145)	(16,116)
	20,143	24,172
	113,191	202,231

Notes To The Financial Statements (Cont'd)
31 December, 2002

5. INTEREST IN ASSOCIATED COMPANIES (Cont'd)

The associated companies, all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2002	2001	
Held through Ahmad Zaki Sdn. Bhd.			
* Fasatimur Sdn. Bhd.	50%	50%	Project management
* Maxi Heritage Sdn. Bhd.	20%	20%	General contractor

* Audited by another professional firm of chartered accountants.

6. INTEREST IN JOINT VENTURES

	GROUP	
	2002 RM	2001 RM
Share of post-acquisition results in joint ventures:-		
At beginning of the year	12,892,631	18,588,509
Add : Share of results for the year	(1,350,028)	(195,878)
Less : Distribution from joint ventures	(8,000,000)	(5,500,000)
At end of the year	3,542,603	12,892,631

The Group has a 50% interest in the following jointly controlled entities:-

- (i) Bumi Hiway - Ahmad Zaki Joint Venture which undertakes the contract for realignment of the route from Putrajaya to Cyberjaya, Selangor.
- (ii) Johawaki - Ahmad Zaki Joint Venture which undertakes the contract to design, construct and complete the Masjid Wilayah Persekutuan, Jalan Duta, Kuala Lumpur, and for renewal of junction and increasing the quality of road at Kompleks Matrade, Kuala Lumpur.

(a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows:-

	GROUP	
	2002 RM	2001 RM
(i) Share of the assets and liabilities:-		
CURRENT ASSETS		
Amount due from customers for contract work	–	5,972,425
Trade receivables	4,319,983	7,969,154
Other receivables, deposits and prepayments	232,180	94,619
Cash and cash deposits	2,614,971	4,864,667
Balance carried forward	7,167,134	18,900,865

6. INTEREST IN JOINT VENTURES (Cont'd)

	GROUP	
	2002	2001
	RM	RM
<hr/>		
(i) Share of the assets and liabilities (Cont'd):-		
Balance brought forward	7,167,134	18,900,865
LESS : CURRENT LIABILITIES		
Trade payables	3,287,836	5,574,422
Other payables and accruals	108,989	104,012
Amount owing to associated company	227,706	329,800
	(3,624,531)	(6,008,234)
<hr/>		
Share of net tangible assets of the joint ventures	3,542,603	12,892,631
<hr/>		
(ii) Share of the revenue and expenses		
Attributable contract revenue	297,967	10,337,748
Attributable contract costs	(1,626,913)	(10,555,037)
<hr/>		
Gross loss	(1,328,946)	(217,289)
Other operating revenue	43,043	80,525
	(1,285,903)	(136,764)
<hr/>		
Other operating costs	(1,250)	(3,795)
Administrative costs	(56,296)	(41,587)
Finance costs	(6,579)	(13,732)
	(64,125)	(59,114)
<hr/>		
Share of loss for the year	(1,350,028)	(195,878)
<hr/>		

Notes To The Financial Statements (Cont'd)
31 December, 2002

7. OTHER INVESTMENTS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
At cost:				
Unquoted shares in Malaysia				
At beginning of the year	325,000	82,500	252,500	10,000
Addition	747,500	242,500	747,500	242,500
Disposal	(25,000)	–	–	–
At end of the year	1,047,500	325,000	1,000,000	252,500
Club membership	68,000	68,000	68,000	68,000
	1,115,500	393,000	1,068,000	320,500

The club membership is in respect of transferable golf club membership.

8. GOODWILL ON CONSOLIDATION

	GROUP	
	2002 RM	2001 RM
Goodwill on consolidation, at cost	875,000	875,000
Less : Accumulated amortisation	(350,000)	(262,500)
	525,000	612,500

9. INVENTORIES

	GROUP	
	2002 RM	2001 RM
At cost:		
Industrial gases and accessories	–	162,561
Marine fuels and lubricants	5,111,030	3,299,290
	5,111,030	3,461,851

There were no inventories carried at net realisable value.

10. AMOUNT DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

	GROUP	
	2002 RM	2001 RM
Aggregate costs incurred to date	936,173,440	542,972,947
Attributable profits	75,821,584	53,589,887
	1,011,995,024	596,562,834
Progress billings	(942,623,734)	(602,330,063)
	69,371,290	(5,767,229)
Represented by:		
Amount due from customers for contract work	71,568,747	23,732,606
Amount due to customers for contract work	(2,197,457)	(29,499,835)

Included in the above progress billings are retention sums totalling RM31,358,405/- (2001 : RM11,681,438/-).

11. PROPERTY DEVELOPMENT EXPENDITURE

	GROUP	
	2002 RM	2001 RM
Development expenditure, at cost		
At beginning of the year	4,576,274	2,404,659
Additions	566,171	2,171,615
At end of the year	5,142,445	4,576,274
Add : Attributable profits		
At beginning of the year	-	-
Additions	379,350	-
At end of the year	379,350	-
Less : Progress billings		
At beginning of the year	-	-
Additions	(804,400)	-
At end of the year	(804,400)	-
	4,717,395	4,576,274

Notes To The Financial Statements (Cont'd)
31 December, 2002

12. TRADE RECEIVABLES

	GROUP	
	2002 RM	2001 RM
Balance outstanding	54,074,856	41,736,610
Less : Allowance for doubtful debts	–	(199,894)
	54,074,856	41,536,716

The Group's normal trade credit term ranges from 60 to 90 days.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	6,825,803	3,571,855	86,545	71,670
Sundry deposits	1,134,310	571,629	13,850	18,350
Prepayments	73,520	47,728	–	–
	8,033,633	4,191,212	100,395	90,020

14. TAX ASSETS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Income tax paid in advance	1,229,118	13,592	815	655
Tax recoverable	–	–	155,006	155,006
	1,229,118	13,592	155,821	155,661

15. AMOUNT OWING BY RELATED COMPANIES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Amount owing by:-				
Holding company				
- Zaki Holdings (M) Sdn. Bhd.	246,821	462,183	90,941	92,922
Subsidiaries				
- Ahmad Zaki Sdn. Bhd.	-	-	28,285,258	15,792,727
- Inter-Century Sdn. Bhd.	-	-	8,043,017	60,000
Related company				
- Residence Inn & Motels Sdn. Bhd.	102,973	75,364	-	-
	349,794	537,547	36,419,216	15,945,649

These amounts are non-trade in nature, unsecured, interest-free and have no fixed term of repayment.

16. AMOUNT OWING BY ASSOCIATED COMPANIES

	GROUP	
	2002 RM	2001 RM
Amount owing by:-		
Fasatimur Sdn. Bhd	1,053,775	1,053,775
Maxi Heritage Sdn. Bhd.	20,000	20,000
	1,073,775	1,073,775

These amounts are non-trade in nature, unsecured, interest-free and have no fixed term of repayment.

17. AMOUNT OWING BY JOINT VENTURES

	GROUP	
	2002 RM	2001 RM
Trade		
- Bumi Hiway - Ahmad Zaki Joint Venture	1,656,041	1,656,041
- Johawaki - Ahmad Zaki Joint Venture	359,466	-
Non-trade		
- Bumi Hiway - Ahmad Zaki Joint Venture	46,917	10,529
- Johawaki - Ahmad Zaki Joint Venture	431,170	308,746
	2,493,594	1,975,316

These amounts are unsecured, interest-free and have no fixed term of repayment.

Notes To The Financial Statements (Cont'd)
31 December, 2002

18. CASH AND CASH DEPOSITS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash and bank balances	5,146,286	9,020,582	429,664	233,035
Cash deposits with licensed banks	65,801,899	48,296,300	14,236,633	9,934,639
	70,948,185	57,316,882	14,666,297	10,167,674

Included in cash deposits with licensed banks of the Group are deposits totalling RM25,163,071/- (2001 : RM12,783,174/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group.

Included in cash deposits with licensed banks of the Company are deposits totalling RM2,155,682/- (2001 : RM2,088,239/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of its subsidiary, AZSB.

19. TRADE PAYABLES

	GROUP	
	2002 RM	2001 RM
Included in trade payables of the Group are amounts owing to:-		
Subsidiaries of Chuan Huat Resources Berhad, a company in which		
Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:-		
(a) Chuan Huat Industrial Marketing Sdn. Bhd.	418,220	2,329,223
(b) Chuan Huat Hardware Sdn. Bhd.	–	1,580
QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has		
substantial financial interest interest and is also a director	1,650	11,609
Duta Technic Sdn. Bhd., an associated company of Aztech Corporation Sdn. Bhd.,		
a company in which Dato' Haji Wan Zaki bin Haji Wan Muda,		
Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa		
bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and		
are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli		
bin Haji W Muda who are not directors	64,289	761,807

These amounts are unsecured, interest-free and repayable under commercial terms mutually agreed upon between the parties involved.

The normal trade credit term granted to the Group ranges from 60 to 90 days.

20. OTHER PAYABLES AND ACCRUALS

Included in other payables of the Group is an amount of RM NIL (2001 : RM130,944/-) owing to Aztech Corporation Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors.

This amount is unsecured, interest-free and repayable under terms mutually agreed upon between the parties involved.

21. ADVANCE PAYMENTS RECEIVED

This amount is in respect of interest-free advances received for performance of the Group's construction contracts. These advances are to be set off against the Group's progress billings on the related contracts.

22. AMOUNT OWING TO DIRECTORS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Dato' Ismail @ Mansor bin Said	–	5,700	–	5,700
Dato' Hamzah bin Hasan	1,900	600	–	600
Dato' Mohamed bin Awang	–	5,700	–	5,700
Dato' Haji Wan Zaki bin Haji Wan Muda	–	1,200	–	1,200
Dato' Wan Zakariah bin Haji Wan Muda	–	600	–	600
W Zulkifli bin Haji W Muda	–	1,600	–	600
Haji Mustaffa bin Mohamad	11,401	600	–	600
	13,301	16,000	–	15,000

These amounts are in respect of accrued directors' emoluments and are unsecured, interest-free and have no fixed term of repayment.

23. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Total instalment payments	3,722,044	3,943,301	522,164	–
Less : Future finance charges	(515,961)	(587,531)	(77,183)	–
Present value of hire purchase payables	3,206,083	3,355,770	444,981	–

Notes To The Financial Statements (Cont'd)
31 December, 2002

23. HIRE PURCHASE PAYABLES (Cont'd)

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Payable within one year				
Total instalment payments	1,261,972	1,652,297	120,504	–
Less : Future finance charges	(251,957)	(294,617)	(31,254)	–
Present value of hire purchase payables	1,010,015	1,357,680	89,250	–
Payable after one year but not later than five years				
Total instalment payments	2,460,072	2,291,004	401,660	–
Less : Future finance charges	(264,004)	(292,914)	(45,929)	–
Present value of hire purchase payables	2,196,068	1,998,090	355,731	–
	3,206,083	3,355,770	444,981	–

24. BANK BORROWINGS - SECURED

	GROUP	
	2002 RM	2001 RM
Trust receipts	1,625,478	202,500
Term loan (Note 28)	100,555	92,579
	1,726,033	295,079

The trust receipt facilities are payable on demand and bear interest at rates ranging from 7.40% to 7.65% (2001 : 7.65% to 8.30%) per annum. These facilities are secured and supported by:-

- (i) cash deposits of a subsidiary, AZSB.
- (ii) corporate guarantee from the Company.

The security, interest rates and repayment term of the term loan are disclosed in note 28 to the financial statements.

25. BANK OVERDRAFTS - SECURED

The bank overdrafts facilities are payable on demand and bear interest at rates ranging from 7.40% to 8.40% (2001 : 7.40% to 8.80%) per annum. These facilities are secured and supported by:-

- (i) cash deposits and freehold land and buildings of a subsidiary, AZSB, as disclosed in note 2 and note 3 to the financial statements.
- (ii) cash deposits of the Company.
- (iii) corporate guarantee from the Company.

26. SHARE CAPITAL

i. Share Capital

	GROUP/COMPANY	
	2002	2001
	RM	RM
Ordinary shares of RM1/- each		
Authorised:		
100,000,000 shares	100,000,000	100,000,000
Issued and fully paid:		
At beginning of the year	30,000,000	30,000,000
Issued pursuant to:		
- Bonus issue	12,000,000	-
- Private placement	4,200,000	-
- Employees' share option scheme	101,000	-
At end of the year	46,301,000	30,000,000

ii. Employees' Share Option Scheme ("ESOS")

The Group's ESOS was approved by shareholders of the Company at the Annual General Meeting held on 20th June, 2002. The ESOS shall continue to be in force for a duration of ten (10) years commencing from 26th July, 2002 and expiring on 25th July, 2012.

The salient features of the ESOS are:-

- a) eligible persons are full time employees with confirmed employment within the Group (including executive directors) other than a company which is dormant. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- b) the number of ordinary shares of RM1/- each in the Company ("AZRB Shares") allocated, in the aggregate, to the directors and senior management of the Group shall not exceed fifty percent (50%) of the total AZRB Shares available under the ESOS;

Notes To The Financial Statements (Cont'd)
31 December, 2002

26. SHARE CAPITAL (Cont'd)

ii. Employees' Share Option Scheme ("ESOS") (Cont'd)

- c) the aggregate number of shares to be allotted and issued under ESOS shall not exceed ten percent (10%) of the total enlarged issued and paid-up ordinary share capital of the Company at the time of the offer or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS during the existence of the ESOS;
- d) the exercise price for each share shall be set at a discount of not more than ten percent (10%) from the weighted average market price of the AZRB shares as shown in the Daily Official List of KLSE for the five (5) Market Days immediately preceding the Date of Offer;
- e) the number of AZRB Shares allocated to any individual director or employee who, either singly or collectively through persons connected holds twenty percent (20%) or more in the issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total AZRB Shares available under the ESOS; and
- f) new shares issued under the ESOS shall rank pari passu in all respects with the existing ordinary shares save and except that the new shares shall not be entitled to any dividend that may be declared by the Company in respect of financial year ended 31st December, 2001 and any other dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

The details of unissued ordinary shares under options granted as at 31st December, 2002 are as follows:

Unissued Ordinary Shares Under Options No.	Exercise Price Per Share RM
3,654,000	2.88

27. RESERVES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
NON-DISTRIBUTABLE				
Share premium	8,688,317	4,688,749	8,688,317	4,688,749
Revaluation reserve	7,371,460	-	-	-
	16,059,777	4,688,749	8,688,317	4,688,749
DISTRIBUTABLE				
Retained profits	49,343,181	46,458,415	17,644,127	12,026,435
	65,402,958	51,147,164	26,332,444	16,715,184

27. RESERVES (Cont'd)

	GROUP	
	2002 RM	2001 RM
Profits are retained by :-		
The Company	17,644,127	12,026,435
Subsidiaries	28,153,260	21,447,118
Associated companies	3,191	92,231
Joint ventures	3,542,603	12,892,631
	49,343,181	46,458,415

The Directors proposed a first and final dividend of 15% (2001 : 15%) per ordinary share in respect of the current financial year. The retained profits appropriated for this proposed dividend less tax at 28% is amounted to RM5,000,508/- (2001 : RM3,240,000/-).

28. TERM LOAN - SECURED

	GROUP	
	2002 RM	2001 RM
Current Liabilities		
Repayable within one year (Note 24)	100,555	92,579
Non-Current Liabilities		
- Repayable after one year but not later than five years	498,020	458,522
- Repayable after five years but not later than ten years	510,462	649,409
	1,008,482	1,107,931
	1,109,037	1,200,510

The term loan granted by a licensed bank is repayable in equal monthly instalments over 10 years commencing April, 2001, bears interest at 8.40% (2001 : 8.40% to 8.80%) per annum and is secured by first legal charge over leasehold land and building of a subsidiary, AZSB, and supported by corporate guarantee from the Company.

Notes To The Financial Statements (Cont'd)
31 December, 2002

29. DEFERRED TAXATION

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
At beginning of the year	372,460	234,680	460	680
Transfer (to) / from income statements (Note 33)	(132,630)	137,780	3,240	(220)
At end of the year	239,830	372,460	3,700	460

This is in respect of timing differences arising from capital allowances claimed for property, plant and equipment in excess of their depreciation charges.

The estimated deferred tax liability not provided in the financial statements is as follow:-

	GROUP	
	2002 RM	2001 RM
Surplus arising from revaluation of AZSB's investment properties	529,000	161,000

No deferred taxation has been provided in respect of the surplus as it is not the intention of the Directors to dispose of these properties in the foreseeable future.

30. OPERATING REVENUE

The amount of each of the revenue is as follows:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Management fee	–	–	300,000	300,000
Dividend revenue	–	–	25,000,106	17,000,085
Sales of goods	24,822,481	19,737,049	–	–
Attributable contract revenue	413,310,625	214,303,502	–	–
Attributable development revenue	896,855	–	–	–
	439,029,961	234,040,551	25,300,106	17,300,085

31. DIRECT OPERATING COST

Direct operating cost comprises the following:-

	GROUP	
	2002	2001
	RM	RM
Costs of goods sold	14,825,033	11,960,509
Attributable contract costs	388,219,601	192,609,147
Attributable development costs	517,505	–
	403,562,139	204,569,656

32. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at:-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
After charging:-				
Allowance for doubtful debts	3,265	–	–	–
Amortisation of goodwill on consolidation	91,529	91,529	–	–
Auditors' remuneration				
- statutory audit	35,200	31,500	3,000	3,000
- under provision in prior year	6,000	–	–	–
Depreciation of property, plant and equipment	2,852,890	3,118,243	119,440	946
Directors' remuneration				
- fee	156,000	153,750	36,000	33,750
- other emoluments	1,852,049	1,613,845	850,330	738,450
Property, plant and equipment written off	3,796	6,921	–	–
Rental of machinery	8,709,293	4,852,192	–	–
Interest expense				
- bank overdrafts	187,107	232,825	–	–
- term loan	97,112	87,655	–	–
- others	656,271	578,175	25,317	–
Rental of motor vehicles	10,297	46,434	–	–
Rental of premises	706,801	1,911,570	180,000	187,200
Loss on disposal of other investment	15,566	–	–	–
Loss on disposal of investment in subsidiary	152,013	–	–	–

Notes To The Financial Statements (Cont'd)
31 December, 2002

32. PROFIT BEFORE TAXATION (Cont'd)

(a) Profit before taxation is arrived at (Cont'd):-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
After crediting:-				
Amortisation of reserve on consolidation	-	(840,433)	-	-
Allowance for doubtful debts no longer required	-	(1,500)	-	-
Dividend revenue				
- unquoted shares	(3,979)	-	-	-
Gain on disposal of property, plant and equipment	(317,976)	(18,491)	-	-
Interest revenue	(1,817,569)	(1,428,798)	(359,917)	(312,291)
Rental revenue				
- premises	(76,000)	(86,000)	-	-
- cylinders	(29,768)	(48,235)	-	-

(b) Employees Information

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Staff costs	15,352,332	13,877,954	1,471,367	1,132,463

The number of employees (included full time directors) of the Group and of the Company as at financial year end were 304 and 7 (2001 : 308 and 6) respectively.

The staff costs of the Group and of the Company consist of aggregate remuneration of salaried Directors, other staff's salaries, allowances, bonus, EPF, SOCSO, medical expenses, staff welfare and other expenses directly related to employment of staff.

Included in the staff costs of the Group and of the Company are remunerations of the Directors amounted to RM1,968,449/- and RM846,730/- (2001 : RM1,725,445/- and RM730,050/-) respectively.

(c) The estimated monetary value of benefits provided to the Directors during the year by the Group and the Company amounted to RM571,890/- and RM237,950/- (2001 : RM561,540/- and RM223,000/-) respectively.

33. TAXATION

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Malaysian Income Tax				
- based on results for the year	6,822,030	5,610,580	7,000,030	4,760,024
Transfer (from) / to deferred taxation (Note 29)	(132,630)	137,780	3,240	(220)
	6,689,400	5,748,360	7,003,270	4,759,804
(Over) / under provision in prior years	(557,546)	611	-	-
	6,131,854	5,748,971	7,003,270	4,759,804

The effective rate of taxation of the Group and of the Company is higher than the statutory rate applicable due to certain expenses being disallowed for tax purposes.

The tax exempt income account of the Company available for distribution by way of tax exempt dividends amounted to RM80,549/- (2001: RM80,549/-), subject to agreement by the Inland Revenue Board. This is in respect of chargeable income of which the income tax has been waived.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank payment of dividends out of its entire retained profits as at 31st December, 2002 without incurring additional tax liability, subject to agreement by the Inland Revenue Board.

34. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group is calculated based on the profit after taxation and minority interest of RM13,436,017/- divided by the weighted average number of ordinary shares of RM1/- each in issue of 43,354,326.

Previous year's basic earnings per ordinary share is restated due to bonus issue in current financial year. It is calculated based on the profit after taxation and minority interest of RM11,479,252/- divided by the number of ordinary shares of RM1/- each in issue of 42,000,000.

The fully diluted earnings per ordinary share for the current financial year has been calculated using an enlarged weighted average number of shares of 43,468,426 after the inclusion of the number of unexercised options outstanding as at 31st December, 2002 of 3,654,000 shares.

The share options were calculated based on the number of shares which could have been acquired at the market price (the average four months price of the Company's share) based on the monetary value of the subscription rights attached to the outstanding share options. No adjustment is made to the net profit attributable to the shareholders for the share options calculations.

	No. of shares of RM1/- each
Weighted average number of shares as at 31.12.2002	43,354,326
Add : Dilutive ESOS	114,100
Adjusted weighted average number of shares	43,468,426

Notes To The Financial Statements (Cont'd)
31 December, 2002

35. DISPOSAL OF SUBSIDIARY

On 31st December, 2002, AZSB's entire equity interest in a wholly owned subsidiary, AZSB Industrial Marketing Sdn. Bhd. was disposed of for a cash consideration of RM182,000/-.

i) Effect On Consolidated Financial Position

The effect on the consolidated financial position of the Group as at the effective date of disposal and the comparatives for the previous year were as follows:-

	GROUP	
	2002 RM	2001 RM
Property, plant and equipment	18,281	35,095
Inventories	158,668	162,561
Trade receivables	186,964	527,247
Other receivables, deposits and prepayments	174,368	90,635
Cash and cash deposits	74,154	138,347
Trade payables	(149,300)	(393,909)
Other payables and accruals	(126,645)	(132,732)
Amount owing to directors	(2,477)	(2,477)
Total net assets	334,013	424,767
Loss on disposal of investment in subsidiary	(152,013)	-
Total disposal consideration	182,000	-
Less : Cash and cash deposits	(74,154)	-
Effect of disposal of subsidiary, net of cash disposed	107,846	-

ii) Effect On Consolidated Income Statements

The effect on the consolidated results of the Group up to the effective date of disposal and the comparatives for the previous year were as follows:-

	GROUP	
	2002 RM	2001 RM
Operating revenue	301,723	472,620
Direct operating cost	(188,401)	(294,969)
Gross profit	113,322	177,651
Other operating revenue	44,882	64,927
Administrative costs	(240,031)	(337,691)
Other operating costs	(8,688)	(150)
	(248,719)	(337,841)
Loss from operations	(90,515)	(95,263)
Finance costs	(239)	(28,275)
Net loss for the year	(90,754)	(123,538)

36. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with aggregate cost of RM2,762,783/- (2001 : RM4,464,075/-) of which RM1,375,891/- (2001 : RM885,000/-) was financed by means of hire purchase. Cash payments of RM1,386,892/- (2001 : RM3,579,075/-) were made to purchase property, plant and equipment.

During the year, the Company acquired property, plant and equipment with aggregate cost of RM790,000/- (2001 : RM NIL) of which RM500,000/- (2001 : RM NIL) was financed by means of hire purchase. Cash payments of RM290,000/- (2001 : RM NIL) were made to purchase property, plant and equipment.

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flows statements comprise the following amounts:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash and bank balances	5,146,286	9,020,582	429,664	233,035
Cash deposits with licensed banks	65,801,899	48,296,300	14,236,633	9,934,639
Bank overdrafts	(7,458,215)	(2,834,893)	–	–
	63,489,970	54,481,989	14,666,297	10,167,674

Included in cash deposits with licenced banks of the Group are deposits totalling RM25,163,071/- (2001 : RM12,783,174/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of the Group and are only available to be utilised for repayment of the said facilities.

Included in cash deposits with licensed banks of the Company are deposits totalling RM2,155,682/- (2001 : RM2,088,239/-) which have been pledged to financial institutions as security for bank guarantee and credit facilities of a subsidiary, AZSB, and are only available to be utilised for repayment of the said facilities.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The significant transactions with related companies are as follows:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Non-Trade				
Accommodation charged by Residence Inn & Motels Sdn. Bhd.	3,732	174,465	–	–
Management fee charged to Ahmad Zaki Sdn. Bhd.	–	–	(240,000)	(240,000)
Management fee charged to Inter-Century Sdn. Bhd.	–	–	(60,000)	(60,000)

Notes To The Financial Statements (Cont'd)
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38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(a) The significant transactions with related companies are as follows (Cont'd):-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Dividend revenue from:-				
(i) Ahmad Zaki Sdn. Bhd.	–	–	(14,000,084)	(12,500,076)
(ii) Inter-Century Sdn. Bhd.	–	–	(11,000,022)	(4,500,009)
Administrative service charged by Zaki Holdings (M) Sdn. Bhd.	122,400	122,400	–	–
Rental paid and payable to Zaki Holdings (M) Sdn. Bhd.	420,000	420,000	180,000	180,000
Insurance premium paid and payable to Zaki Holdings (M) Sdn. Bhd.	192,554	266,990	–	–

(b) The significant transactions with joint ventures are as follows:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade				
Contract revenue received and receivable from Bumi Hiway - Ahmad Zaki Joint Venture	–	(4,927,087)	–	–
Contract revenue received and receivable from Johawaki - Ahmad Zaki Joint Venture	(315,861)	(5,787,976)	–	–

(c) The significant transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interest are as follows:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade				
Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:-				
(i) Chuan Huat Industrial Marketing Sdn. Bhd.	12,633,348	13,333,171	–	–
(ii) Chuan Huat Hardware Sdn. Bhd.	807,215	108,478	–	–
Purchases from QMC Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director	162,917	105,626	–	–

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

- (c) The significant transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interest are as follows (Cont'd):-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Sub-contract works paid and payable to Duta Technic Sdn. Bhd., an associated company of Aztech Corporation Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors	1,944,066	2,041,042	–	–
Non-Trade				
Management fee paid and payable to Aztech Corporation Sdn. Bhd., a company in which Dato' Haji Wan Zaki bin Haji Wan Muda, Dato' Hamzah bin Hasan, Dato' Wan Zakariah bin Haji Wan Muda, Haji Mustaffa bin Mohamad and W Zulkifli bin Haji W Muda have substantial financial interest and are also directors except for Dato' Haji Wan Zaki bin Haji Wan Muda and W Zulkifli bin Haji W Muda who are not directors	88,620	294,892	–	–
Rental of premises paid to the following Directors:-				
(i) Dato' Haji Wan Zaki bin Haji Wan Muda	36,000	36,000	–	–
(ii) W Zulkifli bin Haji W Muda	–	7,200	–	7,200
Professional fee paid to a director, Dato' Ismail @ Mansor bin Said	18,000	30,000	–	–

Notes To The Financial Statements (Cont'd)
31 December, 2002

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(d) Remuneration paid or payable to the Directors:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
<u>Executive Directors</u>				
Dato' Haji Wan Zaki bin Haji Wan Muda	542,670	469,575	481,070	408,975
Dato' Hamzah bin Hasan (Resigned on 1.3.2003)	358,295	342,075	331,295	316,875
Dato' Wan Zakariah bin Haji Wan Muda	322,300	266,025	33,165	1,500
W Zulkifli bin Haji W Muda	337,370	282,270	300	1,500
Haji Mustaffa bin Mohamad	407,814	365,500	900	1,200
	1,968,449	1,725,445	846,730	730,050
<u>Non-Executive Directors</u>				
Dato' Haji Hamzah bin Mamat @ Muhammad (Resigned on 28.2.2001)	–	5,100	–	5,100
Dato' Ismail @ Mansor bin Said	19,800	22,200	19,800	22,200
Dato' Mohamed bin Awang	19,800	14,850	19,800	14,850
	39,600	42,150	39,600	42,150

(e) Benefits-in-kind received by the Directors:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
<u>Executive Directors</u>				
Dato' Haji Wan Zaki bin Haji Wan Muda	216,150	198,900	216,150	198,900
Dato' Hamzah bin Hasan (Resigned on 1.3.2003)	54,740	63,040	21,800	24,100
Dato' Wan Zakariah bin Haji Wan Muda	133,000	141,600	–	–
W Zulkifli bin Haji W Muda	146,400	136,400	–	–
Haji Mustaffa bin Mohamad	21,600	21,600	–	–
	571,890	561,540	237,950	223,000

The Directors are of the opinion that the above transactions are entered into in the normal course of business and have been established under terms mutually agreed upon between the parties involved.

39. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
UNSECURED				
(a) Corporate guarantees given to financial institutions in respect of credit facilities granted to an associated company, Fasatimur Sdn. Bhd.	20,000,000	20,000,000	—	—
(b) Legal claim by Westbury Tubular (M) Sdn. Bhd. for settlement of outstanding sum due from a joint venture, Ahmad Zaki Sdn. Bhd., Murray and Roberts (Malaysia) Sdn. Bhd. and WCT Engineering Bhd. JV, of which a subsidiary, AZSB, is one of the three venturers	3,090,204	3,090,204	—	—
(c) Legal claim by Artic Building and Civil Engineering Sdn. Bhd., a supplier of goods ordered by Vital Field Sdn. Bhd., a subcontractor of a joint venture, Peremba Ahmad Zaki JV, of which AZSB & Peremba Construction Sdn. Bhd. are the venturers	587,030	587,030	—	—
(d) Legal claim by Teguh Timur Engineering & Construction Sdn. Bhd. formerly known as Kejuruteraan Sri Limbong Sdn. Bhd., for settlement of outstanding sum due from the joint venture mentioned in (c) above *	—	672,500	—	—
(e) Corporate guarantees given to financial institutions in respect of credit facilities granted to a subsidiary, AZSB	—	—	82,741,070	22,316,270
(f) Corporate guarantees given to suppliers of a subsidiary, AZSB, in respect of credit facilities granted	—	—	588,198	383,320
	3,677,234	4,349,734	83,329,268	22,699,590
PARTIALLY SECURED				
Corporate guarantee given together with a pledge of cash deposits of the Company amounting to RM2,000,000/- to a financial institution in respect of credit facilities granted to a subsidiary, AZSB	—	—	15,267,851	2,764,713
	23,677,234	24,349,734	98,597,119	25,464,303

* The legal suit has been withdrawn during the year.

Notes To The Financial Statements (Cont'd)
31 December, 2002

39. CONTINGENT LIABILITIES (Cont'd)

No provision has been made for the contingent liabilities mentioned in (b) and (c) above as the outcome of the legal proceedings are still pending and that AZSB will be indemnified against any liabilities which may arise therefrom due to the following:

- (i) In respect of (b) above, AZSB has a supplementary agreement with one of the joint venture partners, WCT Engineering Bhd., to indemnify AZSB against any claims arising from the joint venture.
- (ii) In respect of (c) above, the joint venture has an agreement with Artic Building and Civil Engineering Sdn. Bhd. and Vital Field Sdn. Bhd. whereby Vital Field Sdn. Bhd. is required to pay all sums due to Artic Building and Civil Engineering Sdn. Bhd.. Furthermore, AZSB has a supplementary agreement with Peremba Construction Sdn. Bhd. to indemnify AZSB against any claims arising from the joint venture.

40. SEGMENTAL ANALYSIS - BY ACTIVITY

The primary segment reporting format is presented in respect of the Group's business activities. No secondary reporting format is presented as the Group operates principally within the same geographical region.

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

Segment assets and liabilities do not include tax assets and tax liabilities respectively.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one accounting period.

2002	Construction RM	Trading in oil and gas and other related services RM	Other operations RM	Eliminations RM	Consolidated RM
GROUP REVENUE					
External revenue	413,310,625	24,822,481	896,855	-	439,029,961
Inter-segment revenue	-	1,323,332	25,300,106	(26,623,438)	-
Total revenue	413,310,625	26,145,813	26,196,961	(26,623,438)	439,029,961

40. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

2002	Construction RM	Trading in oil and gas and other related services RM	Other operations RM	Eliminations RM	Consolidated RM
GROUP RESULT					
Segment result	13,973,451	8,326,500	22,903,438	(25,000,106)	20,203,283
Dividend revenue					3,979
Interest revenue					1,817,569
Interest expenses					(940,490)
Loss on disposal of other investment					(15,566)
Share of results in joint ventures	(1,350,028)				(1,350,028)
Share of results in associated companies	(89,040)				(89,040)
Income taxes					(6,131,854)
Profit after taxation but before minority interest					13,497,853
OTHER INFORMATION					
Segment assets	147,269,920	12,192,388	7,340,586		166,802,894
Investment properties					24,200,000
Tax assets					1,229,118
Cash deposits with licensed banks					65,801,899
Other investments					1,115,500
Interest in joint ventures	3,542,603				3,542,603
Interest in associated companies	113,191				113,191
Consolidated total assets					262,805,205
Segment liabilities	130,614,757	3,823,034	1,407,092		135,844,883
Interest bearing borrowings					13,398,813
Tax liabilities					138,028
Deferred tax liabilities					239,830
Consolidated total liabilities					149,621,554
Capital expenditure	1,498,548	473,840	790,395		2,762,783
Depreciation	2,587,721	111,266	153,903		2,852,890

Notes To The Financial Statements (Cont'd)
31 December, 2002

40. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

2001	Construction RM	Trading in oil and gas and other related services RM	Other operations RM	Eliminations RM	Consolidated RM
GROUP REVENUE					
External revenue	214,303,502	19,737,049	–	–	234,040,551
Inter-segment revenue	–	1,365,597	17,300,085	(18,665,682)	–
Total revenue	214,303,502	21,102,646	17,300,085	(18,665,682)	234,040,551
RESULT					
Segment result	11,640,655	5,987,422	16,193,837	(17,000,085)	16,821,829
Interest revenue					1,428,798
Interest expenses					(898,655)
Share of results in joint ventures	(195,878)				(195,878)
Share of results in associated companies	(2,737)				(2,737)
Income taxes					(5,748,971)
Profit after taxation but before minority interest					11,404,386
OTHER INFORMATION					
Segment assets	90,295,154	8,111,074	6,186,507		104,592,735
Investment properties					16,828,540
Tax assets					13,592
Cash deposits with licensed banks					48,296,300
Other investments					393,000
Interest in joint ventures	12,892,631				12,892,631
Interest in associated companies	202,231				202,231
Consolidated total assets					183,219,029

40. SEGMENTAL ANALYSIS - BY ACTIVITY (Cont'd)

2001	Construction RM	Trading in oil and gas and other related services RM	Other operations RM	Consolidated RM
GROUP				
OTHER INFORMATION (Cont'd)				
Segment liabilities	85,632,199	3,288,003	1,672,797	90,592,999
Interest bearing borrowings				7,593,673
Tax liabilities				2,094,876
Deferred tax liabilities				372,460
Consolidated total liabilities				100,654,008
Capital expenditure	4,398,757	60,913	4,405	4,464,075
Depreciation	2,872,843	210,043	35,357	3,118,243

- (a) There is no significant non-cash expenses other than depreciation.
- (b) Inter-segment revenue of other operations mainly comprises dividend and management fee revenue. All other inter-segment revenue comprises inter-segment sales which were priced based on cost plus method.
- (c) The Group operates principally within one geographical region and therefore no analysis by geographical segment is presented.

41. CAPITAL COMMITMENT

	2002 RM	2001 RM
Approved and contracted but not provided for	4,950,000	-

Capital commitment in current year is in respect of purchase of freehold land and building from third party.

Notes To The Financial Statements (Cont'd)
31 December, 2002

42. SIGNIFICANT EVENTS

Significant events of the Group and of the Company during the financial year are as follows:-

- 1) On 1st April, 2002, the Company entered into a Deed of Termination to terminate a Joint Venture Agreement dated 29th May, 2001 with a few parties to form a joint venture company to be known as Sally Infrastructures Group Pte. Ltd.
- 2) On 28th June, 2002, the Company obtained approvals from all the relevant authorities for the following corporate proposals:-
 - i. a bonus issue of 12,000,000 new ordinary shares of RM1/- each on the basis of two (2) new ordinary shares of RM1/- each ("Bonus Shares") for every five (5) existing ordinary shares of RM1/- each in the Company;
 - ii. a private placement of up to 4,200,000 new ordinary shares of RM1/- each in the Company; and
 - iii. ESOS for eligible employees and executive directors of the Company and its subsidiaries.
- 3) On 26th July, 2002, the bonus issue was effected by capitalising RM4,688,749/- from the share premium account and RM7,311,251/- from the retained profits of the Company. The Bonus Shares will rank pari passu in all respects with existing shares save and except that they will not be entitled to any dividends declared in respect of the financial year ended 2001 and any other dividends, rights, allotments and/or distributions, the entitlement date of which precedes the date of allotment of the Bonus Shares.
- 4) On 6th September, 2002, a private placement of up to 4,200,000 new ordinary shares of RM1/- each in the Company at an issue price of RM3.05 per share was effected to raise additional fund for working capital of the Group.
- 5) On 30th September, 2002, the Company through its Malaysia-China Hydro Joint Venture ("MCHJV") received a Letter of Acceptance for the award of the design and execution of works for Bakun Hydroelectric Project Package CW2-Main Civil Works for RM1,788,000,000/-.
- 6) On 16th October, 2002, a wholly owned subsidiary, Inter-Century Sdn. Bhd. ("ICSB"), entered into a Addendum to Throughput and Tenancy Agreement with Pangkalan Bekalan Kemaman Sdn. Bhd. to extend the expiry date of its tenancy to 31st October, 2022 with five (5) years renewable option.
- 7) On 20th November, 2002, the Company received a Letter of Award from Jabatan Kerja Raya Malaysia for upgrading Jalan Duta, Jalan Kuching and Other Connecting Roads in Kuala Lumpur, Malaysia for RM140,291,253/-. The completion date will be within 32 months from 31st December, 2002.
- 8) On 26th November, 2002, a wholly owned subsidiary, Ahmad Zaki Sdn. Bhd., entered into a Sale & Purchase Agreement to acquire a freehold property at Taman Duta, Kuala Lumpur, Malaysia for a purchase consideration of RM5,500,000/- to be satisfied by cash.
- 9) On 31st December, 2002, the wholly owned subsidiary, Ahmad Zaki Sdn. Bhd., entered into a Share Sale Agreement to dispose of its entire 100% equity holdings in AZSB Industrial Marketing Sdn. Bhd. for a cash consideration of RM182,000/-.

43. SUBSEQUENT EVENTS

Significant events of the Group and of the Company arising after the financial year end are as follows:-

- 1) On 14th February, 2003, the Company disposed of its entire investment of 1,000,000 ordinary shares in CIDB Inventures Sdn. Bhd. at par value for cash.
- 2) On 24th February 2003, the Company announced the following proposals:-
 - (i) a bonus issue of up to 20,372,440 new ordinary shares of RM1/- each in the Company to be credited as fully paid-up on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1/- each in the Company ("Proposed Bonus Issue");
 - (ii) a transfer listing of the enlarged issued and paid-up share capital of the Company from Second Board to the Main Board of the Kuala Lumpur Stock Exchange ("Proposed Transfer Listing"); and
 - (iii) a private placement of up to 7,130,000 new ordinary shares of RM1/- each representing not more than ten percent (10%) of the enlarged issued and paid-up share capital of the Company upon the completion of the Proposed Bonus Issue ("Proposed Private Placement").

On 26th March, 2003, the Company obtained approval from Foreign Investment Committee for the Proposed Private Placement as mentioned in (iii) above.

At the date of this report, other than the approval obtained above, the proposals as mentioned above are pending approvals from the relevant authorities and the shareholders of the Company.

- 3) On 12th April, 2003, the Company incorporated a wholly owned subsidiary known as AZRB International Ventures Sdn. Bhd. with paid-up share capital of RM2/-.

44. FINANCIAL INSTRUMENTS

a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its 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.

i) Interest Rate Risk

The Group's exposure to interest rate risk mainly relates to interest bearing financial liabilities such as hire purchase, loan, trust receipts and overdraft facilities.

Interest bearing assets relates to cash deposits with licensed banks which are short term in nature and mainly placed as securities for bank borrowings and for yield better than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debts portfolio, taking into account the investment holding period and the 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.

Notes To The Financial Statements (Cont'd)
31 December, 2002

44. FINANCIAL INSTRUMENTS (Cont'd)

a) Financial Risk Management Policies (Cont'd)

i) Interest Rate Risk (Cont'd)

The effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier, are as follows:-

	Effective Interest Rate %	Total RM	Maturity Within 1 Year RM	1-5 Years RM	After 5 Years RM
Financial Assets					
Cash deposits	2.60 to 4.25	65,801,899	65,801,899	–	–
Financial Liabilities					
Bank overdrafts	7.40 to 8.40	7,458,215	7,458,215	–	–
Trust receipts	7.65	1,625,478	1,625,478	–	–
Term loan	8.40	1,109,037	100,555	498,020	510,462
Hire purchase payables	7.86 to 17.27	3,206,083	1,010,015	2,196,068	–

ii) Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

iii) Liquidity and Cash Flow Risks

The Group actively manages its 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 to meet its working capital requirements.

b) Fair Values

The methods and assumptions used to estimate the fair values of each class of financial instruments are as follows:-

i) Cash and cash deposits

The carrying amounts of cash and cash deposits approximate their fair values due to the relatively short term maturity of these financial assets.

ii) Trade and other receivables and payables

The carrying amounts of trade receivables and payables approximate their fair values as the amounts would have factored in the normal credit terms. The carrying amounts of other receivables and payables are reasonable estimates of fair values because of their short maturities.

44. FINANCIAL INSTRUMENTS (Cont'd)

b) Fair Values (Cont'd)

iii) Borrowings

The carrying amounts of banks overdrafts, and trust receipts approximate their fair values due to the relatively short term maturity of these financial liabilities.

The fair value of hire purchase and term loan are estimated using discounted cash flow analysis, based on current lending rates.

The carrying amounts of the Group and of the Company's financial assets and liabilities at balance sheet date approximate their fair values except for:-

	Note	GROUP		COMPANY	
		Carrying Amounts RM	Fair Value RM	Carrying Amounts RM	Fair Value RM
Financial Assets					
Unquoted investments	7	1,115,500	* –	1,068,000	* –
Financial Liabilities					
Hire purchase payables	23	3,206,083	3,280,584	444,981	446,427

* It is not practical to estimate the fair values of other investments because of the lack of quoted market prices and inability to estimate fair value without incurring excessive costs.

The nominal / notional amount and net fair value of financial instruments not recognised in the balance sheet of the Group and of the Company as at 31st December, 2002 are:-

	Note	GROUP		COMPANY	
		Nominal / Notional Amount RM	Net Fair Value RM	Nominal / Notional Amount RM	Net Fair Value RM
Contingent liabilities in respect of:-					
Corporate guarantees given to financial institutions of Fasatimur Sdn. Bhd.	39 (a)	20,000,000	20,000,000	–	–
Legal claim by Westbury Tubular (M) Sdn. Bhd.	39 (b)	3,090,204	* –	–	–
Legal claim by Artic Building and Civil Engineering Sdn. Bhd.	39 (c)	587,030	* –	–	–
Corporate guarantees given to financial institutions of AZSB	39 (e)	–	–	82,741,070	82,776,917

Notes To The Financial Statements (Cont'd)
31 December, 2002

44. FINANCIAL INSTRUMENTS (Cont'd)

b) Fair Values (Cont'd)

	Note	GROUP		COMPANY	
		Nominal / Notional Amount RM	Net Fair Value RM	Nominal / Notional Amount RM	Net Fair Value RM
Corporate guarantees given to suppliers of AZSB	39 (f)	–	–	588,198	588,198
Corporate guarantees given to a financial institution of AZSB	39 (partially secured)	–	–	15,267,851	15,267,851
		23,677,234	20,000,000	98,597,119	98,632,966

* It is not practical to estimate fair value of the contingent liabilities reliably due to the uncertainties of costs and eventual outcome.

45. COMPARATIVE FIGURES

- i) The following comparative figures of balance sheets have been reclassified to conform with current year's presentation of bank overdrafts and tax assets on the face of balance sheets for better understanding of the financial statements.

	As Previously Reported RM	Effects RM	As Reclassified RM
GROUP			
BALANCE SHEET			
Other receivables, deposits and prepayments	4,204,804	(13,592)	4,191,212
Tax assets	–	13,592	13,592
Bank borrowings - secured	3,129,972	(2,834,893)	295,079
Bank overdrafts - secured	–	2,834,893	2,834,893
COMPANY			
BALANCE SHEET			
Other receivables, deposits and prepayments	245,681	(155,661)	90,020
Tax assets	–	155,661	155,661

45. COMPARATIVE FIGURES (Cont'd)

- ii) The following comparative figures of cash flow statements have been reclassified to better reflect its nature of activity which involved the reclassification of interest revenue received and amount owing by related companies from operating activities to investing activities and financing activities respectively.

	As Previously Reported RM	Effects RM	As Reclassified RM
GROUP			
CONSOLIDATED CASH FLOW STATEMENT			
Net cash generated from operating activities	17,447,931	(1,393,849)	16,054,082
Net cash generated from investing activities	1,629,587	1,336,830	2,966,417
Net cash used in financing activities	(3,521,502)	57,019	(3,464,483)
COMPANY			
CASH FLOW STATEMENT			
Net cash used in operating activities	(616,133)	(663,751)	(1,279,884)
Net cash generated from investing activities	4,009,523	319,972	4,329,495
Net cash used in financing activities	(3,240,000)	343,779	(2,896,221)

- iii) The comparative information for segmental analysis (Note 40) were re-presented in accordance with the requirements of Malaysian Accounting Standards Board MASB 22, Segment Reporting.

46. GENERAL INFORMATION

- (a) Principal Activity

The Company is principally engaged in investment holding and provision of management services. The principal activities of subsidiaries are shown in note 4 to the financial statements. There have been no significant changes in the nature of these activities during the year.

- (b) Registered Office

The Company is a public limited company incorporated and domiciled in Malaysia with its shares listed on the Second Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is at Mezzanine Floor, 8A, Jalan Sri Semantan Satu, Damansara Heights, 50490 Kuala Lumpur.

- (c) Principal Place of Business

No 88, Jalan Gombak, Setapak, 53000 Kuala Lumpur.

- (d) Holding Company

The holding company of the Company is Zaki Holdings (M) Sdn. Bhd., a company incorporated in Malaysia.

- (e) Date of Authorisation for Issue

The financial statements were authorised for issue in accordance with a resolution passed at the Board of Directors' resolution dated 28th April, 2003.

Analysis Of Shareholdings

As at 30 April, 2003

Authorised Share Capital : RM100,000,000
 Issued and Fully Paid-up Share Capital : RM46,301,000

Class of Shares : Ordinary Share of RM1.00 each
 Voting Rights : One vote per RM1.00 per share

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
THE COMPANY				
AHMAD ZAKI RESOURCES BERHAD				
Dato' Haji Wan Zaki Bin Haji Wan Muda	427,636	0.92	27,866,007	60.18*
Dato' Wan Zakariah Bin Haji Wan Muda	106,910	0.23	—	—
W Zulkifli Bin Haji W Muda	64,910	0.14	—	—
Haji Mustaffa Bin Mohamad	997,794	2.16	—	—
Dato' Ismail @ Mansor Bin Said	1	—	—	—
Dato' Mohamed Bin Awang	—	—	—	—
Datuk (Prof.) A Rahman Bin Abdullah	—	—	—	—
ULTIMATE HOLDING COMPANY				
ZAKI HOLDINGS (M) SDN. BHD.				
Dato' Haji Wan Zaki Bin Haji Wan Muda	50,001	50.00	—	—
Dato' Wan Zakariah Bin Haji Wan Muda	10,000	10.00	—	—
W Zulkifli Bin Haji W Muda	10,000	10.00	—	—

* Shares held through Zaki Holdings (M) Sdn. Bhd.

By virtue of Dato' Haji Wan Zaki Bin Haji Wan Muda having an interest of more than 15% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 April 2003.

ANALYSIS OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Shareholding	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less Than 100	5	0	151	0	0.00	0.00
100 to 1,000	349	1	305,900	1,000	0.66	0.00
1,001 to 10,000	1,178	5	3,719,810	18,400	8.03	0.04
10,001 to 100,000	131	6	3,351,820	123,400	7.24	0.27
100,001 to less than 5% of Issued Shares	29	0	10,914,512	0	23.57	0.00
5% and above of Issued Shares	1	0	27,866,007	0	60.18	0.00
Total	1,693	12	46,158,200	142,800	99.69	0.31

LIST OF SUBSTANTIAL SHAREHOLDERS (5%)

	NUMBER OF ORDINARY SHARES OF RM1/- EACH			
	Direct Interest	%	Deemed Interest	%
1 Zaki Holdings (M) Sdn. Bhd.	27,866,007	60.18	—	—
2 Dato' Haji Wan Zaki Bin Haji Wan Muda	427,636	0.92	27,866,007	60.18*

* Shares held through Zaki Holdings (M) Sdn. Bhd.

30 LARGEST SHAREHOLDERS

No.	Name	Shares Held	%
1	Zaki Holdings (M) Sdn. Bhd.	27,866,007	60.18
2	OSK Nominees (Tempatan) Sdn. Bhd. - Idris Bin Mohammad	1,783,532	3.85
3	Nik Mahani Binti Nik Mohd Rashid	979,091	2.11
4	BHLB Trustee Berhad - TA Growth Fund	667,300	1.44
5	Qutronics Sdn. Bhd.	560,000	1.21
6	Betanaz Corporation Sdn. Bhd.	560,000	1.21
7	Al Wakalah Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Haji Mustaffa Bin Mohamad (CKT)	560,000	1.21
8	Hong Leong Finance Berhad - Pledged Securities Account for Chen Khai Voon	475,000	1.02
9	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	466,000	1.01
10	Universal Trustee (Malaysia) Berhad - Alliance First Fund	448,000	0.97
11	Haji Mustaffa Bin Mohamad	437,794	0.95
12	Dato' Haji Wan Zaki Bin Haji Wan Muda	427,636	0.92
13	Employees Provident Fund Board	380,000	0.82
14	Dato' Hamzah Bin Hasan	340,000	0.73
15	OSK Nominees (Tempatan) Sdn. Bhd. - Nordin Bin Abu Bakar	302,449	0.65
16	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lim Beng Guan (100402)	275,000	0.59
17	EB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ruziah Azdi Binti Abdul Rahman	263,000	0.57
18	AMMB Nominees (Tempatan) Sdn. Bhd. - Amtrustee Berhad for BHLB Pacific Dana Al-Ihsan (5/2-7)	228,000	0.49
19	Quarry Lane Sdn. Bhd	225,000	0.49
20	Lim Khoon Heng	200,000	0.43
21	Leu Kan @Liew Swee Choon	200,000	0.43
22	Rosmini Azah Binti Abdul Rahman	152,000	0.33
23	Geosakti Sdn. Bhd.	147,000	0.32
24	Amanah Raya Berhad - Kumpulan Modal Bumiputra Pahang	140,000	0.30
25	Hong Leong Finance Berhad - Pledged Securities Account for Lam Kim Chiap	134,000	0.29
26	Tengku Ab Malek Bin Tengku Mohamed	127,400	0.28
27	BHLB Trustee Berhad - Prusmall - Cap Fund	113,400	0.24
28	Universal Trustee (Malaysia) Berhad - BHLB Pacific Emerging Companies Growth Fund	111,000	0.24
29	Dato' Wan Zakariah Bin Haji Wan Muda	106,910	0.23
30	See Yuen Hing	105,000	0.23
	Total	38,780,519	83.76

Properties Held

As at 31 December, 2002

Title & location of property	Description of property (existing use)	Tenure (age of building)	Total land area/ (built up area) (sq. ft.)	NBV RM'000
GM372, Lot 981 and GM 4708, Lot 985 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot 981 and Lot 985")	Vacant land	Freehold	54,967	4,950
EMR 873, Lot 826 Mukim Sungai Karang, Kuantan Pahang ("Lot 826")	Land and 1-storey and 3-storey buildings held for rental	Freehold/ (9 years)	202,815/ (64,670)	19,250
HS (M) 1038, Lot PT 4782 and HS (M) 1039, Lot PT 4783 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 4782 and Lot PT 4783")	Adjoining 4-storey buildings for own use	Freehold (7 years)	3,498/ (20,728)	4,293
HS (M) 994, Lot PT 16360 Mukim Setapak Daerah Kuala Lumpur and Negeri Wilayah Persekutuan ("Lot PT 16360")	4-storey building for own use	Freehold (17 years)	1,581/ (8,000)	1,396
HS (D) 15563, Lot 4910 PT 1921 Mukim Hulu Klang District Gombak Negeri Selangor ("Lot PT 4970")	Double storey bungalow	Leasehold expired 17.06.2078/ (18 years)	10,332/ (2,457)	1,657

*I/We,
of

being a *member/members of AHMAD ZAKI RESOURCES BERHAD

hereby appoint
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 Sixth Annual General Meeting of the Company, to be held at Penang Room, Level 3, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 23 June 2003 at 10.00 am and, at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:
(The next paragraph should be completed only when two proxies are appointed)

* First Proxy (1) _____% * Second Proxy (2) _____%

*My/our proxy is to vote as indicated below:-

No.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		

No.	RESOLUTIONS	FOR	AGAINST
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		
11.	RESOLUTION 11		
12.	RESOLUTION 12		
13.	RESOLUTION 13		
Number of Shares Held:			

(Please indicate with an "X" in the appropriate spaces provided above as to how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).

As Witness my hand this day of 2003.

.....
Signature of member(s)/seal

NOTES:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the securities account.
5. Where the Form of Proxy is executed by a corporation, it must be executed under its Seal or under the hand of its attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrar, Mega Corporate Services Sdn. Bhd., Share Registration Department, Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

Explanatory notes on the Special Business

Resolution 9

This resolution, if passed, will allow the Company to issue up to 20,372,440 ordinary shares of RM1.00 each in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares of RM1.00 each in AZRB ("AZRB Shares") held by shareholders whose names appear in the Record of Depositors of the Company at a date to be determined ("Proposed Bonus Issue"). The Proposed Bonus Issue will increase the issued and paid-up share capital of the Company to a level which commensurates with the value of its assets employed and will enable the Company to comply with the minimum capital requirement of at least RM60 million for a company listed on the Main Board of the Kuala Lumpur Stock Exchange.

Further information on the Proposed Bonus Issue is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

Resolution 10

This resolution, if passed, will allow the Company to implement a placement of up to 7,130,000 new ordinary shares of RM1.00 each in the company, representing not more than 10.0% of the enlarged issued and paid-up share capital of AZRB after the completion of the Proposed Bonus Issue at a discount of not more than 10.0% from the theoretical ex-bonus price of the five (5) day weighted average market price of AZRB Shares prior to the price fixing date ("Proposed Placement"). The Proposed Placement will enable AZRB to raise funds for the working capital of the AZRB Group.

Further information on the Proposed Placement is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

Resolutions 11-13

These resolutions, if passed, will allow the AZRB Group to continue to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the AZRB Group which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandates").

The Proposed Shareholders' Mandates would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the AZRB Group.

Further information on the Proposed Shareholders' Mandates is set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2002.

(* Delete if not applicable)