Lebar Daun Berhad

(Company No. 590945-H)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2006

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	3,167,939	2,695,215
	=======	=======

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review, except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid an interim ordinary dividend of 2.5 sen per share less tax at 28% totalling RM2,456,319 in respect of the year ended 31 December 2006 on 13 October 2006.

Directors of the Company

Directors who served since the date of the last report are:

Norazmi bin Mohamed Nurdin
Datuk Mohd Hashim bin Hassan
Prof Dr Hamzah bin Ismail
Dato' Nik Ismail bin Dato' Nik Yusoff
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin

Company No. 590945-H

Directors' interests

The holdings and deemed holdings in the ordinary shares and the Irredeemable Convertible Unsecured Loan Stocks of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2006	**Bought**	**Sold**	**At 31.12.2006**
Shareholdings in which Directors have direct interest				
Norazmi bin Mohamed Nurdin	1,582,000	-	-	1,582,000
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	86,250,000	-	2,000,000	84,250,000
Shareholdings in which Directors have deemed interests				
Norazmi bin Mohamed Nurdin	86,575,800	-	2,000,000	84,575,800
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	1,907,800	-	-	1,907,800

	2% Irredeemable Convertible Unsecured Loan Stocks 2004/2007 of RM1.00 each			
	At 1.1.2006	**Conversion**	**Sold**	**At 31.12.2006**
Shareholdings in which Directors have direct interest				
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	1,000	-	-	1,000
Shareholdings in which Directors have deemed interests				
Norazmi bin Mohamed Nurdin	1,000	-	-	1,000

By virtue of their interests in the shares of the Company, Norazmi bin Mohamed Nurdin and Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Lebar Daun Berhad has the 100% interest.

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with 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 as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) 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, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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.

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………
Norazmi Bin Mohamed Nurdin

……………………………………………………………
Dato' Nik Ismail Bin Dato' Nik Yusoff

Shah Alam,

Date: 24 April 2007

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 9 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Norazmi Bin Mohamed Nurdin

…………………………………………………………
Dato' Nik Ismail Bin Dato' Nik Yusoff

Shah Alam,

Date: 24 April 2007

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **See Thoo Su Jean**, the officer primarily responsible for the financial management of Lebar Daun Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 61 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 Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Shah Alam on …24 April 2007

……………………………………………….
See Thoo Su Jean

Before me:

Normah Osman (No. B099)
Commissioner for Oaths

Report of the auditors to the members of Lebar Daun Berhad

(Company No. 590945-H)
(Incorporated in Malaysia

We have audited the financial statements set out on pages 9 to 61. The preparation of the financial statements is the responsibility of the Company's Directors. The financial statements of the Company as at 31 December 2005 were audited by another chartered firm of auditor, whose report dated 14 April 2006, expressed an unqualified opinion on those statements.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

    i) the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and

    ii) 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

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Company No. 590945-H

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 those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Partner
Approval Number: 2583/08/08(J)

Kuala Lumpur, Malaysia

Date: 24 April 2007

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia)
and its subsidiaries

Balance sheets at 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Assets					
Property, plant and equipment	3	4,157,736	5,154,133	73,829	94,432
Intangible assets	4	11,803,642	11,803,642	-	-
Investment property	5	600,000	-	-	-
Investments in subsidiaries	6	-	-	74,500,002	74,500,000
Total non-current assets		16,561,378	16,957,775	74,573,831	74,594,432
Receivables, deposits and prepayments	8	156,517,225	163,920,031	3,832,805	4,087,830
Inventories	9	200,439	-	-	-
Current tax assets		-	-	16,596	25,217
Cash and cash equivalents	10	10,515,079	42,865,584	497,391	7,848
Total current assets		167,232,743	206,785,615	4,346,792	4,120,895
Total assets		183,794,121	223,743,390	78,920,623	78,715,327
Equity					
Share capital	11	68,231,088	68,231,088	68,231,088	68,231,088
Share premium		10,467,196	10,467,196	10,467,196	10,467,196
Reserves		-	716	-	716
Retained earnings		35,592,764	34,881,144	16,893	(222,003)
Total equity		114,291,048	113,580,144	78,715,177	78,476,997

Balance sheets at 31 December 2006
(continued)

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Liabilities					
Loans and borrowings	12	47,834	100,461	47,834	82,937
Deferred tax liabilities		7	364,439	36,700	-
Total non-current liabilities		412,273	137,161	47,834	82,937
Deferred income	13	502,848	4,519,255	-	-
Payables and accruals	14	64,324,472	61,254,777	120,372	140,675
Current tax liabilities		2,110,798	8,603,286	-	-
Loans and borrowings	12	2,152,682	35,648,767	37,240	14,718
Total current liabilities		69,090,800	110,026,085	157,612	155,393
Total liabilities		69,503,073	110,163,246	205,446	238,330
Total equity and liabilities		183,794,121	223,743,390	78,920,623	78,715,327

The notes on pages 16 to 61 are an integral part of these financial statements.

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia)
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Income statements for the year ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Revenue		126,639,395	161,263,870	4,080,000	4,250,000
Cost of sale		(115,129,608)	(134,891,145)	-	-
Gross profit		11,509,787	26,372,725	4,080,000	4,250,000
Other income		189,000	252,000	-	-
Administrative expenses		(4,531,672)	(3,383,594)	(240,950)	(475,383)
Amortisation of Goodwill		-	(1,134,100)	-	-
Other expenses		-	(151,419)	-	-
Results from operating activities		7,167,115	21,955,612	3,839,050	3,774,617
Interest income		568,855	446,943	11,424	15,220
Finance costs		(339,508)	(486,029)	(4,238)	(7,422)
Profit before tax	15	7,396,462	21,916,526	3,846,236	3,782,415
Tax expense	17	(4,228,523)	(6,555,637)	(1,151,021)	(1,164,149)
Profit for the year attributable to shareholders of the Company		3,167,939	15,360,889	2,695,215	2,618,266
Basic earnings per ordinary share (sen)	18	2.32	11.26		

The notes on pages 16 to 61 are an integral part of these financial statements.

Lebar Daun Berhad
(Company No. 590945-H)
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Consolidated statement of changes in equity for the year ended 31 December 2006

		Attributable to shareholders of the Company				
		Non-distributable			*Distributable*	
	Note	Share capital	Share premium	Capital reserve	Retained earnings	Total equity
Group		RM	RM	RM	RM	RM
At 1 January 2005		59,241,838	1,477,946	599,575	21,485,267	82,804,626
Profit for the year		-	-	-	15,360,889	15,360,889
Conversion of ICULS		8,989,250	8,989,250	(598,859)	-	17,379,641
Dividends to shareholders	19	-	-	-	(1,965,012)	(1,965,012)
At 31 December 2005		68,231,088	10,467,196	716	34,881,144	113,580,144
Profit for the year		-	-	-	3,167,939	3,167,939
Conversion of ICULS		-	-	(716)	-	(716)
Dividends to shareholders	19	-	-	-	(2,456,319)	(2,456,319)
At 31 December 2006		68,231,088	10,467,196	-	35,592,764	114,291,048
Company						
At 1 January 2005		59,241,838	1,477,946	599,575	(875,257)	60,444,102
Profit for the year		-	-	-	2,618,266	2,618,266
Conversion of ICULS		8,989,250	8,989,250	(598,859)	-	17,379,641
Dividends to shareholders	19	-	-	-	(1,965,012)	(1,965,012)
At 31 December 2005		68,231,088	10,467,196	716	(222,003)	78,476,997
Profit for the year		-	-	-	2,695,215	2,695,215
Conversion of ICULS		-	-	(716)	-	(716)
Dividends to shareholders	19	-	-	-	(2,456,319)	(2,456,319)
At 31 December 2006		68,231,088	10,467,196	-	16,893	78,715,177

The notes on pages 16 to 61 are an integral part of these financial statements.

Lebar Daun Berhad
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Cash flow statements for the year ended 31 December 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	**RM**	**RM**	**RM**	**RM**
			Restated		**Restated**
Cash flows from operating activities					
Profit before tax		7,396,462	21,916,526	3,846,236	3,782,415
Adjustments for:					
Amortisation of goodwill				4	
-		1,134,100	-		-
Depreciation of property, plant and equipment		478,774	510,512	20,603	8,585
Dividend income	15	-	-	(4,080,000)	(4,250,000)
Finance costs		339,508	486,029	4,238	7,422
Gain on disposal of property, plant and equipment		-	(72,000)	-	-
Interest income		(568,855)	(446,943)	(11,424)	(15,220)
Operating profit /(loss) before changes in working capital		7,645,889	23,528,224	(220,347)	(466,798)
Inventories		(200,439)	-	-	-
Payables and accruals		3,025,163	(38,191,056)	(20,303)	32,675
Receivables, deposits and prepayments		3,387,256	37,037,385	-	-
Cash generated from/(used in) operations		13,857,869	22,374,553	(240,650)	(434,123)
Dividends received		-	-	4,080,000	4,250,000
Interest received		568,000	469,887	11,424	15,220
Interest paid		(347,826)	(842,294)	(4,238)	(361,520)
Tax paid		(10,393,277)	(8,531,855)	(1,142,400)	(1,191,770)
Net cash from operating activities		3,684,766	13,470,291	2,704,136	2,277,807

Company No. 590945-H

Cash flow statements for the year ended 31 December 2006
(continued)

		Group		Company	
	Note	2006 RM	2005 RM Restated	2006 RM	2005 RM Restated
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii), 3	(201,377)	(128,220)	-	(103,017)
Acquisition of subsidiary, net of cash acquired	25	-	-	(2)	-
Repayment/(Loans) of subsidiaries		-	-	255,025	(280,299)
Advance from related companies		52,852	-	-	-
(Withdrawal)/Investment in fixed deposits		8,346,218	(1,656,696)	-	-
Proceeds from disposal of property, plant and equipment		119,000	72,000	-	-
Net cash from/(used in) investing activities		8,316,693	(1,712,916)	255,023	(383,316)
Cash flows from financing activities					
Dividends paid to shareholders of the Company	19	(2,456,319)	(1,965,012)	(2,456,319)	(1,965,012)
Proceed from finance lease liabilities		-	82,000	-	82,000
Payment of finance lease liabilities		(197,311)	(464,300)	(13,297)	(5,129)
(Repayment to)/Proceed from borrowings		(29,362,604)	5,245,612	-	-
Net cash (used in)/from financing activities		(32,016,234)	2,898,300	(2,469,616)	(1,888,141)
Net (decrease)/increase in cash and cash equivalents		(20,014,775)	14,655,675	489,543	6,350
Cash and cash equivalents at 1 January	(i)	25,707,448	11,051,773	7,848	1,498
Cash and cash equivalents at 31 December	(i)	5,692,673	25,707,448	497,391	7,848

Cash flow statements for the year ended 31 December 2006
(continued)

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

		Group		Company	
		2006	2005	2006	2005
	Note	RM	RM Restated	RM	RM Restated
Cash and bank balances	10	4,375,712	30,143,869	17,391	7,848
Deposits (excluding deposits pledged)	10	2,517,870	754,000	480,000	-
Bank overdraft repayable on demand - unsecured	12	(1,200,909)	(5,190,421)	-	-
		5,692,673	25,707,448	497,391	7,848

ii) Acquisition of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM201,377 (2005 - RM128,220) and Nil (2005 - RM103,017) respectively, of which Nil (2005 - RM103,017) and Nil (2005 - RM103,017) respectively, were acquired by means of finance lease/hire purchases.

The notes on pages 16 to 61 are an integral part of these financial statements.

Lebar Daun Berhad
(Company No. 590945-H)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Lebar Daun Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Malaysia Securities Exchange Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office & Principal place of business
Address: No 2, Jalan Tengku Ampuan Zabedah J9/J
Seksyen 9, 40000 Shah Alam
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group).

The Company is principally engaged in investment holding while the other Group entities are primarily involved in the construction, trading and services.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard / Interpretation	**Effective date**
FRS 117, *Leases*	1 October 2006
FRS 124, *Related Party Disclosures*	1 October 2006
FRS 139, *Financial Instruments: Recognition and Measurement*	To be announced

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Standard / Interpretation	**Effective date**
Amendment to FRS 119_{2004}, *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures*	1 January 2007
FRS 6, *Exploration for and Evaluation of Mineral Resources*	1 January 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*	1 July 2007
IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

The Group and the Company plan to apply FRS 117, FRS 124 and the Amendment to FRS 119_{2004} initially for the annual period beginning 1 January 2007 and FRS 139 which its effective date has yet to be announced.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 Amendment to FRS 121 and Interpretations are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

On 15 August 2006, the MASB issued FRS 6, Exploration for and Evaluation of Mineral Resources which will be effective for annual periods beginning on or after 1 January 2007 and for which is not applicable to the Group. Hence, no further disclosure is warranted.

The effects of adopting the new/revised FRSs in 2006 are set out in note 27.

The financial statements were approved by the Board of Directors on 24 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Notes 23 - contingencies

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 28).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is depreciated on a straight line method using the same rate of the freehold building due to the freehold land cost on which the building is located cannot be segregated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• land and buildings	50 years
• plant and equipment	2.5 - 10 years
• fixtures and fittings	8 - 10 years
• motor vehicles	5 years

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Intangible assets

(i) Goodwill

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

2. Significant accounting policies (continued)

(d) Intangible assets (continued)

(i) Goodwill (continued)

Amortised goodwill

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill was amortised from the date of initial recognition over its estimated useful life of not more than 20 years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

(ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is tested for impairment annually and whenever there is an indication that they may be impaired.

(e) Investments property

Investment properties are properties which are owned or held under an interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment property carried at cost

Investment properties are properties which are owned or held under an interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note c.

2. Significant accounting policies (continued)

(e) Investments property (continued)

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for land and buildings.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(h) Constructions work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment of assets

The carrying amounts of assets except for inventories/assets arising from construction contracts and financial assets (other than investment in subsidiaries) are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. Significant accounting policies (continued)

(k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(l) Employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Significant accounting policies (continued)

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contact. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

(iii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Dividend income

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

2. Significant accounting policies (continued)

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

2. Significant accounting policies (continued)

(q) Tax expense (continue)

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(t) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (continued)

(u) Share capital

(i) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise they are charged to the income statement. Dividends to shareholders are recognised in equity in the period in which they are declared and approved.

(ii) 2% Irredeemable Convertible Unsecured Loan Stocks 2004/2007 ("ICULS")

ICULS is a compound instrument which contains both a liability component and an equity component. The fair value of the liability component is determined by discounting the future contractual cash flows of principal and interest payments at the prevailing market rate for equivalent non-convertible loan stocks. This amount is carried as liability on the amortised cost basis until extinguished on conversion or maturity of the instruments.

The fair value of the equity component represented by the conversion option is determined by deducting the fair value of the liability component from the notional amount of the loan stocks and is included in shareholders' equity.

3. Property, plant and equipment

Group ***Cost***	**Freehold land and buildings RM**	**Leasehold land and buildings RM**	**Motor vehicles RM**	**Plant and machinery, office, telecommunication equipment RM**	**Fixtures, fittings and renovation RM**	**Total RM**
At 1 January 2005	750,000	3,566,005	2,739,876	849,284	210,378	8,115,543
Additions	-	-	103,017	8,725	16,478	128,220
Disposals	-	-	(97,208)	-	-	(97,208)
At 31 December 2005/ 1 January 2006	750,000	3,566,005	2,745,685	858,009	226,856	8,146,555
Effect of adopting FRS 140	(750,000)	-	-	-	-	(750,000)
Additions	-	-	18,000	151,603	31,774	201,377
Disposals	-	-	(510,001)	(168,000)	-	(678,001)
At 31 December 2006	-	3,566,005	2,253,684	841,612	258,630	6,919,931

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3. Property, plant and equipment (continued)

Group (continued)	Freehold land and buildings RM	Leasehold land and buildings RM	Motor vehicles RM	Plant and machinery, office, telecommunication equipment RM	Fixtures, fittings and renovation RM	Total RM
Depreciation						
At 1 January 2005	120,000	71,320	1,727,653	495,083	165,061	2,579,117
Depreciation for the year	15,000	71,320	340,532	77,653	6,007	510,512
Disposals	-	-	(97,207)	-	-	(97,207)
At 31 December 2005/1 January 2006:						
Accumulated depreciation	135,000	142,640	1,970,978	572,736	171,068	2,992,422
Effect of adopting FRS 140	(135,000)	-	-	-	-	(135,000)
Depreciation for the year	-	71,320	323,869	58,314	10,271	463,774
Disposals	-	-	(510,001)	(49,000)	-	(559,001)
At 31 December 2006:						
Accumulated depreciation	-	213,960	1,784,846	582,050	181,339	2,762,195

3. Property, plant and equipment (continued)

Group (continued)	Freehold land and buildings RM	Leasehold land and buildings RM	Motor vehicles RM	Plant and machinery, office, telecommunication equipment RM	Fixtures, fittings and renovation RM	Total RM
Carrying amounts						
At 1 January 2005	630,000	3,494,685	1,012,223	354,201	45,317	5,536,426
At 31 December 2005/1 January 2006	615,000	3,423,365	774,707	285,273	55,788	5,154,133
At 31 December 2006	-	3,352,045	468,838	259,562	77,291	4,157,736

Included in the depreciation during the year an amount of RM138,468 (2005 – RM153,766) has been capitalised in the construction costs.

3. Property, plant and equipment (continued)

Company	**Motor vehicles RM**
Cost	
At 1 January 2005	-
Additions	103,017
At 31 December 2005/1 January 2006/31 December 2006	103,017
Depreciation	
At 1 January 2005	-
Charge for the year	8,585
At 31 December 2006/1 January 2006	8,585
Charge for the year	20,603
At 31 December 2006	29,188
Carrying amounts	
At 1 January 2005	-
At 31 December 2005/1 January 2006	94,432
At 31 December 2006	73,829

Property, plant and equipment acquired on instalment purchase plans

During the financial year, the Group acquired Nil (2005 – RM103,017) worth of motor by means of finance lease agreements.

Included in the property, plant and equipment of the Group and the Company are motor vehicles acquired under hire purchase arrangement with carrying value of RM265,821 (2005 – RM625,739) and RM73,829 (2005 – RM94,432) respectively.

4. Intangible assets

Group *Cost*	Note	Goodwill RM
At 1 January 2005/2006/ 31 December 2006		13,619,588 ========
Amortisation		
At 1 January 2005		681,846
Amortisation for the year	15	1,134,100
At 31 December 2005/1 January 2006		1,815,946
Amortisation for the year		-
At 31 December 2006		1,815,946 ========
Carrying amounts		
At 1 January 2005		12,937,742 ========
At 31 December 2005/1 January 2006/ 31 December 2006		11,803,642 ========

The recoverable amount of the investment in a subsidiary was based on its value in use and the recoverable amount is higher than the carrying amount of this intangible asset. There is no impairment loss recognised during the year.

Value in use was determined by discounting the future cash flows generated from the continuing use of the investment in a subsidiary was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5-year business plan.
- The subsidiary will continue its operation indefinitely.
- The size of operation will remain with at least or not lower than the current results.

The key assumptions represent management's assessment of future trends in the construction industry and are based on both external sources and internal sources (historical data).

5. Investment property

		Group	
	Note	2006 RM	2005 RM
Cost			
At 1 January			
Transfer from property, plant and equipment	3	750,000	-
Additions		-	-
At 31 December		750,000	-
Accumulated amortisation			
Transfer from property, plant and equipment	3	135,000	-
Amortisation charge for the year		15,000	-
At 31 December		150,000	-
Carrying amounts			
At 31 December		600,000	-
Fair value:			
Land and buildings		1,800,000	-

The valuation of investment property is prepared by considering the aggregate of the estimates cashflows expected to be received from renting out the property.

Included in the above are:

Land and buildings		600,000	-

Investment property is located in Malaysia and comprise:

Property	Title	Approximate net lettable area
Lot 9024, Lot 9026 & Lot 9028 at Jalan Mahang 1, Taman Meru Utama, Klang	Freehold	Land - 468 sq. meter Building - 1,809 sq. meter

Security

At 31 December 2006, properties with a carrying amount of RM600,000 (2005 - RM615,000) is pledged to a licensed bank to secure banking facilities granted to the Group (see note 12).

6. Investments in subsidiaries

	Company	
	2006	2005
	RM	RM
At cost:		
Unquoted shares	74,500,002	74,500,000
	========	========

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2006 %	Effective ownership interest 2005 %
Lebar Daun Construction Sdn Bhd	Malaysia	Civil and building construction	100	100
Lebtech Energy Sdn Bhd	Malaysia	Trading and services	100	-

7. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	Liabilities	
	2006	2005
	RM	RM
Property, plant and equipment	364,439	36,700
	======	=====

Movement in temporary differences during the year

Group	At 1.1.2005 RM	Recognised in income statement (note 17) RM	At 31.12.2005 RM	Recognised in income statement (note 17) RM	At 31.12.2006 RM
Property, plant and equipment	(8,300)	(28,400)	(36,700)	(327,739)	(364,439)

8. Receivables, deposits and prepayments

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
		Current			
Trade					
Trade receivables	a	43,110,310	68,682,168	-	-
Construction work-in-progress	b	18,397,296	16,915,575	-	-
Amount due from related companies	c	94,762,357	78,029,667	-	-
		156,269,963	163,627,410	-	-
Non-trade					
Amount due from subsidiaries	d	-	-	3,782,805	4,037,830
Other receivables		135,697	129,330	50,000	50,000
Deposits		106,334	129,008	-	-
Prepayments		5,231	34,283	-	-
		247,262	292,621	3,832,805	4,087,830
		156,517,225	163,920,031	3,832,805	4,087,830

Note a

Included in trade receivables at 31 December 2006 are retention sums of RM1,163,874 (2005 – RM13,138,405) relating to construction work-in-progress.

Retention sums are unsecured, interest-free and are expected to be collectable within one year.

8. Receivables, deposits and prepayments (continued)

Note b

Construction work-in-progress

		Group	
		2006	**2005**
	Note	**RM**	**RM**
Aggregate costs incurred to date		688,182,587	573,445,160
Add: Attributable profits		124,906,568	113,502,953
		813,089,155	686,948,113
Less: Progress billings		(795,194,707)	(674,551,793)
		17,894,448	12,396,320
Customer advances for construction work-in-progress	13	502,848	4,519,255
		18,397,296	16,915,575
Additions to aggregate costs incurred during the year include:			
Depreciation of property, plant and equipment		138,468	153,766
Interest expense		576,510	1,695,022

Included in aggregate costs incurred during the year is interest capitalised at an average rate of 8.5% (2005 - 8%) per annum.

Note c

The amount due from related companies is unsecured and subject to the normal trade terms.

Included in amount due from related companies at 31 December 2006 are retention sums of RM27,962,803 (2005 - RM23,999,499) relating to construction work-in-progress.

Retention sums are unsecured, interest-free and are expected to be collected as follows:

	2006	**2005**
	RM	**RM**
Within 1 year	7,237,506	1,618,696
1 – 2 years	9,804,050	13,297,621
2 – 3 years	8,542,837	6,813,384
3 – 4 years	945,024	1,060,533
4 – 5 years	1,433,386	1,209,265
	27,962,803	23,999,499

8. Receivables, deposits and prepayments (continued)

Note d

Amount due from subsidiaries are unsecured, interest-free and has no specific terms of repayment.

9. Inventories

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
At cost:				
Finished goods	200,439	-	-	-

10. Cash and cash equivalents

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Deposits are placed with:				
Licensed banks	6,139,367	12,721,715	480,000	-
Cash and bank balances	4,375,712	30,143,869	17,391	7,848
	10,515,079	42,865,584	497,391	7,848

Deposits placed with licensed banks pledged for a bank facility

Included in the deposits placed with licensed banks is RM3,621,497 (2005 - RM11,967,715) pledged for banking facilities granted to a subsidiary.

11. Capital and reserves

Share capital

	Group and Company	
	2006	**2005**
	RM	**RM**
Authorised:		
Ordinary shares of RM0.50 each	250,000,000	250,000,000
Issued and fully paid:		
Ordinary shares of RM0.50 each	68,231,088	59,241,838
Issue of shares under Conversion of ICULS	-	8,989,250
On issue at 31 December	68,231,088	68,231,088

11. Capital and reserves (continued)

Capital reserve

The capital reserve comprises the equity portion of compound financial instruments issued.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its distributable reserves at 31 December 2006 if paid out as dividends.

12. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate, see note 21.

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-current				
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	20,370	-	20,370
Finance lease liabilities	47,834	80,091	47,834	62,567
	47,834	100,461	47,834	82,937
Current				
Revolving credit	-	1,286,000	-	-
Short term advance	-	27,537,605	-	-
Banker acceptance	897,000	1,436,000	-	-
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	21,500	414	21,500	414
Finance lease liabilities	33,273	198,327	15,740	14,304
Bank overdraft	1,200,909	5,190,421	-	-
	2,152,682	35,648,767	37,240	14,718

All borrowings except for Irredeemable Convertible Unsecured Loan Stocks ("ICULS") are secured.

12. Loans and borrowings (continued)

Security

The first bank overdraft bears interest at 1.75% to 2% (2005 - 1.75% to 2%) per annum above the bank's Base Lending Rate and is secured by the followings:

a) third party first legal charge of RM2,500,000 over properties owned by a director; and

b) personal guarantee for RM2,500,000 by a director.

The second bank overdraft bears interest at 5.5% per annum and is secured by the followings:

a) third party first legal charge of RM2,000,000 over properties owned by a director;

b) personal guarantee for RM2,000,000 by a director; and

c) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad for RM640,000.

The third bank overdraft bears interest at 2% (2005 - 2%) per annum above the Bank's Base Lending Rate and is secured by the followings:

a) registered charge of RM 2,000,000 over properties owned by the Group; and

b) Corporate guarantee for RM 2,000,000 by Lebar Daun Berhad.

The first bankers acceptance bears interest at 2% (2005 - 2%) per annum from the date of claim until the date of repayment thereof. It is secured and guaranteed by the followings:

a) registered charge of RM2,000,000 over properties owned by the Group; and

b) corporate guarantee of Lebar Daun Berhad for RM2,000,000

The second bankers acceptance bears interest at 1.5% (2005 - 1.5%) per annum from the date of claim until the date of repayment thereof. It is secured and guaranteed by the followings:

a) registered charge of RM400,000 over fixed deposit of RM954,000; and

b) personal guarantee by a director

The revolving credit bears interest at 0.5% (2005 - 0.5%) per annum above the bank's Base Lending Rate calculated on daily rest basis. It is repayable by 36 equal monthly instalments. It is secured and guaranteed by the followings:

a) third party first legal charge over properties owned by an affiliated company; and

b) personal guarantee by a director

12. Loans and borrowings (continued)

Security (continued)

The short term advance bears interest at 2% (2005 - 2%) per annum above the bank's Base Lending Rate from the date of claim until the date of repayment thereof. It is secured and guaranteed by the followings:

a) deed of assignment of benefit of contract from one of the Group's projects; and

b) corporate guarantee of Lebar Daun Berhad for RM40,000,000.

Irredeemable Convertible Unsecured Loan Stocks
(Significant covenants)

The principal terms of the Irredeemable Convertible Unsecured Loans Stocks ("ICULS") issued are subject to the fulfilment of the following significant covenants:

i) Form and denomination
ICULS are issued in registered form and in multiples of RM1.00 nominal value each.

ii) Tenure, maturity date and interest rate
Tenure is three (3) years from the issuance date which was 7 January 2004. The maturity date for ICULS is 6th January 2007. ICULS interest is at 2% per annum payables in arrears annually on the first and second anniversary of the issue date and the last interest payment shall be made on the maturity date of the ICULS.

iii) Conversion rights
Each registered ICULS holder shall have the right to convert all or part of his ICULS into fully paid new ordinary shares of the Company at the conversion price during the conversion period.

All ICULS converted under the Trust Deed shall cease to carry interest from and including the conversion date.

The new ordinary shares issued and allotted on conversion of the ICULS shall rank pari passu in all respects with the then existing issued shares save for any dividends, rights, allotments and/or other distributions of which their respective entitlement dates are before the conversion date of the ICULS.

iv) Conversion price and mode of conversion
The ICULS will be converted on the basis of RM1.00 per new ordinary share of RM0.50 each. The conversion price shall be satisfied by tendering one (1) ICULS of RM1.00 each for cancellation for one (1) new ordinary share to be credited as issued and fully paid-up share capital of the Company.

12. Loans and borrowings (continued)

Irredeemable Convertible Unsecured Loan Stocks
(Significant covenants) (continued)

v) Redeemability
The ICULS is non-redeemable for cash. Unless previously converted, all outstanding ICULS will be mandatorily converted into new ordinary shares in the Company at the conversion price on the maturity date.

vi) Security and status
The ICULS is unsecured and unconditional obligations of the Company.

vii) Rights of ICULS holders on the event of default
Upon the occurrence of such an event of default, the ICULS holders, may by way of a special resolution, direct the trustee by giving notice in writing to the Company to declare the ICULS then outstanding as being immediately payable by the Company.

viii) Listing
ICULS is admitted to the Second Board of the Bursa Malaysia Securities Berhad.

ix) Trust Deed
ICULS are constituted by a trust deed executed by the Company and AMTrustees Berhad dated 7 January 2004. The trustee acts on the benefit of the holders of the ICULS. The ICULS and the trust deed is governed by and construed in accordance with the laws of Malaysia.

Terms and debt repayment schedule

	Year of maturity	**Carrying amount RM**	**Under 1 year RM**	**1 - 2 years RM**	**2 - 5 years RM**
Group					
2006					
Banker acceptance	2007	897,000	897,000	-	-
Finance lease liabilities	2007-2010	81,107	33,273	16,626	31,208
Irredeemable Convertible Unsecured Loan Stocks	2007	21,500	21,500	-	-
Bank overdraft	2007	1,200,909	1,200,909	-	-
		2,200,516	2,152,682	16,626	31,208

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12. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
Group					
2005					
Revolving credit	2006	1,286,000	1,286,000	-	-
Short term advance	2006	27,537,605	27,537,605	-	-
Banker acceptance	2006	1,436,000	1,436,000	-	-
Finance lease liabilities	2007-2011	278,418	198,327	33,273	46,818
Irredeemable Convertible Unsecured Loan Stocks	2006-2007	20,784	414	20,370	-
Bank overdraft	2006	5,190,421	5,190,421	-	-
		35,749,228	35,648,767	53,643	46,818
Company					
2006					
Irredeemable Convertible Unsecured Loan Stocks	2007	21,500	21,500	-	-
Finance lease liabilities	2010	63,574	15,740	16,626	31,208
		85,074	37,240	16,626	31,208
Company					
2005					
Irredeemable Convertible Unsecured Loan Stocks	2006-2007	20,784	414	20,370	-
Finance Lease Liabilities	2011	76,871	14,304	15,749	46,818
		97,655	14,718	36,119	46,818

12. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum Lease payments 2006 RM	Interest 2006 RM	Principal 2006 RM	Minimum lease payments 2005 RM	Interest 2005 RM	Principal 2005 RM
Less than one year	36,329	(3,056)	33,273	209,980	(11,653)	198,327
Between one and five years	51,410	(3,576)	47,834	85,919	(5,828)	80,091
	87,739	(6,632)	81,107	295,899	(17,481)	278,418
Company						
Less than one year	18,540	(2,800)	15,740	18,660	(4,356)	14,304
Between one and five years	51,410	(3,576)	47,834	68,395	(5,828)	62,567
	69,950	(6,376)	63,574	87,055	(10,184)	76,871

Interest rate on finance leases for the financial year range from 2.75% to 3.85% (2005 – 2.75% to 3.85%).

13. Deferred income

	Note	Group 2006 RM	Group 2005 RM
Current			
Customer advances for construction work-in-progress	8	502,848	4,519,225

14. Payables and accruals

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	**RM**	**RM**	**RM**	**RM**
Trade					
Trade payables	a	63,832,263	60,815,093	-	-
Non-trade					
Advance from related companies	b	52,852	-	-	-
Other payables		73,336	146,968	2	32,615
Accrued expenses		366,021	292,716	120,370	108,060
		492,209	439,684	120,372	140,675
		64,324,472	61,254,777	120,372	140,675

Note a

i) The normal trade terms granted to the Group range from 30 days to 90 days.

ii) Included in the trade payable are:-

a) Amount totaling RM6,811,777 (2005 - RM10,374,412) owing to a company in which certain directors have interest.

b) Amount totaling RM14,170,702 (2005 - RM21,361,245) are retention sums.

iii) Included in trade payable Nil (2005 - RM1,447,851) which represent advance received from contract customers.

Note b

Advance from related companies are unsecured, interest free and has no specific terms of repayment.

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15. Profit before tax

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Profit before tax is arrived at after charging:					
Allowance for doubtful debts		-	150,419	-	-
Bad debts written off		-	1,000	-	-
Amortisation of intangible assets	4	-	1,134,100	-	-
Amortisation of investment properties	5	15,000	-	-	-
Auditors' remuneration:					
- Audit services					
Auditors of the Company		85,000	26,000	15,000	4,000
- Other services					
Auditors of the Company		7,000	-	-	-
Other auditors		-	40,333	-	-
Depreciation on property, plant and equipment		325,306	356,746	20,603	8,585
Director remuneration		372,000	372,000	96,000	96,000
Interest expense on:					
- Bank overdraft		198,119	353,653	-	-
- Borrowings		130,111	97,290	-	-
- ICULS		430	6,332	430	6,332
- Finance lease		10,848	28,754	3,808	1,090
		======	======	======	======
and after crediting:					
Dividend from subsidiaries		-	-	4,080,000	4,250,000
Gain on disposal of property, plant and equipment		-	72,000	-	-
Rental income from building		151,200	144,000	-	-
Rental income from equipments		37,800	36,000	-	-
		======	======	======	======

16. Employee information

	Group 2006 RM	Group 2005 RM
Staff costs	1,921,089	1,590,441
Defined contribution plan – Employee Provident Fund	220,885	208,261
	2,141,974	1,798,702
	=========	=========

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17. Tax expense

Recognised in the income statement

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Total tax expense	4,228,523	6,555,637	1,151,021	1,164,149
Major components of tax expense include:				
Current tax expense				
Malaysian - current year	2,407,502	6,582,675	1,132,061	1,164,783
- prior year	1,493,282	(55,438)	18,960	(634)
Total current tax	3,900,784	6,527,237	1,151,021	1,164,149
Deferred tax expense				
Origination and reversal of temporary differences	67,560	28,400	-	-
Under provision in prior years	260,179	-	-	-
Total deferred tax	327,739	28,400	-	-
Total tax expense	4,228,523	6,555,637	1,151,021	1,164,149

Reconciliation of effective tax rate

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Profit for the year	3,167,939	15,360,889	2,695,215	2,618,266
Total tax expense	4,228,523	6,555,637	1,151,021	1,164,149
Profit excluding tax	7,396,462	21,916,526	3,846,236	3,782,415
Tax at Malaysian tax rate of 28%	2,071,009	6,136,627	1,076,946	1,059,076
Non-deductible expenses	404,180	471,265	55,235	105,707
Other items	(127)	3,183	(120)	-
	2,475,062	6,611,075	1,132,061	1,164,783
Under/(over) provided in prior years				
Current tax expense	1,493,282	(55,438)	18,960	(634)
Deferred tax expense	260,179	-	-	-
	4,228,523	6,555,637	1,151,021	1,164,149

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of RM3,167,939 (2005 - RM15,360,889) and 136,462,175 (2005 – 136,462,175) ordinary shares outstanding during the year.

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from the conversion of ICULS. The amount of net profit for the year is adjusted by the after tax effect of interest expense recognised during the financial year which would have been saved on conversion of the outstanding ICULS into ordinary shares. The adjusted weighted average number of shares is the weighted number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding ICULS into ordinary shares. The ICULS are deemed to have been converted into ordinary shares at the date of issue.

The fully diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares issued and issuable assuming full conversion of ICULS at 31 December 2006, as follows:

	Group	
	2006	**2005**
	RM	**RM**
Net profit attributable to shareholders	3,167,939	15,360,889
Increase in net profit as a result of interest expense saved from ICULS	-	430
Adjusted net profit attributable to shareholders	3,167,939	15,361,319
Weighted average number of ordinary shares in issue	136,462,175	136,462,175
Adjustment for assumed conversion for ICULS	21,500	21,500
Adjusted weighted average number of ordinary shares in issue and issuable	136,483,675	136,483,675
Diluted earnings per share (sen)	2.32	11.26

19. Dividends

Dividends recognised in the current year by the Company are:

2006	**Sen per share**	**Total amount RM**	**Date of payment**
Interim 2006 ordinary less 28% tax	2.5	2,456,319 =======	13 October 2006
2005			
Interim 2005 ordinary less 28% tax	2.0	1,965,012 =======	28 June 2005

20. Segment reporting

No segmental information is disclosed as the Group only engages in the construction and trading of products in Malaysia.

21. Financial instruments

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Group's business. The Group's and the Company'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 transaction.

The main areas of financial risks faced by the Group and the Company in respect of the major areas of treasury activity are set out as follows:

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

The Group's and the Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group and the Company manage its exposure to credit risks by investing its cash assets safely and profitably, and by monitoring procedures on an ongoing basis.

21. Financial instruments (continued)

Credit risk (continued)

At the balance sheet date, 68.5% of the credit risk is from related companies of which in the opinion of the directors that no doubtful debts shall be provided. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As for unrecognised financial asset, the maximum exposure to credit risk is the fair value of the financial asset disclosed below.

Interest rate risk

The Group's investment in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group and the Company obtain financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents and bank credit lines deemed adequate by the management to finance the Group's operations and to mitigate the effect of fluctuation in cash flows.

21. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group 2006	**Note**	**Average effective interest rate %**	**Total RM**	**Less than 1 year RM**	**1 - 2 years RM**	**2 - 3 years RM**	**3 -4 years RM**	**4 -5 years RM**	**More than 5 years RM**
Fixed rate instruments									
Deposits	10	3.28	6,139,367	6,139,367	-	-	-	-	-
Bank overdraft	12	5.50	(1,200,909)	(1,200,909)	-	-	-	-	-
Irredeemable Convertible Unsecured Loan Stocks	12	2.00	(21,500)	(21,500)	-	-	-	-	-
Finance lease liabilities	12	2.94	(81,107)	(33,273)	(16,626)	(17,514)	(13,694)	-	-
			4,835,851	4,883,685	(16,626)	(17,514)	(13,694)	-	-
Floating rate instruments									
Banker acceptance	12	5.60	(897,000)	(897,000)	-	-	-	-	-

21. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company 2006	**Note**	**Average effective interest rate %**	**Total RM**	**Less than 1 year RM**	**1 - 2 years RM**	**2 - 3 years RM**	**3 -4 years RM**	**4 -5 years RM**	**More than 5 years RM**
Fixed rate instruments									
Deposits	10	2.60	480,000	480,000	-	-	-	-	-
Irredeemable Convertible Unsecured Loan Stocks	12	2.00	(21,500)	(21,500)	-	-	-	-	-
Finance lease liabilities	12	2.75	(63,574)	(15,740)	(16,626)	(17,514)	(13,694)	-	-
			394,926	442,760	(16,626)	(17,514)	(13,694)	-	-

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21. Financial instruments (continued)

Group 2005	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 -4 years RM	4 -5 years RM	More than 5 years RM
Fixed rate instruments									
Deposits	10	3.02	12,271,715	12,271,715	-	-	-	-	-
Bank overdraft	12	5.50	(1,745,975)	(1,745,975)	-	-	-	-	-
Irredeemable Convertible Unsecured Loan Stocks	12	2.00	(20,784)	(414)	(20,370)	-	-	-	-
Finance lease liabilities	12	3.31	(278,418)	(198,327)	(33,273)	(16,626)	(17,514)	(12,678)	-
			10,226,538	10,326,999	(53,643)	(16,626)	(17,514)	(12,678)	-
Floating rate instruments									
Revolving credit	12	7.85	(1,286,000)	(1,286,000)	-	-	-	-	-
Short term advance	12	8.00	(27,537,605)	(27,537,605)	-	-	-	-	-
Banker acceptance	12	5.21	(1,436,000)	(1,436,000)	-	-	-	-	-
Bank overdraft	12	7.89	(3,444,446)	(3,444,446)	-	-	-	-	-
			(33,704,051)	(33,704,051)	-	-	-	-	-

21. Financial instruments (continued)

Company 2005	**Note**	**Average effective interest rate %**	**Total RM**	**Less than 1 year RM**	**1 - 2 years RM**	**2 - 3 years RM**	**3 -4 years RM**	**4 -5 years RM**	**More than 5 years RM**
Fixed rate instruments									
Finance lease liabilities	12	2.75	(76,871)	(14,304)	(15,749)	(16,626)	(17,514)	(12,678)	-
Irredeemable Convertible Unsecured Loan Stocks	12	2.00	(20,784)	(414)	(20,370)	-	-	-	-
			(97,655)	(14,718)	(36,119)	(16,626)	(17,514)	(12,678)	-

21. Financial instruments (continued)

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

		2006		**2005**	
Group	**Note**	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Finance lease liabilities	12	81,107	76,524	278,418	271,402
Irredeemable Convertible Unsecured Loan Stocks	12	21,500	21,500	20,784	20,784

		2006		**2005**	
Company	**Note**	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Finance lease liabilities	12	63,574	58,991	76,871	70,699
Irredeemable Convertible Unsecured Loan Stocks	12	21,500	21,500	20,784	20,784

22. Operating leases

Leases as lessor

The Group leases out its property, plant and equipment under operating leases (see note 6). The future minimum lease payments under non-cancellable leases are as follows:

		Group		Company	
		2006	2005	2006	2005
	Note	RM	RM	RM	RM
Less than one year		192,000	45,000	-	-
Between one and five years		48,000	-	-	-
		240,000	45,000	-	-

23. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Contingent liabilities				
Corporate guarantee given to supplier for facilities granted to a subsidiary company	8,200,000	4,900,000	8,200,000	4,900,000
Corporate guarantee given to financial institutions for facilities granted to a subsidiary company	21,844,693	54,853,312	26,875,000	54,853,312
Performance guarantees issued in the form of bank guarantee given to customer by a subsidiary company for contracts	4,560,307	20,258,688	-	-
Payment guarantees issued in the form of bank guarantee given to suppliers by a subsidiary company	470,000	150,000	-	-
	35,075,000	80,162,000	35,075,000	59,753,312

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see note 6) and Directors.

Group	Note	Transaction value year ended 31 December 2006 RM	Transaction value year ended 31 December 2005 RM	Balance outstanding as at 31 December 2006 RM	Balance outstanding as at 31 December 2005 RM
Revenue received/receivable					
Basco Sdn Bhd		18,251,394	17,804,000	18,251,394	15,969,132
Lebar Daun Development Sdn Bhd		32,831,917	31,515,544	32,831,917	31,515,544
Rental income received					
Lebar Daun Development Sdn Bhd		189,000	180,000	-	-
Construction cost paid/payable					
Basco Sdn Bhd		16,001,400	9,901,496	3,564,392	7,864,867

Company	Transaction value year ended 31 December 2006 RM	Transaction value year ended 31 December 2005 RM
Dividend Income from subsidiary	4,080,000	4,250,000

All outstanding balances with these related parties are priced on an arm's length basis are to be settled in cash. None of the balances is secured.

In addition, during the year ended 31 December 2006 the Group are given an advance of RM52,852 from one of its related company (see note 6).

25. Acquisitions of subsidiaries

Business combination

On 28 March 2006, the Group acquired all the shares in Lebtech Energy Sdn Bhd (formerly known as Angsana Terbilang Sdn Bhd) for RM2.00 satisfied in cash. The company will undertake the activity of trading and services for the Group. In the month of July 2006 till to 31 December 2006 the subsidiary contributed profit before tax of RM29,000.

The acquisition had no material effect on the Group's assets and liabilities on acquisition date.

26. Subsequent event

Subsequent to the financial year end, the three (3) years (2004/2007) 2% Irredeemable Convertible Loan Stock of RM21,500 at nominal value of RM1.00 each had on 7 January 2007 converted to 21,500 ordinary shares at RM0.50 each.

27. Changes in accounting policies

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 3, *Business Combination*, FRS 136, *Impairment of Assets* and FRS 138, *Intangible Assets* are summarised below:

FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement.

27. Changes in accounting policies (continued)

FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets (continued)

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2006 would decrease by RM907,972 as follows:

	Group 2006 RM
Income statement for the year ended 31 December	
Goodwill amortisation which would be charged to the income statement	907,972
Goodwill impairment expense which might not be charged to the income statement	-
	907,972

This change in accounting policy has material impact on earnings per share by reducing to 1.66 sen from 2.32 sen.

28. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in note 27 and to conform with the presentation requirements of FRS 101.

	Group	
	As restated RM	**As previously stated RM**
Balance sheet		
Property, plant and equipment	4,539,133	5,154,133
Investment properties	615,000	-

Investment properties are properties held to earn rentals or for capital appreciation or both. These properties were formerly classified as property, plant and equipment which have been reclassified as investment properties following the adoption of FRS 140. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses with fair values disclosed.

Properties amounting to RM615,000 in 2005 that are owned to earn rental income or for capital appreciation or for both were reclassified from property, plant and equipment to investment properties.

The Group and the Company cash flow statements was previously presented under direct method, however during the year, the management has decided to adopt indirect method presentation. As a result of this adoption, the cash flow statement for the year ended 31 December 2005 is restated.