

Company no. : 590945-H

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2004

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

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LEBAR DAUN BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2004.

PUBLIC LISTING

The Company was incorporated as a private limited liability company on 28 August 2002 under the Companies Act, 1965 under the name of Angkasa Ganda Sdn Bhd.

On 23 September 2002, the Company was converted to a public limited company under the name Angkasa Ganda Berhad. Subsequently on 10 February 2003, it changed its name to Lebar Daun Berhad and has assumed its present name since.

The Company was admitted to the Official List of the Second Board of the Bursa Malaysia Securities Berhad on 1 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary company are described in Note 8 to the financial statements.

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

RESULTS

	Group	Company
	RM	RM
Profit/(Loss) after taxation	21,573,917	(786,607)
Accumulated losses brought forward	(88,650)	(88,650)
Unappropriated profits/(Accumulated losses) carried forward	<u>21,485,267</u>	<u>(875,257)</u>

DIVIDENDS

There were no dividends proposed, declared or paid since the last financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

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LEBAR DAUN BERHAD
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DIRECTORS' REPORT (CONT'D)

SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from RM2 to RM59,241,838 by way of:

- (a) Issuance of 113,000,000 ordinary shares of RM0.50 each to finance the acquisition of 100% equity interest in Lebar Daun Construction Sdn. Bhd.
- (b) Share swap involving 483,671 shares of Hiap Aik Construction Berhad of RM1.00 each with 483,671 new ordinary shares of RM0.50 each on the basis of one Hiap Aik Construction Berhad share for one ordinary share of the Company.
- (c) Issuance of Public Issue of 5,000,000 ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share to eligible Directors, employees and business associates of the Company.

The new ordinary shares issued during the year rank pari passu in all respects with the existing ordinary shares of the Company.

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

On 7 January 2004, the Company issued 18,000,000 of 3 year, 2% ICULS 2004/2007 at a nominal value of RM1.00 each to part finance the acquisition of the entire equity interest in Lebar Daun Construction Sdn Bhd.

Details of the ICULS are disclosed in Note 19 to the financial statements.

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

In accordance with Article 84 of the Company's Articles of Association, Norazmi bin Mohamed Nurdin and Datuk Mohd Hashim bin Hassan retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

LEBAR DAUN BERHAD
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DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares and debentures of the Company are as follows:

	Number of ordinary shares of RM0.50 each			Balance as at 31.12.2004
	Balance as at 1.1.2004	Bought	Sold	
<u>Direct Interest</u>				
Norazmi bin Mohamed Nurdin	-	1,581,000	-	1,581,000
Datuk Mohd Hashim bin Hassan	-	50,000	(50,000)	-
Prof Dr Hamzah bin Ismail	-	50,000	-	50,000
Dato' Nik Ismail bin Dato' Nik Yusoff	-	50,000	(50,000)	-
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	-	88,550,000	(2,300,000)	86,250,000
<u>Indirect Interest</u>				
Norazmi bin Mohamed Nurdin	-	88,896,800	(2,318,000)	86,578,800 ⁽ⁱ⁾
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	-	2,020,800	(111,000)	1,909,800 ⁽ⁱ⁾

	2% Irredeemable Convertible Unsecured Loan Stocks 2004/2007 of RM1.00 each			Balance as at 31.12.2004
	Balance as at 1.1.2004	Bought	Sold	
<u>Direct Interest</u>				
Norazmi bin Mohamed Nurdin	-	1,000	-	1,000
Datuk Mohd Hashim bin Hassan	-	1,000	-	1,000
Prof Dr Hamzah bin Ismail	-	1,000	-	1,000
Dato' Nik Ismail bin Dato' Nik Yusoff	-	1,000	(1,000)	-
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	-	1,000	-	1,000
<u>Indirect Interest</u>				
Norazmi bin Mohamed Nurdin	-	4,000	-	4,000 ⁽ⁱ⁾
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	-	4,000	-	4,000 ⁽ⁱ⁾

⁽ⁱ⁾ Held by persons connected to the Director.

By virtue of their interests in the Company, the above directors are also deemed to have an interest in the shares of the subsidiary company to the extent the Company has an interest.

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the last financial year, no director of the Company has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statement or 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 27 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Company or its subsidiaries was a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the income statements and the balance sheets were made out, the directors took reasonable steps:

- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that no allowance had been made for doubtful debts; and
- ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, of the Group and the Company inadequate to any substantial extent; or
- ii) which would render the values attributed to the current assets of the Group and the Company misleading; or
- iii) which would render any amount stated in the financial statements of the Group and the Company misleading; other than those already dealt with in this report and in the relevant financial statements; or
- iv) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- ii) any contingent liability in respect of the Group and the Company that has arisen since the end of the financial year except as disclosed in Note 28 to the financial statements.

No contingent liability or other liability of the Group and the Company have 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 the Company to meet its obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and the Company for the financial year ended 31 December 2004 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 the financial year and the date of this report.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the financial statements.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Events subsequent to the balance sheet date are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Messrs. Khairuddin Hasyudeen & Razi, retire and have expressed their willingness to accept re-appointment.

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


NORAZMI BIN MOHAMED NURDIN
Director


DATO' NIK ISMAIL BIN DATO' NIK YUSOFF
Director

Shah Alam.
Dated : 4 APR 2005

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

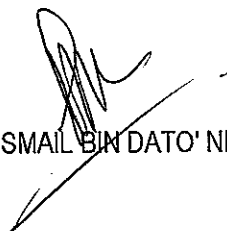
STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, the undersigned, being two of the directors of the Company, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 10 to 45 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 the Company as at 31 December 2004 and of the results of the operations, changes in equity and the cash flows of the Group and the Company for the year ended on that date.

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



NORAZMI BIN MOHAMED NURDIN
Director



DATO' NIK ISMAIL BIN DATO' NIK YUSOFF
Director

Shah Alam.
Dated : 4 APR 2005

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, SEE THOO SU JEAN, being the officer primarily responsible for the accounting records and financial management of LEBAR DAUN BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 10 to 45 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)

SEE THOO SU JEAN)

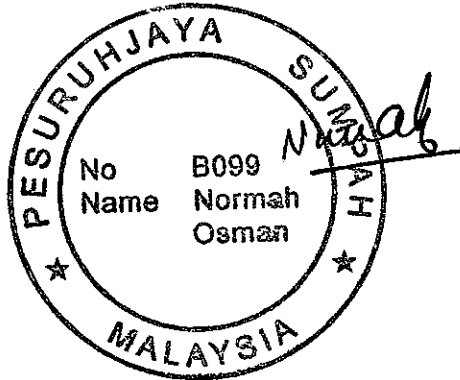
at Shah Alam in the state of)

Selangor Darul Ehsan on **04 APR 2005**



SEE THOO SU JEAN

Before me,



26, Tingkat 1, Jln Tengku
Ampuan Zabedah A, 9/A
40100 Shah Alam
Selangor Darul Ehsan.



**KHAIRUDDIN
HASYUDEEN
& RAZI**

Chartered Accountants
(AF 1161)

B-5-7 Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel 603 2710 7717
Fax 603 2710 7727
Website: www.khr.com.my
E-mail: clientcare@khr.com.my

Company no. : 590945-H

**REPORT OF THE AUDITORS
TO THE MEMBERS OF LEBAR DAUN BERHAD**

We have audited the financial statements set out on pages 10 to 45 of LEBAR DAUN BERHAD.

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

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 that 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 31 December 2004 and of the results and the cash flows of the Group and of the Company for the financial 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 Act.



**KHAIRUDDIN
HASYUDEEN
& RAZI**

Chartered Accountants
(AF 1161)

B-5-7 Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel 603 2710 7717
Fax 603 2710 7727
Website: www.khr.com.my
E-mail: clientcare@khr.com.my

Company no. : 590945-H

**REPORT OF THE AUDITORS (CONT'D)
TO THE MEMBERS OF LEBAR DAUN BERHAD**

We are satisfied that the financial statements of the subsidiary 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' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Section 174 (3) of the Act.

Khairuddin & Razi
KHAIRUDDIN HASYUDEEN & RAZI
AF 1161
Chartered Accountants

Ahmad Shahrul bin Hj. Mohamed
Ahmad Shahrul bin Hj. Mohamed
2138/04/07 (J)
Partner of the Firm.

Kuala Lumpur
Dated : 4 April 2005

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

	NOTE	2004 RM
NON-CURRENT ASSETS		
Property, plant and equipment	6	5,536,426
Goodwill on consolidation	7	12,937,742
CURRENT ASSETS		
Trade receivables	9	181,120,672
Other receivables, deposits and prepayments	10	432,731
Amount due from customers for contract work	11 (a)	21,523,464
Deposits, cash and bank balances	13	25,004,522
		<u>228,081,389</u>
CURRENT LIABILITIES		
Trade payables	14	84,730,547
Other payables and accruals	15	15,071,551
Amount due to customers for contract work	11 (b)	6,615,764
Borrowings	16	29,461,848
Provision for taxation		10,607,904
		<u>146,487,614</u>
NET CURRENT ASSETS		<u>81,593,775</u>
		<u>100,067,943</u>
FINANCED BY:		
SHAREHOLDERS' EQUITY		
Share capital	17	59,241,838
Share premium	18	1,477,946
Unappropriated profits		21,485,267
Other reserves	19	599,575
		<u>82,804,626</u>
LONG TERM LIABILITIES		
Irredeemable Convertible Unsecured Loan Stocks	19	17,053,471
Borrowings	16	201,546
Deferred taxation	20	8,300
		<u>100,067,943</u>

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

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	NOTE	2004 RM
Revenue	21	267,574,356
Cost of sales		(231,322,250)
Gross profit		<u>36,252,106</u>
Other operating income		755,742
Administrative expenses		(3,705,272)
Other operating expenses		(800)
Disposal of investment (Note 29)		(241,836)
Amortisation of goodwill		(681,846)
Profit from operations		<u>32,378,094</u>
Finance costs		(822,197)
Profit before taxation	22	<u>31,555,897</u>
Taxation	24	(9,981,980)
Net profit after tax		<u><u>21,573,917</u></u>
Earnings per share (sen)	25	<u><u>18.20</u></u>
Diluted earnings per share (sen)	25	<u><u>16.06</u></u>

The accompanying notes form an integral part of the financial statements

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

	Non Distributable			Distributable	Total RM
	Share capital RM	Share Premium RM	Other reserves RM	Unappropriated (losses)/profits RM	
Balance as at 1 January 2004	2	-	-	(88,650)	(88,648)
Issuance during the year :					
- 113,000,000 ordinary shares of RM0.50 each.	56,500,000	-	-	-	56,500,000
- 483,671 ordinary shares of share swap of RM0.50.	241,836	-	-	-	241,836
- 5,000,000 ordinary shares of RM0.50 each issued pursuant to the initial Public Offering at an issue price of RM1.20 each.	2,500,000	3,500,000	-	-	6,000,000
Shares issued and Listing expenditure	-	(2,022,054)	-	-	(2,022,054)
ICULS (equity component), net of tax	-	-	599,575	-	599,575
Net profit for the year	-	-	-	21,573,917	21,573,917
Balance as at 31 December 2004	<u>59,241,838</u>	<u>1,477,946</u>	<u>599,575</u>	<u>21,485,267</u>	<u>82,804,626</u>

The accompanying notes form an integral part of the financial statements

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	152,277,499
Cash payments to suppliers	(185,501,495)
Cash payments to employees and for administrative expenses	(732,078)
Cash used in operations	<u>(33,956,074)</u>
Interest received	583,413
Rental received	155,850
<i>Tax paid</i>	(13,380,990)
Interest paid	(477,662)
<i>Net cash used in operating activities</i>	<u>(47,075,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Received from pledged fixed deposits	10,936,270
Purchase of property, plant and equipment (Note 26)	(65,406)
Proceed from disposal of property, plant and equipment	145,000
Acquisition of subsidiary, Lebar Daun Construction Sdn. Bhd., net of cash acquired (Note 31)	18,854,991
<i>Net cash generated from investing activities</i>	<u>29,870,855</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Listing expenses	(22,054)
Proceeds from issuance of shares	6,000,000
Repayment of hire purchase creditors	(752,559)
Net increase in short term borrowings	23,030,992
<i>Net cash provided by financing activities</i>	<u>28,256,379</u>
Net increase in cash and cash equivalents	11,051,771
Cash and cash equivalents brought forward	2
Cash and cash equivalents carried forward (Note 13)	<u>11,051,773</u>

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

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2004

	NOTE	2004 RM	2003 RM
NON-CURRENT ASSET			
Investment in a subsidiary company	8	74,500,000	-
CURRENT ASSETS			
Other receivables, deposits and prepayment	10	50,000	-
Amount due from a subsidiary company	12	3,757,531	-
Cash and bank balances	13	1,498	2
		<u>3,809,029</u>	<u>2</u>
CURRENT LIABILITIES			
Other payables and accruals	15	462,098	88,650
Provision for taxation		2,404	-
Borrowings	16	346,954	-
		<u>811,456</u>	<u>88,650</u>
NET CURRENT ASSETS/(LIABILITIES)		2,997,573	(88,648)
		<u>77,497,573</u>	<u>(88,648)</u>
FINANCED/(REPRESENTED) BY:			
SHAREHOLDERS' EQUITY			
Share capital	17	59,241,838	2
Share premium	18	1,477,946	-
Accumulated losses		(875,257)	(88,650)
Other reserves		599,575	-
		<u>60,444,102</u>	<u>(88,648)</u>
LONG TERM LIABILITY			
Irredeemable Convertible Unsecured Loan Stocks	19	17,053,471	-
		<u>77,497,573</u>	<u>(88,648)</u>

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

Company no. : 590945-H

LEBAR DAUN BERHAD
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INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	NOTE	2004 RM	2003 RM
Revenue	21	-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Other operating income		45,312	-
Administrative expenses		(223,298)	(79,300)
Loss on disposal of investment (Note 33)		(241,836)	-
Loss from operations		<u>(419,822)</u>	<u>(79,300)</u>
Finance costs		(354,098)	-
Loss before taxation	22	<u>(773,920)</u>	<u>(79,300)</u>
Taxation	24	(12,687)	-
Net loss after tax		<u><u>(786,607)</u></u>	<u><u>(79,300)</u></u>

The accompanying notes form an integral part of the financial statement

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Non Distributable			Distributable	Total RM
	Share capital RM	Share Premium RM	Other reserves RM	Unappropriated (losses)/profits RM	
Balance as at 1 January 2004	2	-	-	(88,650)	(88,648)
Issuance during the year :					
- 113,000,000 ordinary shares of RM0.50 each.	56,500,000	-	-	-	56,500,000
- 483,671 ordinary shares of share swap of RM0.50.	241,836	-	-	-	241,836
- 5,000,000 ordinary shares of RM0.50 each issued pursuant to the initial Public Offering at an issue price of RM1.20 each.	2,500,000	3,500,000	-	-	6,000,000
Shares issued and Listing expenditure	-	(2,022,054)	-	-	(2,022,054)
ICULS (equity component), net of tax	-	-	599,575	-	-
Net loss for the year	-	-	-	(786,607)	(786,607)
Balance as at 31 December 2004	<u>59,241,838</u>	<u>1,477,946</u>	<u>599,575</u>	<u>(875,257)</u>	<u>59,844,527</u>

The accompanying notes form an integral part of the financial statements

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for administrative expenses	(253,948)	-
	<u>(253,948)</u>	<u>-</u>
Interest received	45,312	-
Tax paid	(10,283)	-
<i>Net cash used in operating activities</i>	<u>(218,919)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to subsidiary company	(3,757,531)	-
<i>Net cash used in investing activities</i>	<u>(3,757,531)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITY		
Listing expenses	(2,022,054)	-
Proceed from issuance of shares	6,000,000	-
<i>Net cash provided by financing activity</i>	<u>3,977,946</u>	<u>-</u>
Net increase in cash and cash equivalents	1,496	2
Cash and cash equivalents brought forward	2	-
Cash and cash equivalents carried forward (Note 13)	<u>1,498</u>	<u>2</u>

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

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

1. CORPORATE INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad.
- (b) The principal activity of the Company is investment holding. The principal activities of the subsidiary company are described in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.
- (c) The principal place of business and registered office is located at Wisma Lebar Daun, No. 2, Jalan Tengku Ampuan Zabedah J9/J, Seksyen 9, 40000 Shah Alam, Selangor Darul Ehsan.
- (d) The financial statements are presented in Ringgit Malaysia.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 4 April 2005 .

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its 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:

(a) Foreign currency risk

The Group and the Company do not have material foreign currency transactions, asset or liabilities and hence are not exposed to any significant or material currency risks.

(b) Interest rate risk

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.

LEBAR DAUN BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Market risk

The Group and the Company do not have any quoted investments and hence is not exposed to market risks.

(d) Credit risk

The Group 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 risk by investing its cash assets safely and profitably, and by monitoring procedures on an ongoing basis.

(e) Liquidity and cash flow risks

The Group and the Company's exposure to liquidity and cashflow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year except for the adoption of FRS 112, Income Taxes and FRS 119, Employee Benefits which are applied prospectively. Apart from the inclusion of the extended disclosure required by the standard, the adoption of these standards have not had any effect on the financial statements.

(a) Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost, unless otherwise indicated in the individual accounting policies.

(b) Revenue recognition

Revenue from contract work is recognised on the percentage of completion method determined on the proportion of cost incurred to date against total estimated cost in cases where the outcome of the contract can be reliably estimated. In cases where the outcome of the contract cannot be reliably estimated, the revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. In all cases, anticipated losses are provided for in full.

Revenue from contract work represents the proportionate contract value on construction contracts attributable to the percentage of contract work performed during the financial year.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Revenue recognition (cont'd)

The Company changed its revenue recognition from percentage of completion method based on survey of works performed against contract value to the proportion of cost incurred to date against total estimated cost.

The changes of the accounting policy give rise to a difference amounting to RM1,463,000 being attributable profit under recognised in previous year. The difference does not constitute a prior year adjustment as the effect to the cumulative attributable profit is immaterial. As a result, this amount is accounted for in the current year income statement.

Rental and interest income are recognised on accrual basis unless collectibility is in doubt.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company made up to the end of the financial year using the acquisition method of accounting.

The difference between the purchase price and the fair value of the net assets of the subsidiary company at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Negative goodwill arising on consolidation is not recognised as income and is presented as a separate item in the balance sheet. The results of the subsidiary company acquired or disposed off during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal. Goodwill is amortised over 20 years.

All intra group transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The financial statements of the parent and its subsidiary are all drawn up to the same reporting date.

Minority interest is measured at the minorities' shares of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 5 (p).

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.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment and depreciation (cont'd)

Depreciation of property, plant and equipment is calculated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following rates:

Building and land	2%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%
Office equipment	10% - 40%
Furniture and fittings	10%
Telecommunication equipment	10%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

(e) Borrowing costs

Interest costs on borrowings to finance the construction works are capitalised as part of the construction work in progress.

Other borrowing costs are charged to the income statement as and when incurred.

(f) Construction contracts

When the outcome of a construction contract is all fixed price contract and where the outcome can be estimated reliably, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that cost incurred to date bear to the estimated total costs, and for this purpose only those costs that reflect actual contract work performed are included as costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable and contract costs are recognised as expenses when incurred.

Costs that relate directly to a contract and which are incurred in securing the contract are also included as part of contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

When it is probable that contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Construction contracts (cont'd)

The aggregate of the costs incurred plus the attributable profit or foreseeable losses recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred plus attributable profits or less foreseeable losses exceed progress billings, the balance is shown as amounts due from customers on contract works. Where progress billings exceed costs incurred plus attributable profits or less foreseeable losses, the balance is shown as amount due to customers on contract works.

(g) Investment in subsidiary company

Investment in subsidiary company is stated at cost less written down for permanent diminution in value of investment. Provision for permanent diminution is only made where in the opinion of the directors there is a permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the period in which the diminution is identified.

(h) Hire purchase assets

The cost of assets acquired under hire purchase agreement is capitalised. The depreciation policy on these assets is similar to that of the other property, plant and equipment as set out in Note 5(d). Outstanding obligations due under the hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance expenses pertaining to the hire purchase are charged to the income statement over the duration of the hire purchase agreement.

(i) Income taxes

Income tax in the income statement for the financial year comprises current tax expense and deferred tax.

Current tax expense is the expected amount of income tax payable in respect of the taxable profit for the year, using tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for under the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements including unused tax losses and capital allowances.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

(j) Liabilities

Borrowings and other payables are stated at cost.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Provisions

Provisions are recognised when the Group and the Company have a present legal and constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

(l) Cash and cash equivalents

Cash comprise of cash at bank and cash in hand including bank overdraft and deposits. Cash equivalents comprises of investments maturing within twelve months from the date of acquisition and which are readily convertible to known amount of cash and subject to an insignificant risk of change in value. Deposits held as pledge securities for banking facilities are not included as cash and cash equivalents.

(m) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for bad and doubtful debts based on a review of all outstanding amounts at the year end.

(n) Share capital

Ordinary shares are recorded at the nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium are classified as equity. Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement.

External costs directly attributable to the issue of new shares are shown as a deduction in equity.

(o) Financial instruments

Financial instruments carried on the balance sheet included cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments are offset when the Group and the Company have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Ordinary shares

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) **Financial instruments (cont'd)**

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 instrument.

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.

(iii) **Other financial instruments**

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policy associated with each item.

(p) **Impairment of assets**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalue asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) **Impairment of assets (Cont'd)**

A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(q) **Employee benefits**

(i) Short term employee benefits

Salaries, wages, bonuses, allowances, paid annual leave, medical leave and non-monetary benefits are recognised as an expense in the financial year in which the services are rendered by the employees of the Group and the Company.

(ii) Defined contribution plan.

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further obligations.

(iii) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

6. PROPERTY, PLANT AND EQUIPMENT

Group

	COST			Balance as at 31.12.2004
	Acquisition or subsidiary company	Additions	Disposals	
	RM	RM	RM	RM
Freehold land and buildings	750,000	-	-	750,000
Leasehold land and buildings	3,566,005	-	-	3,566,005
Motor vehicles	2,955,204	198,773	(414,101)	2,739,876
Plant and machinery	463,530	-	-	463,530
Renovation	48,733	-	-	48,733
Office equipment	319,987	39,429	-	359,416
Furniture and fittings	148,140	13,505	-	161,645
Telecommunication equipment	26,039	299	-	26,338
	8,277,638	252,006	(414,101)	8,115,543

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

6. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group

	ACCUMULATED DEPRECIATION			
	Acquisition or subsidiary company	Additions	Disposals	Balance as at 31.12.2004
	RM	RM	RM	RM
Freehold land and buildings	105,000	15,000	-	120,000
Leasehold land and buildings	-	71,320	-	71,320
Motor vehicles	1,572,899	450,066	(295,312)	1,727,653
Plant and machinery	149,788	31,431	-	181,219
Renovation	45,406	3,327	-	48,733
Office equipment	233,253	71,394	-	304,647
Furniture and fittings	101,078	15,250	-	116,328
Telecommunication equipment	3,964	5,253	-	9,217
	2,211,388	663,041	(295,312)	2,579,117

	NET BOOK VALUE
	RM
Freehold land and buildings	630,000
Leasehold land and buildings	3,494,685
Motor vehicles	1,012,223
Plant and machinery	282,311
Renovation	-
Office equipment	54,769
Furniture and fittings	45,317
Telecommunication equipment	17,121
	5,536,426

Included in the property, plant and equipment are motor vehicles acquired under hire purchase arrangement with carrying value of RM872,665.

The land and buildings with the carrying value of RM630,000 were pledged to a licensed bank to secure banking facilities granted to the Group as disclosed in Note 16.

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7. GOODWILL ON CONSOLIDATION

	Group
	2004
	RM
Arising from acquisition of a subsidiary company during the financial year (Note 31)	13,619,588
Less: Amortisation of goodwill	(681,846)
Carrying amount as at 31 December	<u><u>12,937,742</u></u>

8. INVESTMENT IN A SUBSIDIARY COMPANY

	Company	
	2004	2003
	RM	RM
Unquoted shares		
- At cost	<u><u>74,500,000</u></u>	<u><u>-</u></u>

<u>Name of company</u>	<u>Group's effective Interest (%)</u> 2004	<u>Principal activities</u>
Lebar Daun Construction Sdn. Bhd. ("LDCSB")	100	Civil and building construction works.

The above subsidiary Company was incorporated in Malaysia.

9. TRADE RECEIVABLES

	Group
	2004
	RM
Trade receivables	142,887,526
Retentions sums	38,233,146
	<u><u>181,120,672</u></u>

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9. **TRADE RECEIVABLES (CONT'D)**

Included in trade receivables and retention sums of the Group are amounts due from related parties are as follows:

	Group	
	Total Receivable RM	Retentions Sums RM
Lebar Daun Development Sdn Bhd	58,701,858	15,760,160
Basco Sdn Bhd	<u>15,663,361</u>	<u>3,929,326</u>

The nature of the relationship with the above related parties is disclosed in Note 27.

10. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Included in other receivables, deposits and prepayments of the Company is an amount of RM50,000 due to retention monies for the purpose of Special Administrator appointed for restructuring cost pursuant to the Restructuring Scheme of Hiap Aik Construction Berhad.

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

	Group 2004 RM
Cost incurred to date	478,646,109
Attributable profit	104,374,861
	<u>583,020,970</u>
Less: Progress billings	(568,113,270)
	<u>14,907,700</u>
(a) Amount due from customers for contract work	21,523,464
(b) Amount due to customers for contract work	(6,615,764)
	<u>14,907,700</u>

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11. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK (CONT'D)

Included in cost incurred to date are the followings:

	Group 2004 RM
Depreciation	149,189
Interest expense	
- trust receipt	17,447
- short term advance	<u>450,880</u>

12. AMOUNT DUE FROM A SUBSIDIARY COMPANY

The amount due from a subsidiary company represents payments made on behalf which are unsecured, interest free and has no specific terms of repayment.

13. CASH AND CASH EQUIVALENTS

	Group 2004 RM	Company 2004 RM	2003 RM
Deposits with licensed banks	21,972,972	-	-
Cash in hand and at banks	<u>3,031,550</u>	<u>1,498</u>	<u>2</u>
Deposits, cash and bank balances	25,004,522	1,498	2
Bank overdrafts (Note 16)	(3,641,730)	-	-
Less: Fixed deposits pledged with licensed banks	<u>(10,311,019)</u>	-	-
	<u>11,051,773</u>	<u>1,498</u>	<u>2</u>

The fixed deposits of the Group amounting to RM10,311,019 was pledged to the licensed banks as security for performance guarantees given to the customers (Note 28).

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14. **TRADE PAYABLES**

Included in the trade payables of the Group are amount due to a related party as follows:

	Group 2004 RM
Basco Sdn Bhd	
- trade balance	11,482,226
- retention sums	<u>1,875,614</u>

The nature of the relationship with the above related party is disclosed in Note 27.

15. **OTHER PAYABLES AND ACCRUALS**

Included in the other payables and accruals of the Group are advance payments from customers amounting to RM14,306,005.

16. **BORROWINGS**

	2004 RM
<u>Current secured:</u>	
Bank overdrafts (Note 13)	3,641,730
Hire purchase liabilities	459,172
Bankers acceptance	1,165,000
Revolving credit	1,668,000
Short term advance	<u>22,180,992</u>
	<u>29,114,894</u>
<u>Non-current secured:</u>	
Hire purchase liabilities	<u>201,546</u>
<u>Current unsecured:</u>	
ICULS (Note 19)	<u>346,954</u>
	<u>29,663,394</u>

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16. **BORROWINGS (CONT'D)**

	Group 2004 RM
<u>Hire purchase liabilities</u>	
Minimum hire purchase payments	
- not later than 1 year	486,810
- later than 1 year and not later than 5 years	208,868
	695,678
Future finance charges on hire purchase liabilities	(34,960)
Present value of hire purchase liabilities	660,718
 <u>Present value of hire purchase liabilities</u>	
minimum hire purchase payments	
- not later than 1 year	459,172
- later than 1 year and not later than 5 years	201,546
	660,718

The first bank overdraft bears interest at 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% per annum above the Bank's Base Lending Rate and is secured by the followings:

- (a) registered charge of RM2,000,000 over properties owned by the Company; and
- (b) corporate guarantee for RM2,000,000 by Lebar Daun Berhad.

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16. BORROWINGS (CONT'D)

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

- (a) registered charge of RM2,000,000 over properties owned by the Company; and
- (b) corporate guarantee of Lebar Daun Berhad for RM2,000,000

The second bankers acceptance bears interest at 1.5% per annum from the date of claim until 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% 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.

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

- (a) deed of assignment of benefit of contract from one of the Company's projects; and
- (b) corporate guarantee of Lebar Daun Berhad for RM40,000,000

Interest rate on hire purchases for the financial year range from 3.3% to 5.0% .

17. SHARE CAPITAL

	Group and Company	
	2004	2003
	RM	RM
Authorised:		
As at beginning of the financial year		
100,000 ordinary shares of RM1.00 each	-	100,000
Sub-divided into RM0.50 each to		
during the financial year	-	(100,000)
As at end of the financial year	<u>-</u>	<u>-</u>

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17. **SHARE CAPITAL (CONT'D)**

	Group and Company	
	2004	2003
	RM	RM
Authorised:		
As at beginning of the financial year		
500,000,000 ordinary shares of RM0.50 each	250,000,000	-
Sub-divided from RM1.00 each to RM0.50 each during the financial year		
200,000 ordinary shares of RM0.50 each	-	100,000
Created during the financial year		
499,800,000 ordinary shares of RM0.50 each	-	249,900,000
As at end of the financial year	<u>250,000,000</u>	<u>250,000,000</u>

	Group and Company	
	2004	2003
	RM	RM
Issued and paid-up:		
Balance as at 1 January		
4 ordinary shares of RM0.50 each	2	-
Issued during the year		
4 ordinary shares of RM0.50 each	-	2
- Consideration for the acquisition of subsidiary company		
113,000,000 ordinary shares of RM0.50 each	56,500,000	-
- Issued in consideration of acquisition of Hiap Aik Construction Berhad		
483,672 ordinary shares of RM0.50 each	241,836	-
- Issued during listing of Company on Bursa Malaysia Securities Berhad		
5,000,000 ordinary shares of RM0.50 each	2,500,000	-
As at end of the financial year	<u>59,241,838</u>	<u>2</u>

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18. **SHARE PREMIUM**

	Group and Company	
	2004	2003
	RM	RM
Arising from public issues of 5,000,000 shares at an issue price of RM1.20 per ordinary share	3,500,000	-
Less: Listing expenses	<u>(2,022,054)</u>	-
	<u>1,477,946</u>	<u>-</u>

19. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")**

	Group and Company	
	2004	2003
	RM	RM
<u>Non current</u>		
Irredeemable Convertible Unsecured Loan Stocks (ICULS) at a nominal value of RM1.00 each.	<u>18,000,000</u>	<u>-</u>

On 7 January 2004, the Company issued 18,000,000 of 3 year 2% ICULS 2004/2007 at a nominal value of RM1.00 each in relation to the acquisitions of a subsidiary company.

The principal terms of the ICULS are as follows:

(a) Form and denomination

ICULS are issued in registered form and in multiples of RM1.00 nominal value each.

(b) Tenure, maturity date and interest rate

Tenure for ICULS is three (3) years. Maturity date for ICULS is the date falling three (3) years from the date of the issue of ICULS. 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.

(c) 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

19. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (CONT'D)

(c) Conversion rights (Cont'd)

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.

(d) Conversion price and mode of conversion

The ICULS will be converted on the basis of RM1 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.

(e) 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.

(f) Security and status

The ICULS is unsecured and unconditional obligations of the Company.

(g) 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.

(h) Listing

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

(i) 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.

The fair values of the liability component and the equity conversion component were determined upon the issue of the ICULS in accordance with FRS 132 "Financial Instruments: Disclosure and Presentation". The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible loan stock. The residual amount, representing the value of the equity conversion component, net of deferred tax liability, is included in shareholders' equity as other reserves.

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19. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (CONT'D)

The ICULS is recognised in the balance sheet as follows:

	Group 2004 RM
Face value of ICULS issued on 7 January 2004, net of transaction costs	18,000,000
Equity conversion component (other reserves)	(599,575)
Liability component at 31 December 2004	<u>17,400,425</u>
Current (Note 16)	346,954
Non-current	<u>17,053,471</u>
	<u>17,400,425</u>

Interest expense on the ICULS is calculated on the effective yield basis by applying the effective interest rate (3.76%) for an equivalent non-convertible loan stock to the liability component of the ICULS.

20. DEFERRED TAXATION

	Group 2004 RM
As at beginning of the financial year	57,562
Deferred tax expense relating to origination and reversal of temporary differences	(49,262)
As at end of the financial year	<u>8,300</u>

The balance in the deferred taxation is made up of tax effects of temporary differences arising from:

	Group 2004 RM
Capital allowances in excess of depreciation	<u>29,800</u>
Deferred tax liabilities reflected in the financial statements at 28%	<u>8,300</u>

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21. REVENUE

Revenue of the Group represents the value of contract income recognised from the construction projects.

22. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging the following items:

	Group	Company	
	2004	2004	2003
	RM	RM	RM
Auditors' remuneration	65,000	10,000	2,000
Bad debts written off	3,200	-	-
Depreciation - Administrative	513,852	-	-
- Cost of sales	149,189	-	-
Directors' remuneration (Note 23)	377,000	96,000	-
Loss on disposal of investments	241,836	241,836	-
Interest expense on:			
- hire purchase	61,172	-	-
- ICULS	354,098	354,098	-
- term loan	64,383	-	-
- bank overdraft	342,544	-	-
	<u> </u>	<u> </u>	<u> </u>
and crediting:			
Gain on disposal of property, plant and equipment	26,211	-	-
Interest income	596,144	45,312	-
Rental of building	123,900	-	-
Rental of equipment	30,000	-	-
	<u> </u>	<u> </u>	<u> </u>

23. DIRECTORS' REMUNERATION

	Group	Company	
	2004	2004	2003
	RM	RM	RM
Executive Directors - Salaries	281,000	-	-
Non Executive Directors - Fees	96,000	96,000	-
	<u>377,000</u>	<u>96,000</u>	<u>-</u>

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23. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose remuneration are analysed into bands of RM150,000 as follows:

	Group Number of Directors	
	2004	2003
<u>Executive Directors</u>		
RM1 - RM150,000	2	-
<u>Non Executive Directors</u>		
RM1 - RM150,000	4	-
	<u>6</u>	<u>-</u>

For security and confidentiality reasons, the details of Directors' remuneration are not disclosed with reference to Directors individually.

24. TAXATION

	Group	Company	
	2004	2004	2003
	RM	RM	RM
Current income tax expense	9,432,462	12,687	-
Under provision of taxation in previous year	598,780	-	-
Deferred tax expense relating to origination and reversal of temporary differences	(49,262)	-	-
	<u>9,981,980</u>	<u>12,687</u>	<u>-</u>

Reconciliation of tax expense with accounting profit:

	Group	Company	
	2004	2004	2003
	RM	RM	RM
Accounting profit/(loss)	31,555,897	(773,920)	(79,300)
Tax at the current income tax rate of 28%	8,835,700	(216,698)	(22,204)
Tax effect in respect of:			
Non-allowable expenses	596,762	229,385	22,204
Under provision of taxation in previous year	598,780	-	-
Deferred tax expenses relating to origination and reversal of temporary differences	(49,262)	-	-
Tax expense	<u>9,981,980</u>	<u>12,687</u>	<u>-</u>

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24. **TAXATION (CONT'D)**

Subject to agreement with the Inland Revenue Board, the subsidiary company has adequate tax credit under Section 108 of the Income Tax Act, 1967 up to RM46,037,000 to frank dividends out of its entire unappropriated profits without incurring any tax liabilities.

25. **EARNINGS/(LOSS) PER SHARE**

(a) **Basic earnings per share**

The basic earnings per share is calculated by dividing the Group's net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group
	2004
Net profit attributable to shareholders (RM)	<u>21,573,917</u>
Weighted average number of ordinary shares in issue	<u>118,483,675</u>
Basic earnings per share (sen)	<u><u>18.20</u></u>

(b) **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 2004, as follows:

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25. EARNINGS/(LOSS) PER SHARE (CONT'D)

	Group 2004
Net profit attributable to shareholders (RM)	21,573,917
Increase in net profit as a result of interest expense saved from ICULS (RM)	354,098
Adjusted net profit attributable to shareholders (RM)	<u>21,928,015</u>
Weighted average number of ordinary shares in issue	118,483,675
Adjustment for assumed conversion of ICULS	18,000,000
Adjusted weighted average number of ordinary shares in issue and issuable	<u>136,483,675</u>
Diluted earnings per share (sen)	<u>16.06</u>

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM252,006 of which RM186,600 was acquired by means of hire purchase arrangement.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

In the normal course of business, the Group undertakes transactions with certain of its related parties. Set out below are the significant related party transactions for the financial year (in addition to a related party disclosure mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

	Group 2004 RM
Revenue received/receivable from the following companies:	
- Basco Sdn Bhd	20,732,923
- Lebar Daun Development Sdn Bhd	73,587,089
Rental income received from the following company:	
- Lebar Daun Development Sdn Bhd	150,000
Construction cost paid/payable to the following company:	
- Basco Sdn Bhd	<u>17,641,304</u>

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
Lebar Daun Development Sdn Bhd ("LDDSB")	Norazmi bin Mohamed Nurdin is the Chairman/Managing Director of the Company and Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is a Non-Independent Non-Executive Director of the Company, both are also directors of LDDSB. Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is a major shareholder of the Company and LDDSB, Noorazhar bin Mohamed Nurdin who is a brother of Norazmi bin Mohamed Nurdin and Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is also a director of LDDSB.
Basco Sdn Bhd ("Basco")	Norazlan bin Mohamad Nordin who is a brother of Norazmi bin Mohamed Nurdin and Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is a director and major shareholder of Basco. Fatmawati binti Kasbin is the spouse of Norazlan bin Mohamad Nordin and sister-in-law of Norazmi bin Mohamed Nurdin and Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin is a director and deemed major shareholder of Basco.

28. CONTINGENT LIABILITIES

	RM
At the date of this report, the Group has:	
Performance guarantees given to customers which is secured by fixed deposit and corporate guarantee of the Company.	27,571,413
Payment guarantees given to customers which is secured by legal charges on the Group's landed properties and corporate guarantee of the Company.	112,250
	27,683,663

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28. **CONTINGENT LIABILITIES (CONT'D)**

During the year, the subsidiary company has exceeded the expected time of delivery for one of the project. The liquidated damages claims amounting to RM109,889 per day and as at the date of this report, it is accumulated to RM3,736,215. However, the Board of Directors has strong reasons to believe that the claim will not materialise as the delay was caused by the client.

29. **STAFF COSTS**

	Group 2004 RM
Salaries, allowances, bonus and paid leave	1,940,116
EPF contributions	238,518
SOCSSO contributions	15,465
Other staff related expenses	48,290
	<u>2,242,389</u>

The number of employees in the Group at the end of the financial year was 408 (2003: 740) of which 337 are foreign workers. These are mainly general construction workers from countries such as Indonesia, India and Nepal. All of them possess valid working permit and are legally employed.

30. **SEGMENT INFORMATION**

No segment information reporting is presented as the Company and its subsidiary operates only in one industry.

This section has been intentionally left blank.

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31. ACQUISITION OF A SUBSIDIARY COMPANY

During the financial year, the Company acquired Lebar Daun Construction Sdn. Bhd. The fair value of the assets acquired and the liabilities assumed are as follows:

	2004 RM
Property, plant and equipment	6,066,250
Amount due from customers	7,402,462
Trade receivables	100,048,882
Other receivables, deposits and prepayments	4,788,058
Deposits, cash and bank balances	42,946,483
Amount due to client for contract works	(1,598,694)
Trade payables	(39,898,232)
Other payables and accruals	(38,790,140)
Bank overdrafts	(2,844,203)
Short term borrowings	(3,219,240)
Provision for taxation	(13,963,652)
Deferred tax	(57,562)
Net assets acquired	60,880,412
Goodwill on consolidation (Note 7)	13,619,588
Total purchase consideration	74,500,000
Less: Portion discharged by ICULS	(18,000,000)
Portion discharged by issuance of shares	(56,500,000)
Cash and cash equivalents of subsidiary Company	(18,854,991)
Cashflow on acquisition, net of cash acquired	<u>(18,854,991)</u>

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 7 January 2004, the Company acquired the entire equity interest of LDCSB comprising 17,000,000 ordinary shares of RM1.00 each from Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin and Datin Nor Hayati Binti Abd Malik for a total consideration of RM74,500,000. This acquisition was satisfied via issuance of 113,000,000 new ordinary shares in the Company and issuance of 18,000,000 ICULS 2004/2007.
- (b) On 17 February 2004, the Company acquired the entire equity interest of Hiap Aik Construction Bhd ("HACB") for a total consideration of RM241,836 which was satisfied via issuance of 483,671 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per shares on the basis of one (1) new shares for every one (1) consolidated HACB shares held by the shareholders of HACB. HACB was immediately disposed off to a Special Administrator at RM1.00. As a result of such disposal, the Company suffered an investment loss of RM241,835 during the year.

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32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (c) On 1 March 2004, the Company assumed the listing status of HACB and was listed on the Second Board of Bursa Malaysia Securities Berhad.
- (d) On 15 March 2004, the Board of Directors has approved the following corporate proposals:-
 - (i) the Proposed Placement of new ordinary shares of RM0.50 each ("Placement Shares"), representing up to 10% of the existing issued and paid-up share capital of the Company ("Proposed Placement"); and
 - (ii) the Proposed Transfer of the listing of and quotation for the entire issued and paid-up share capital and the outstanding RM18,000,000 nominal value of 3 years 2% ICULS 2004/2007 from the Second Board to the Main Board of the Bursa Malaysia Securities Berhad ("Proposed Transfer").
- (e) On 27 December 2004, the Securities Commission has approved the Proposed Placement. However the Proposed Transfer was not approved.

33. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 26 January 2005, the Company has submitted an appeal to the Securities Commission to allow the Proposed Transfer to take place upon the Group meeting its profit forecast and upon having listed for one year on the Second Board.
- (b) Conversion of ICULS 2004/2007
 - (i) On 20 January 2005, a conversion of RM25,100 nominal value of ICULS 2004/2007 into 25,100 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.
 - (ii) On 27 January 2005, a conversion of RM1,000 nominal value of ICULS 2004/2007 into 1,000 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.
 - (iii) On 31 January 2005, a conversion of RM2,600 nominal value of ICULS 2004/2007 into 2,600 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.
 - (iv) On 8 February 2005, a conversion of RM17,900,000 nominal value of ICULS 2004/2007 into 17,900,000 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.
 - (v) On 15 February 2005, a conversion of RM14,000 nominal value of ICULS 2004/2007 into 14,000 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share

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33. EVENTS SUBSEQUENT TO BALANCE SHEET DATE (CONT'D)

(vi) On 22 February 2005, a conversion of RM3,100 nominal value of ICULS 2004/2007 into 3,100 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.

(vii) On 7 March 2005, a conversion of RM1,900 nominal value of ICULS 2004/2007 into 1,900 new ordinary shares of RM0.50 each fully paid up at a conversion price of RM1.00 per ordinary share.

The new ordinary shares issued upon conversion of the ICULS 2004/2004 shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which precedes the issue date of the new Shares.

(c) Dividend Income Received/Receivable

The subsidiary company, "LDCSB" has approved a final dividend of 25% less income tax of 28% in respect of the financial year ended 31 December 2004 at its Annual General Meeting held on 25 March 2005. The total net dividend to be received by the Company is RM3,060,000.

34. FAIR VALUES

The carrying amounts of the Group and the Company's financial assets and financial liabilities at the balance sheet date approximate their fair values except for the borrowings whereby it was not practicable within the constraints of time and cost of estimate these fair values reliably.

35. COMPARATIVE FIGURES

There are no comparative figures for the consolidated financial statements as this is the first set of consolidated financial statements being prepared.