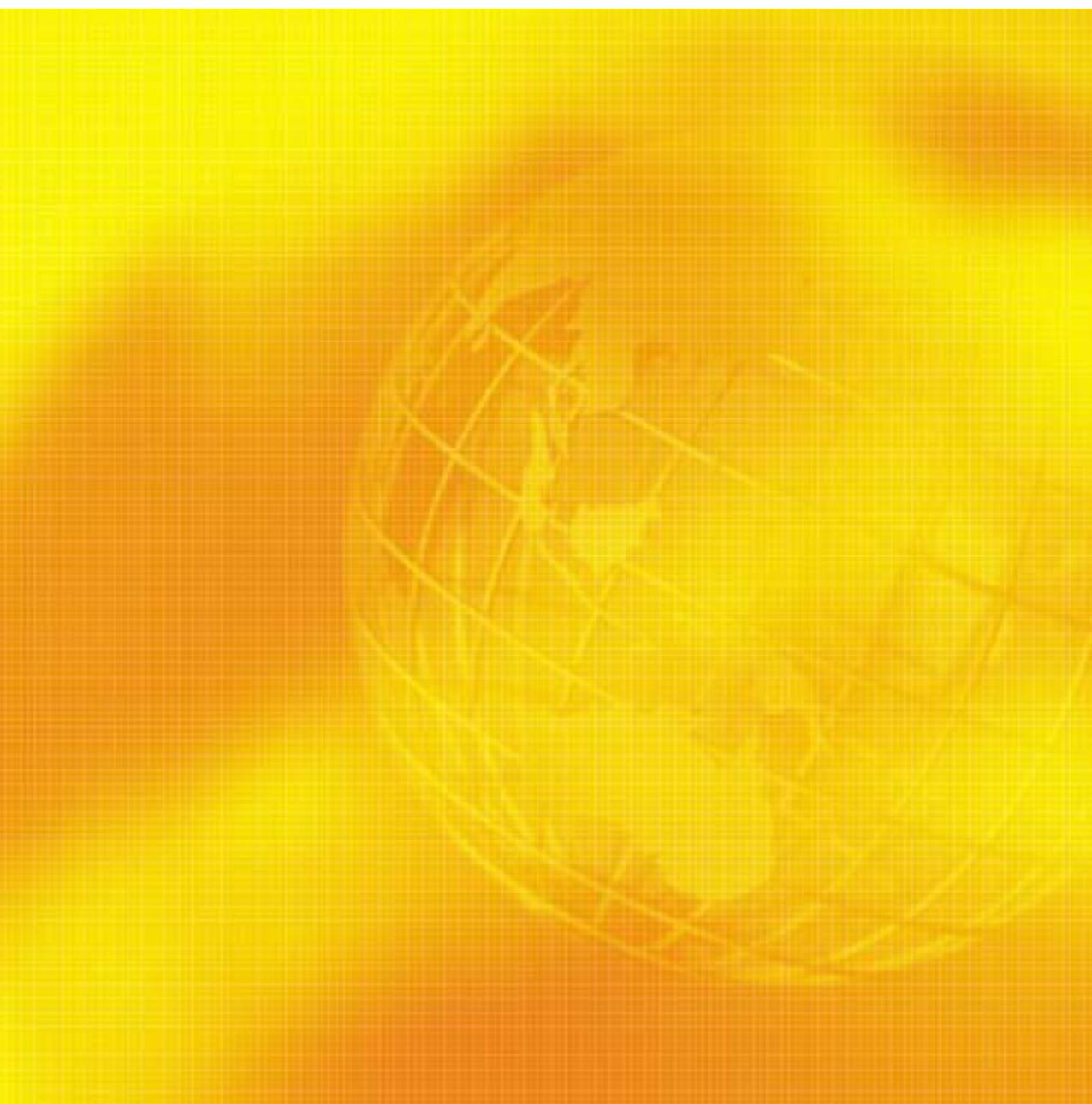


# PRINSIPTEK

PRINSIPTEK CORPORATION BERHAD (595000-H)



ANNUAL REPORT 2005

Growth Towards Globalisation





**Notice of Annual General Meeting**

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting (“AGM”) of Prinsiptek Corporation Berhad (“Company”) will be held at Ivory 6, Level 4, Convention Centre, Holiday Villa Subang, No. 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 9 June 2006 at 10.00 a.m. for the following purposes:-

**As Ordinary Business**

- Resolution 1* 1 To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
- Resolution 2* 2 To approve a final dividend of 6% per share less 28% income tax for the financial year ended 31 December 2005.
- 3 To re-elect the following Directors who retire in accordance with Article 84 of the Company’s Articles of Association:-
- Resolution 3* 3.1 Encik Shariman Bin Zainal Abideen
- Resolution 4* 3.2 Mr. Foo Chew Sam
- Resolution 5* 4 To approve the payment of Directors’ fees totaling RM60,000.00 for the financial year ended 31 December 2005.
- Resolution 6* 5 To re-appoint Messrs Anuarul Azizan Chew & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.

**As Special Business**

To consider, and if thought fit, pass the following ordinary resolutions:-

- Resolution 7* 6 **Authority To Allot And Issue Shares**  
“THAT subject always to the Companies Act, 1965 (“Act”), the Articles of Association of the Company and approval of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue shares in the Company at any time until the conclusion of the Company’s next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total issued share capital of the Company for the time being.”
- Resolution 8* 7 **Proposed Renewal of Shareholders’ Mandate For Recurrent Related Party Transactions**  
“THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), approval be and is hereby given to the Company’s

Notice of Annual General Meeting (cont'd)

subsidiaries to enter into the recurrent related party transactions as detailed in section 2.1 of the Circular to Shareholders accompanying the Company's Annual Report 2005 which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Mandate");

AND THAT the Mandate shall continue to be in force until:-

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Mandate."

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT,** a Final Dividend of 6% per share less 28% income tax in respect of the financial year ended 31 December 2005, if approved by the shareholders at the Company's Fourth AGM, will be paid on 23 August 2006 to depositors registered in the Company's Record of Depositors at the close of business on 24 July 2006.

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

- a. shares transferred into the depositor's securities account before 4.00 p.m. on 24 July 2006 in respect of transfers; and
- b. shares bought on Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

#### By Order of the Board

**Teoh Yee Shien**  
**Low Yin Fong**  
Secretaries

Petaling Jaya  
16 May 2006

Notice of Annual General Meeting (cont'd)

**Notes:-**

**Appointment of Proxy**

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company.
- 2 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares.
- 3 The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, either under its common seal or the hand of its officer or attorney duly authorised. The instrument duly completed shall be deposited at the Company's Registered Office, No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before time appointed for holding the meeting or adjourned meeting.

**Explanatory Notes to Special Business**

- 1 **Resolution 7**  
The proposed Resolution 7, if passed, will empower the Board of Directors to allot and issue shares up to ten percent (10%) of the total issued share capital of the Company for the time being for such purposes as the Directors may deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.
- 2 **Resolution 8**  
The proposed Resolution 8, if passed, will allow the Company's subsidiaries to enter into recurrent related parties transactions pursuant to paragraph 10.09(1) of the Listing Requirements of Bursa Securities. The details of the proposal are set out in the Circular to Shareholders attached to the Company's Annual Report 2005.

- 1 The Directors standing for re-election at the Fourth AGM of the Company are Encik Shariman Bin Zainal Abideen and Mr. Foo Chew Sam. Their biographical data are set out under the Profile of Board of Directors on page 15 of this Annual Report.
- 2 The details of attendance of Directors at board meetings held during the financial year ended 31 December 2005 are set out under the Corporate Governance Statement on page 22 of this Annual Report.
- 3 The Fourth AGM of the Company will be held at Ivory 6, Level 4, Convention Centre, Holiday Villa Subang, No. 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 9 June 2006 at 10.00 a.m.

**Statement Accompanying  
Notice of Annual General  
Meeting**

## Corporate Information

### BOARD OF DIRECTORS

**Dato' Seri Mohamad Noor Abdul Rahim**

Independent Non-Executive Chairman

**Datuk Nur Jazlan Bin Tan Sri Mohamed**

Independent Non-Executive Director

**Dato' Foo Chu Jong**

Managing Director

**Foo Chu Pak**

**Shariman Bin Zainal Abideen**

**Foo Chew Sam**

Executive Directors

### AUDIT COMMITTEE

**Dato' Seri Mohamad Noor Abdul Rahim**

Chairman

**Datuk Nur Jazlan Bin Tan Sri Mohamed**

**Foo Chu Pak**

### SECRETARIES

**Teoh Yee Shien**

**Low Yin Fong**

### REGISTERED OFFICE

No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya  
Selangor Darul Ehsan, Malaysia

Tel: 603-5629 2600/5635 1808 Fax: 603-5635 1802

### SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd

Level 26, Menara Multi-Purpose, Capital Square

No. 8 Jalan Munshi Abdullah

50100 Kuala Lumpur, Malaysia

Tel: 603-2721 2222 Fax: 603-2721 2530/1

### AUDITORS

Anuarul Azizan Chew & Co

18 Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh

51200 Kuala Lumpur, Malaysia

### PRINCIPAL BANKERS

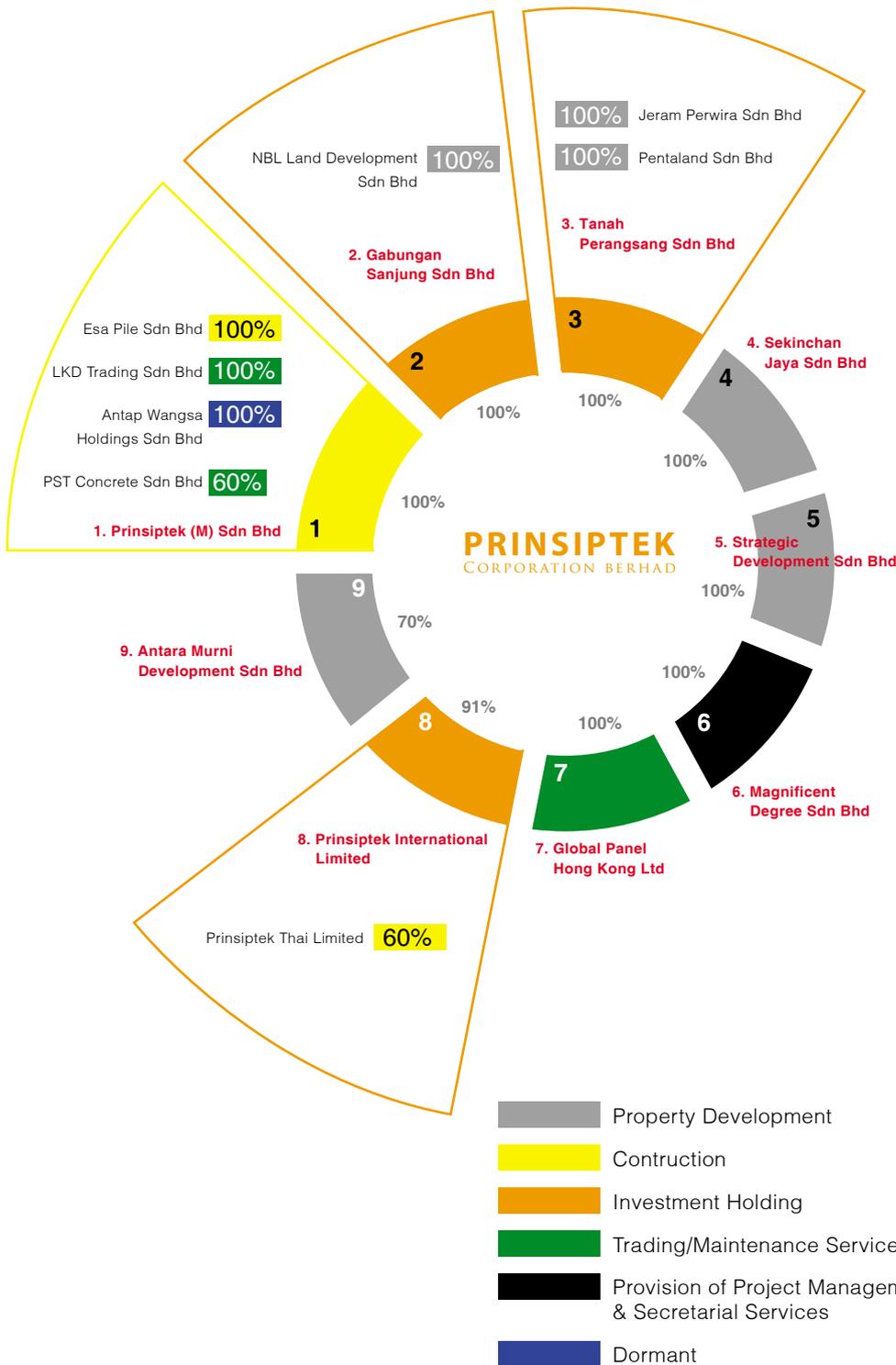
Malayan Banking Berhad

Bumiputra-Commerce Bank Berhad

Public Bank Berhad

### LISTING

Main Board of Bursa Malaysia Securities Berhad



## Group Structure & Principal Activities

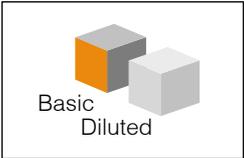
- 1. Prinsiptek (M) Sdn Bhd*  
Esa Pile Sdn Bhd  
LKD Trading Sdn Bhd  
Antap Wangsa Holdings Sdn Bhd  
PST Concrete Sdn Bhd
- 2. Gabungan Sanjung Sdn Bhd*  
NBL Land Development Sdn Bhd
- 3. Tanah Perangsang Sdn Bhd*  
Jeram Perwira Sdn Bhd  
Pentaland Sdn Bhd
- 4. Sekinchan Jaya Sdn Bhd*
- 5. Strategic Development Sdn Bhd*
- 6. Magnificent Degree Sdn Bhd*
- 7. Global Panel Hong Kong Ltd*
- 8. Prinsiptek International Limited*  
Prinsiptek Thai Limited
- 9. Antara Murni Development Sdn Bhd*

5 Years  
Financial Highlights

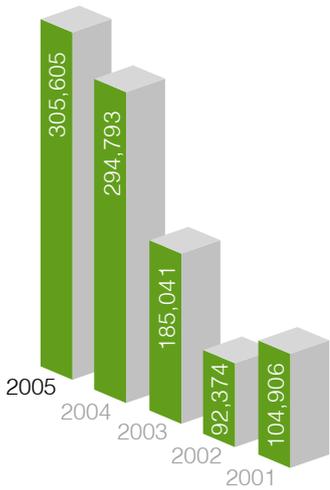
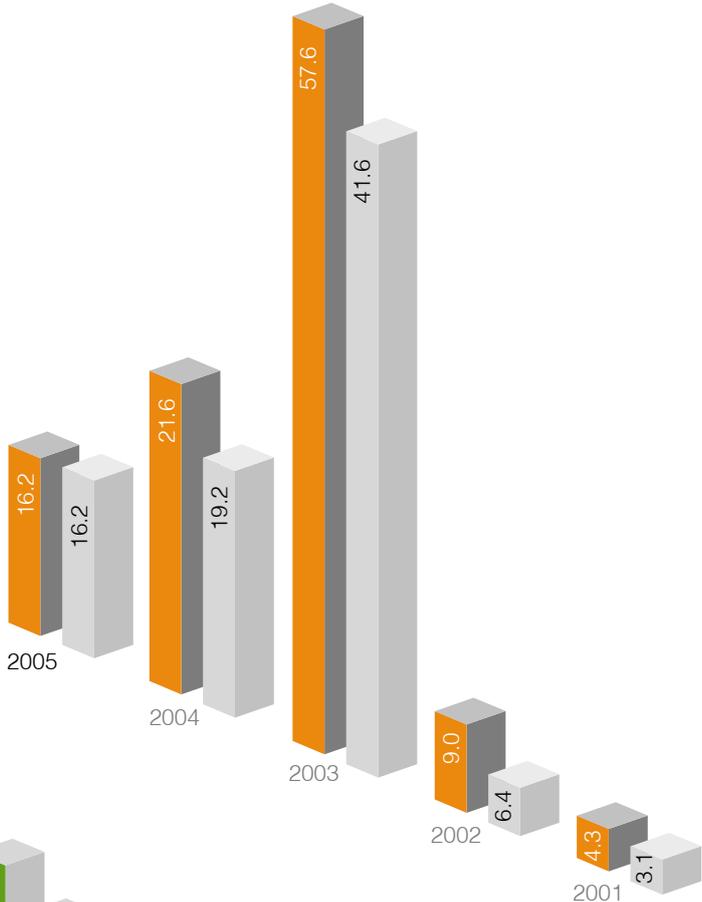
		Year ended 31 December				
		2001 <sup>1</sup>	2002 <sup>1</sup>	2003 <sup>1</sup>	2004	2005
Revenue	RM'000	104,906	92,374	185,041	294,793	305,605
Profit from operations	RM'000	5,387	12,314	25,613	37,468	31,361
Profit before taxation	RM'000	5,386	12,283	24,354	34,288	28,177
Profit after taxation after minority interest	RM'000	3,895	8,157	17,391	24,638	20,597
Gross earnings per share (sen)						
Basic	Sen	5.9 <sup>2</sup>	13.6 <sup>2</sup>	80.0	29.9	22.2
Diluted	Sen	4.3 <sup>3</sup>	9.7 <sup>3</sup>	57.8	26.6	22.2
Net earnings per share (sen)						
Basic	Sen	4.3 <sup>2</sup>	9.0 <sup>2</sup>	57.6	21.6	16.2
Diluted	Sen	3.1 <sup>3</sup>	6.4 <sup>3</sup>	41.6	19.2	16.2

- 1 the Group was effectively formed on 20 November 2003 and listed on the Second Board of Bursa Malaysia Securities Sdn Bhd on 10 December 2003 ("the Listing Exercise"). The figures as stated above are prepared based on the assumption that the Group has been in existence since the year ended 31 December 2001.
- 2 computed based on the number of ordinary shares assume to be issued after taking into account the effect of the Listing Exercise but excluding the conversion of Irredeemable Convertible Loan Stocks 2003/2006 ("ICULS") and the exercise of options under the Company's Employees Options Scheme ("ESOS").
- 3 computed based on the number of ordinary shares assume to be issued after taking into account the effect of the Listing Exercise and the including the conversion of ICULS and the exercise of ESOS options.

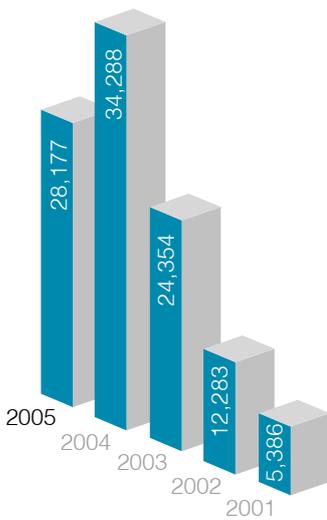
**5 Years Financial Highlights (cont'd)**



**Net Earnings Per Share (Sen)**



**Revenue (RM'000)**



**Profit Before Taxation (RM'000)**

**Profile of  
Board of Directors**

*DATO' SERI MOHAMAD NOOR  
ABDUL RAHIM*

**DATO' SERI MOHAMAD NOOR ABDUL RAHIM**

Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim, aged 61 and a Malaysian, was appointed as the Independent Non-Executive Chairman of Prinsiptek Corporation Berhad ("PCB") on 4 December 2003. He is also the Chairman of the Audit Committee of PCB.

*DATUK NUR JAZLAN BIN TAN  
SRI MOHAMED*

He holds a Bachelor of Arts (Honours) Degree from University Malaya. His last post in the civil service was the Secretary General of the Ministry of Home Affairs in 2000. He was the Secretary General of the Ministry of Domestic Trade and Consumer Affairs from 1996 to 1998. Prior to that, he held the positions of State Secretary of Pulau Pinang, Federal Development Director (Prime Minister's Department) of Kelantan, State Financial Officer of Perak, Director General of Kuala Lumpur City Hall, Under-Secretary (Supply Division) for both the Ministry of Defence and Ministry of Finance.

*DATO' FOO CHU JONG*

*FOO CHU PAK*

*SHARIMAN BIN ZAINAL  
ABIDEEN*

*FOO CHEW SAM*

Presently, he also sits on the Board of Nasioncom Holdings Berhad as the Chairman, Mitrajaya Holdings Berhad and Multi Vest Resources Berhad and is the Chairman of JKP Sdn Bhd, a company wholly owned by Minister of Finance (Incorporated).

Y. Bhg. Dato' Seri Mohamad has no family relationship with any director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

**DATUK NUR JAZLAN BIN TAN SRI MOHAMED**

Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed, aged 40 and a Malaysian, was appointed as an Independent Non-Executive Director of PCB on 4 December 2003. He is also a member of the Audit Committee of PCB. In addition, he sits on the Board of United Malayan Land Berhad and Telekom Malaysia Berhad.

He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a Council Member and the Chairman of the Public Relations Committee of Malaysian Institute of Accountants. He is also currently the Member of Parliament for Pulai Constituency in Johor.

Y. B. Datuk Nur Jazlan has no family relationship with any director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

## **DATO' FOO CHU JONG**

Y. Bhg. Dato' Foo Chu Jong, aged 48 and a Malaysian, is the founder of Prinsiptek (M) Sdn Bhd ("PST"). He was appointed as the Managing Director of PCB on 21 November 2003.

He started his career in the construction industry in the early eighties when he was exposed to the development of commercial buildings, condominiums, hotels and housing estates.

His sharp entrepreneurial acumen, hard work and visionary leadership are the main factors which have led PST to achieve a numerous highly acclaimed projects. These include the Staff Hostels and Hotel Awana Golf and Country Club in Genting Highlands, Mixed Development in Gohtong Jaya and First World Hotel in Genting Highlands.

Y. Bhg. Dato' Foo has gained a vast experience and knowledge through his involvement in most of the civil and engineering works where he has secured and completed a total of RM511 million worth of contracts. Being a hands-on Managing Director, he is actively involved in the day to day operations to ensure that all projects are carried out in a well managed and controlled manner.

Currently, he also sits on the Board of several subsidiary companies of PCB. He does not hold any directorship in any other public company.

Y. Bhg. Dato' Foo is a brother of Mr. Foo Chu Pak who is a director and major shareholder of PCB and Mr. Foo Chew Sam who is a director of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

## **Profile of Board of Directors (cont'd)**

*DATO' SERI MOHAMAD NOOR  
ABDUL RAHIM*

*DATUK NUR JAZLAN BIN TAN  
SRI MOHAMED*

*DATO' FOO CHU JONG*

*FOO CHU PAK*

*SHARIMAN BIN ZAINAL  
ABIDEEN*

*FOO CHEW SAM*

**Profile of  
Board of Directors (cont'd)**

*DATO' SERI MOHAMAD NOOR  
ABDUL RAHIM*

*DATUK NUR JAZLAN BIN TAN  
SRI MOHAMED*

*DATO' FOO CHU JONG  
FOO CHU PAK*

*SHARIMAN BIN ZAINAL  
ABIDEEN*

*FOO CHEW SAM*

**FOO CHU PAK**

Mr. Foo Chu Pak, aged 46 and a Malaysian, was appointed as an Executive Director of PCB on 21 November 2003. He is a member of the Audit Committee of PCB.

He obtained his Certificate of Building Construction from Kolej Tunku Abdul Rahman in 1981. In 1997, he graduated with a Civil Engineering degree from the Summit University of Louisiana and completed his Masters Degree in Business Administration from Honolulu University of Hawaii in 2000.

Mr. Foo has more than 20 years of experience in the building and construction industry. In 1981, he started his career with Serbanika (M) Sdn Bhd, a building construction company, as a project supervisor. From 1983 to 1985, he worked as a project supervisor cum quantity surveyor with Syarikat Pembinaan Sow Tee Sdn Bhd, a company involved in building construction activities. From 1981 to 1998, he was appointed as a director of Syarikat Bedena (M) Sdn Bhd, a company principally involved in building construction activities.

Currently, he also sits on the Board of several subsidiary companies of PCB. He does not hold any directorship in any other public company.

Mr. Foo is a brother of Y. Bhg. Dato' Foo Chu Jong who is a director and a major shareholder of PCB and Mr. Foo Chew Sam who is a director of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

### **SHARIMAN BIN ZAINAL ABIDEEN**

Encik Shariman Bin Zainal Abideen, aged 35 and a Malaysian, was appointed as an Executive Director of PCB on 21 November 2003.

He obtained his Certificate in Building from Politeknik Ungku Omar, Ipoh in 1990 and started his career with PST in the same year as a project supervisor. In 1991, he left PST to pursue his Diploma in Civil Engineering in Politeknik Ungku Omar, Ipoh. After graduation, he rejoined PST in 1994 as a project manager. Thereafter, he was appointed as a director of PST in 2000.

Encik Shariman does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

### **FOO CHEW SAM**

Mr. Foo Chew Sam, aged 38 and a Malaysian, was appointed as an Executive Director of PCB on 21 November 2003.

He holds a Bachelor of Science Degree majoring in Civil Engineering from the University of Arizona, United States of America. In 1991, he joined PST as a project engineer and was subsequently promoted to a project manager, where he is involved in the project management and the construction of government contracts.

Mr. Foo does not hold any directorship in any other public company. He is a brother of Y. Bhg. Dato' Foo Chu Jong and Mr. Foo Chu Pak who are directors and major shareholders of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholder of PCB and does not have any conflict of interest with PCB. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

### **Profile of Board of Directors (cont'd)**

*DATO' SERI MOHAMAD NOOR  
ABDUL RAHIM*

*DATUK NUR JAZLAN BIN TAN  
SRI MOHAMED*

*DATO' FOO CHU JONG*

*FOO CHU PAK*

*SHARIMAN BIN ZAINAL  
ABIDEEN*

*FOO CHEW SAM*

## Chairman's Statement

### *Financial Performance*

### *Dividend*

### *Corporate Development*

### *Outlook And Prospect*

### *Acknowledgement And Appreciation*



On behalf of the Board of Directors of Prinsiptek Corporation Berhad ("PCB"), it is my pleasure to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2005.

### **FINANCIAL PERFORMANCE**

During the financial year under review, the Group recorded an increase of revenue by 3.7% to RM305.6 million compared to RM294.8 million in previous year. The construction division continues to be the main contributor in the Group's revenue performance. The Group posted a lower net profit of RM20.6 million for the financial year ended 31 December 2005 as compared to the net profit of RM24.6 million for the financial year ended 31 December 2004. The drop in the net profit is due to lower margin of construction projects as a result of higher construction costs and also due to low revenue from property development division.

### **DIVIDEND**

To reward our shareholders, the Board of Directors is pleased to recommend a final dividend of 6% less tax of 28.0% for the financial year ended 31 December 2005. This is subject to the shareholders' approval at the forthcoming Annual General Meeting.

### **CORPORATE DEVELOPMENT**

I am pleased to announce that, PCB had successfully transferred its listing from the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") to the Main Board of Bursa Securities on 5 July 2005.

During the financial year, PCB has incorporated a 90.6% controlled subsidiary company known as Prinsiptek International Limited ("PIL") and another 60.0% owned subsidiary company known as Prinsiptek Thai Limited ("PTL") through PIL in Thailand. Both of the subsidiaries were incorporated mainly for the purpose of undertaking construction and property development projects in Thailand.

In January 2006, Tanah Perangsang Sdn Bhd, a wholly owned subsidiary of PCB had entered into a conditional share sale agreement to acquire the entire equity interest in Pentaland Sdn Bhd ("Pentaland"). Pentaland is currently undertaking a property development project through a joint venture basis on a piece of land in Gombak, Selangor Darul Ehsan.

The Company had on 18 January 2006 effectively incorporated a wholly owned subsidiary company known as Global Panel Hong Kong Ltd in British Virgin Island. Its principal activities are provision of technical and maintenance services and general trading.

On 24 January 2006, PCB's wholly owned subsidiary, Prinsiptek (M) Sdn Bhd ("PST") had acquired 60.0% of the issue and fully paid share capital of Antap Wangsa Holdings Sdn Bhd ("AWH"). Subsequent to the acquisition, AWH, previously a 40.0% owned associated company of PST, had become a wholly owned subsidiary of PST and PCB.

On 27 January 2006, PCB had obtained approval from the Securities Commission ("SC") for the issuance of the RM80.0 million Murabahah Commercial Papers Programme ("MCPs Programme") and Murabahah Medium Term Notes Programme ("MMTNs Programme"). The first drawdown of the MCPs was on 9 March 2006 amounting to RM15.0 million. The proceeds will be utilised primarily for the purpose of repayment of bank borrowings.

## Chairman's Statement (cont'd)

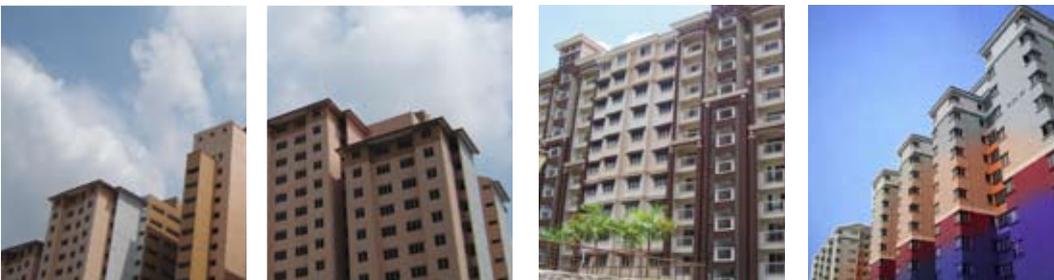
*Financial Performance*

*Dividend*

*Corporate Development*

*Outlook And Prospect*

*Acknowledgement And  
Appreciation*



### OUTLOOK AND PROSPECT

Despite the tougher and competitive market, the Group will take this challenging environment to equip ourselves and strengthen our position to move forward locally and globally.

The Ninth Malaysia Plan has allocated a total of RM47.3 billion for the Transport (RM32.5 billion), Housing (RM11.5 billion), Village and Community Development (RM2.2 billion) and Upgrading and Renovation (RM1.1 billion). This will directly and indirectly boost the construction sectors. With our experience and strong track record, our Group is looking forward to secure some of the projects being allocated especially Housing, Village and Community Development projects.

**Chairman's Statement  
(cont'd)**

*Financial Performance*

*Dividend*

*Corporate Development*

*Outlook And Prospect*

*Acknowledgement And  
Appreciation*

Besides the local market, our Group is also tapping into overseas project. In January 2006, PTL, a subsidiary of PCB had entered into a contract with the National Housing Authority of Thailand for the development and construction of 4,619 units of low cost apartment with the contract value totaling to approximately RM194.0 million. The project is expected to contribute positively to the future earnings of the PCB Group. With this, the Group has a total of RM735.9 million unbilled construction order book which will occupy the Group's operation for the next 2 to 3 years.

As for the property division, the Group has an unbilled sales of RM353.6 million for its residential and commercial development in the Klang Valley and Kuantan, Pahang. Apart from this, the property development project by Pentaland in Gombak, Selangor shall contribute an additional gross development value of approximately RM100.0 million to the Group.

**ACKNOWLEDGEMENT AND APPRECIATION**

On behalf of the Board, I would like to express my gratitude and appreciation to the management and staff for their commitment and hard work to the Group. I would also like to thank our shareholders, valued clients, business associates, bankers, and Government agencies for their continuous support to the Group during these past years.

**Dato' Seri Mohamad Noor Abdul Rahim**

Chairman



## Corporate Governance Statement

The Board of Directors (“the Board”) affirms its overall responsibility in ensuring that the highest standard of Corporate Governance is practised throughout the Group with the objective of protecting and enhancing shareholders’ value, and the financial position of the Group.

The Board will endeavour to fully comply with all the Principles in Part 1 of the Malaysian Code on Corporate Governance (“the Code”) and to adopt the Best Practices as recommended in Part 2 of the Code in the best interest of the shareholders of the Group.

### A. DIRECTORS

#### **The Board**

The Group is led and controlled by an effective Board. The Board comprises highly reputable and professional persons of calibre and credibility, who have the necessary experience, knowledge and skills to bring an independent judgment in the process of strategic decision-making. The Board recognises its key role in charting the strategic directions for the Group and regularly meets to review corporate strategies, resolve operational matters and monitor financial performance of the Group.

The Board has identified its Chairman, Dato’ Seri Mohamad Noor Abdul Rahim, to whom concerns of shareholders, management and others may be conveyed.

#### **Board Balance**

The Board comprises six (6) directors of whom four (4) are executive directors and two (2) are independent non-executive directors. This is in compliance with the one-third requirement for independent directors to be appointed to the Board as required under the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The individual profile of each director is presented on pages 12 to 15 of this Annual Report. The combination of different professionals with varied background, experience and skills has also enabled the Board to discharge its responsibilities effectively and efficiently. The business and financial experience of each calibre member of the Board has inevitably contributed to the success in steering the Group toward sustaining its remarkable financial results.

**Corporate Governance  
Statement (cont'd)**

Indeed, there is a clear segregation of duties between the Chairman of the Board (“the Chairman”) and the Managing Director so as to ensure that there is always a balance of power and authority. Essentially, the Chairman has the obligations to preside at various meetings, namely general meetings of shareholders, Board and Audit Committee meetings in order to address issues to be highlighted by and to members independently, whilst the Managing Director has the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are carried out diligently.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

**Appointment to the Board**

Prior to the appointment of a director to the Board, all nominations for the appointment of new directors will be submitted to the full Board for deliberation on the suitability of the candidate for directorship. A familiarisation programme, including visits to the Group’s business and operations premises and meetings with Senior Management will be arranged for new directors to facilitate their understanding of the Group.

**Re-election of Directors**

In accordance with the Company’s Articles of Association, one-third (1/3) of the directors including the Managing Director shall retire by rotation from office at each Annual General Meeting (“AGM”) and they shall be eligible for re-election at such AGM. The directors to retire shall be the directors who have been longest in office since their appointment or last re-election. In addition, all directors including the Managing Director shall be subject to retirement by rotation once every three (3) years.

**Board Meetings**

The Board meets at least four (4) times a year, normally at the end of every quarter of the financial year to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues. When necessary, additional meetings will be convened by the Board to make important decisions on an urgent basis.

**Corporate Governance  
Statement (cont'd)**

The details of attendance of the directors during the financial year ended 31 December 2005 are as follows: -

<b>Name of Directors</b>	<b>Number of Meetings Attended</b>	<b>Percentage of Attendance</b>
Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim	5	100%
Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed	5	100%
Y. Bhg. Dato' Foo Chu Jong	5	100%
Foo Chu Pak	4	80%
Shariman Bin Zainal Abideen	5	100%
Foo Chew Sam	5	100%

All the above meetings were held at the Company's registered office.

**Directors' Training**

All members of the Board have attended the Mandatory Accreditation Programme as required by the Bursa Securities. During the financial year ended 31 December 2005, all members of the Board have also attended various courses in relation to effective management of companies, risk management, corporate governance and internal audit. The directors will continue to attend continuous education programmes and seminars so as to further enhance their skills and knowledge, and keep abreast with developments in the market place.

**Supply of Information**

All directors have access to all information within the Group as well as the advice and services of the Company Secretary whether as a full Board or in their individual capacity to assist them in their decision-making. Where necessary, the directors may engage independent professionals at the Group's expense on specialised issues to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

The agenda for the Board meetings, together with appropriate reports and information on the Group's business operations and proposals for the Board's consideration are circulated to all the directors prior to the meetings with sufficient notice so as to ensure that all directors are given time to prepare, obtain additional information or clarification prior to attendance at the meeting.

## Committees of the Board

The following committee is established to assist the Board in the discharge of its duties. The committee operates under approved terms of reference.

### ■ **Audit Committee**

The terms of reference of the Company's Audit Committee and its activities during the financial year are set out under the Audit Committee Report on pages 34 to 39 of this Annual Report.

### ■ **Nomination Committee and Remuneration Committee**

In accordance with Part 2 of the Code, it is recommended that a formal procedure for appointment of directors to the Board should be carried out based on the recommendation of a Nomination Committee but this function can be performed by the Board as a whole.

In view of the above, the full Board is currently carrying out the aforesaid function of the Nomination Committee. The Managing Director proposes the nomination of appropriate directors to the Board based on the respective directors' experience, knowledge and skills. Indeed, the ultimate decision for the nomination of directors to the Board will be decided and approved by the full Board in order to ensure that the mix of experience, knowledge and skills of the Board members is adequate in resolving various strategic and operational issues in the day-to-day running of the Group.

At least on an annual basis, the Board will review the necessary mix of experience, knowledge and skills of the Board members so as to ensure that the Board consists of members who are well-versed in managing a company involving in the similar business as the Group.

On the other hand, Part 2 of the Code also recommends that it is a good practice for the Board to appoint Remuneration Committee, consisting wholly or mainly of non-executive directors, to recommend to the Board the remuneration of the executive directors in all its forms, and executive directors should play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive directors, including non-executive chairman should be a matter of the Board as a whole.

In this regard, the full Board of the Company will decide on the executive and independent non-executive directors' remuneration packages. In doing so, the component parts of the remuneration packages are structured in a manner that the rewards are linked to individual executive directors' performance in managing the Group, whereas the level of remuneration for independent non-executive directors is based on the experience and responsibilities of individual independent non-executive directors.

More importantly, it is the policy of the Company to preclude all directors from deciding on their own remuneration packages and the directors' fee must be approved by shareholders in the AGM.

Corporate Governance  
Statement (cont'd)

**B. DIRECTORS' REMUNERATION**

The aggregate remuneration of the Company's directors derived from the Group for the financial year under review is as follows:-

	Executive Director (RM)	Non-Executive Director (RM)	Total
Fee	-	60,000	60,000
Salary and other emoluments	1,488,108	-	1,488,108
Bonus and benefits-in-kind	466,500	-	466,500
<b>Total</b>	<b>1,954,608</b>	<b>60,000</b>	<b>2,014,608</b>

The number of Company's directors whose total remunerations derived from the Group during the financial year under review that fall within the following bands is as follows:-

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	2
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	-
RM150,001 - RM650,000	-	-
RM650,001 - RM700,000	1	-
RM700,001 - RM1,050,000	-	-
RM1,050,001 - RM1,100,000	1	-
<b>Total</b>	<b>4</b>	<b>2</b>

**C. SHAREHOLDERS**

**Dialogue Between Company and Investors**

The Group practises an open communication policy with its investors. In its efforts to promote effective communication, the Board has dialogue with shareholders and investors

and recognises that timely and equitable dissemination of relevant information shall be provided to them through public announcements made to Bursa Securities, the Company's annual reports, circulars and financial results on quarterly basis to enable shareholders and investors to have an overview of the Group's business activities and performance.

### **Annual General Meeting**

The shareholders will be given sufficient notices for the holding of AGMs through annual reports sent to them at least 21 clear days prior to the date of the AGMs. At the AGMs, the Board will present to the shareholders a comprehensive report on the performance of the Group and the shareholders are encouraged to participate in the questions and answers session thereat, and will be given the opportunity to raise question or seek more information during the AGMs.

## **D. ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In preparing the annual financial statements and quarterly announcement of financial results to shareholders, the Board has always strived to present a balanced and understandable assessment of the Group's financial position and prospects to shareholders.

The Audit Committee assists the Board in ensuring accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure.

The Statement of Directors' Responsibility for preparing Annual Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Securities is set out on page 103 of this Annual Report.

### **Internal Control**

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant, Grant Thornton Consulting Sdn Bhd to provide professional services for internal control assessment and to carry out internal audit function for the Group.

The Statement of Internal Control set out on pages 29 to 31 of this Annual Report provides an overview of the state of internal controls within the Group.

**Corporate Governance  
Statement (cont'd)**

**Relationship with the Auditors**

The Board has appropriately established a formal and transparent relationship with the Group's auditors. The role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report as set out on pages 34 to 39 of this Annual Report.

**Statement on the Extent of Compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance**

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

Apart from the alternative procedures as set out in Section A under the title "Nomination Committee and Remuneration Committee", the Board considers that the Group has complied throughout the financial year with the Best Practices as stipulated in Part 2 of the Code.





## INTRODUCTION

The Board is committed in maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. In doing so, the Board acknowledges its responsibility to identify major risks faced by the Group and ensure that relevant internal controls are in place in order to manage these risks.

In view of the above, the Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Securities.

Meanwhile, the Board also understands fully its responsibility to maintain a sound system of internal controls and ensure accurate information to be presented in the financial statements. Hence, the system of internal controls is designed to manage rather than eliminate the risk of failure in achieving its business objectives.

In pursuing the business objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. As such, the Board recognises that a sound system of internal controls is an important part of managing risks in an effort to attain a balanced achievement of its business objectives, and operational efficiency and effectiveness.

## THE RISK MANAGEMENT PROCESS

The Board has endeavoured to identify the relevant major risks faced by the Group on a regular basis and has implemented additional internal controls in order to monitor these risks so as to ensure that the Group will achieve its business objectives.

In managing the major risks, the Board has always carried out necessary preliminary studies and evaluations on various projects which will be undertaken by the Group. This entails proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management ("the Management") in running the main operating functions of the Group within the Group's strategic business plans.

In this respect, the Management comprises personnel with many years of "hands-on" experience who are able to identify business risks relevant to the Group and design the appropriate internal controls to manage these risks.

## Statement on Internal Control

## Statement on Internal Control (cont'd)

At the same time, the Management also attends various management and operations meetings in order to discuss matters of concern in relation to various projects undertaken by the Group as well as any obstacles in achieving the Group's strategic business plans.

The Management has also adopted the "open discussion" approach in the day-to-day running of the Group. This has enabled various major business risks being identified easily and dealt with in a prompt manner.

### KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The Group has implemented additional key internal controls for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives throughout the financial year under review.

In fact, the Group has incorporated various key elements into its system of internal controls in order to safeguard shareholders' investment and the Group's assets by:-

- giving authority to the Board's committee members to investigate and report on any areas of improvement for the betterment of the Group;
- performing in-depth study on major variances and deliberating irregularities in the Board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them;
- arranging regular interactive meetings between the External Auditors and consultants to identify and rectify any weaknesses in the system of internal controls. The Board would also be informed on the matters brought up in the Audit Committee meetings on a timely basis;
- delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal controls and managing the Group's various operations;
- determining proactive actions to create awareness on the importance of staff's and line management's involvement in the system of internal controls as well as risk management by providing various training courses, seminars and workshops conducted by the external consultants;
- keeping the Management informed on the development of action plan for enhancing system of internal controls and allowing various management personnel to have access to important information for better decision-making;

**Statement on Internal  
Control (cont'd)**

- making frequent on-site visits to the business and operations premises by Senior Management personnel so as to acquire a first hand view on various operational matters and addressing the issues accordingly;
- monitoring key commercial, operational and financial risks through reviewing the system of internal controls and other operational structures so as to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board.

**INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL**

During the financial year ended 31 December 2005, the Audit Committee has resolved to extend the services of the external consultant, Grant Thornton Consulting Sdn Bhd, in connection with internal control function and corporate governance review for another two (2) years from year 2006 to 2007. In this regard, the external consultant will independently review the system of internal controls and report to the Audit Committee.

The Group adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Internal Auditors conducts briefing and interviews on risk assessment to identify significant concerns and risks perceived by the Senior Management in order to draw up the risk-based internal audit plan.

Certain control weaknesses have been identified and are being addressed by the Board and Audit Committee so as to ensure that the integrity of internal controls can be enhanced in the future. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2005. The Management of the Group continues to take measures to strengthen the internal control environment from time to time based on the recommendations proposed by the Internal Auditors.

Furthermore, the Board recognises that the development of the system of internal controls is an ongoing process for identifying, evaluating and managing the risk faced by the Group. The Board maintains an ongoing commitment to strengthen the Group's internal control function and processes.

Indeed, the Board and Audit Committee have always ensured that the Group adopts good system of internal controls, corporate governance and best practices in its Board meetings and Audit Committee meetings taking into cognisance of possible establishment of additional processes for identifying, evaluating and managing the significant risks within the Group which is in accordance with the guidelines stipulated in the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Bursa Securities.





## Audit Committee Report

### FORMATION

The Audit Committee was formed by the Board of Directors on 4 December 2003.

### MEMBERS

The Audit Committee consists of the following members during the financial year:-

- 1 **Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim** - Chairman  
*Chairman and Independent Non-Executive Director*
- 2 **Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed** - Member  
*Independent Non-Executive Director*
- 3 **Foo Chu Pak** - Member  
*Executive Director*

### MEETINGS AND ATTENDANCE

The Audit Committee held 5 (five) meetings during the financial year. The attendance of the Committee members is as follows:-

Name of Committee Members	Number of Meetings Attended	Percentage of Attendance
Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim	5	100%
Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed	5	100%
Foo Chu Pak	4	80%

The Audit Committee meetings were attended by the Committee members and Senior Management. The Managing Director and Executive Directors were also present at certain meetings as invitees. The Company Secretary acted as Secretary at the meetings to record and maintain minutes for the proceedings of the meeting.

### TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are as follows:-

- 1.1 To provide additional assurance to the Board by giving objective and independent review of the Group's financial, operational and administrative controls and procedures.

**Audit Committee Report  
(cont'd)**

- 1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.
- 1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.
- 1.4 To reinforce the independence of the External Auditors and to assure that the External Auditors will have free rein in the audit process.
- 1.5 To provide a forum for regular, informal and private discussion between the External Auditors and Directors who have no significant relationship with the Management.
- 1.6 To reinforce the objectivity of the Internal Auditors.

## **2. MEMBERSHIP**

- 2.1 The Audit Committee shall be appointed by the Board pursuant to a Board Resolution.
- 2.2 It shall comprise at least three (3) members of whom majority shall be independent non-executive directors.
- 2.3 The Chairman of the Audit Committee shall be appointed by the Board, or failing which, amongst the members of the Audit Committee themselves.
- 2.4 If the number of the members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s) a member ceases to be member of the Audit Committee, the Board shall, within three (3) months of that event, appoint amongst such other directors, a new member to make-up the minimum number required herein.
- 2.5 At least one (1) member of the Audit Committee:-
  - (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - (ii) if he/she is not a member of MIA, he must have at least three (3) years of working experience; and
    - (a) he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (b) he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (iii) must possess such qualifications as may from time to time be prescribed by Bursa Securities.
- 2.6 An alternate director is not eligible for membership in the Audit Committee.

**Audit Committee Report  
(cont'd)**

**3. AUTHORITY**

- 3.1 The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference.
- 3.2 It shall have unlimited access to both the Internal Auditors and External Auditors as well as all employees of the Group.
- 3.3 It shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.4 It shall also have the power to establish Sub-Audit Committee(s) and delegate its powers to such Sub-Audit Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and, to appoint such officers within the Group as members of the Sub-Audit Committee(s).

**4. FUNCTIONS**

- 4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.
- 4.2 To review the scope of the internal audit programme and procedures, consider the results of internal audit investigations and assess the Management's responses and actions to rectify any reported shortcoming.
- 4.3 To evaluate the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.
- 4.4 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.
- 4.5 To review the Group's quarterly and annual consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in accounting polices and practices; significant adjustments arising from audit; the going concern assumption; compliance with accounting standards and other legal requirements.
- 4.6 To review any related party transactions that may arise within the Company or Group.

**Audit Committee Report  
(cont'd)**

- 4.7 To identify and direct any special projects or investigations it deems necessary.
- 4.8 To nominate a person or persons as the External Auditors. To consider the audit fee and any question of resignation or dismissal of the External Auditors.
- 4.9 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.
- 4.10 To discuss problems and reservations arising from the interim and final audit, and any other matter the External Auditors may wish to discuss in the absence of the Management, where necessary.
- 4.11 To review the External Auditors' management letter and the Management's response.
- 4.12 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.
- 4.13 To review reports and consider recommendations of the Sub-Audit Committee(s), if any.

**5. MEETINGS**

- 5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) members. The majority of members present must be independent non-executive directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.
- 5.5 A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.

**Audit Committee Report  
(cont'd)**

- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.
- 5.8 The External Auditors shall have the right to appear and be heard at any meeting and shall appear before the Audit Committee when so required by the Audit Committee.
- 5.9 Upon the request of the External Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors believe should be brought to the attention of the directors or shareholders of the Company.
- 5.10 The executive directors of any Group, Company, representatives of the Internal Auditors, the Management and any employees of the Group, as the case requires, may be requested to attend such meetings.
- 5.11 The Audit Committee shall meet with the External Auditors at least once in a financial year without the presence of the executive board members of the Company.

**6. COMPLIANCE**

- 6.1 The provisions of Articles 119, 120 and 121 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the Audit Committee.

**SUMMARY OF ACTIVITIES**

During the financial year, the activities of the Audit Committee include the following: -

- reviewed and approved the audited financial statements for the financial year ended 31 December 2004;
- adopted the proposed schedule of Audit Committee meetings during the financial year ended 31 December 2005;
- reviewed and approved the financial results for the quarters ended 31 March 2005, 30 June 2005 and 30 September 2005;

**Audit Committee Report  
(cont'd)**

- reviewed and approved all recurrent related party transactions during the same financial quarters as above;
- reviewed the audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- reviewed and discussed with the External Auditors the nature and scope of their audit plan for the financial year ended 31 December 2005 before the commencement of audit;
- reviewed and discussed with the Internal Auditors on their internal audit plan for the years 2006 and 2007; and
- resolved to extend the services of the external consultant in connection with internal control function and corporate governance review for another two (2) years from year 2006 to 2007.

In addition, the Audit Committee had after the financial year ended 31 December 2005, reviewed and approved the following: -

- the financial results for the quarter ended 31 December 2005;
- the audited financial statements for the financial year ended 31 December 2005;
- all recurrent related party transactions during the quarter ended 31 December 2005;
- the Statement on Internal Control;
- the Corporate Governance Statement; and
- the Audit Committee Report.

#### **INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES**

The internal audit function for the Group has been outsourced to an external consultant who has performed an independent review of the Group's various departments during the financial year.

The Internal Auditors of the Group reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control system. The Audit Committee approves the internal audit plan at the beginning of each year and the scope of internal audit covering the relevant departments within the Group.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2005.



## Directors' Report

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

### PRINCIPAL ACTIVITIES

The principal activities of the Company are those of management and investment holding. The principal activities of the subsidiary companies and associated company are stated in Notes 5 and 6 to the financial statements.

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

### FINANCIAL RESULTS

	Group RM	Company RM
Profit after taxation	20,719,045	3,208,573
Minority shareholders' interest	(122,410)	-
Net profit for the financial year	<b>20,596,635</b>	<b>3,208,573</b>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen during the financial year nor in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Group and of the Company for the current financial year.

### DIVIDENDS

A final dividend of 5% less tax at 28% amounting to a total dividend of RM2,281,994 in respect of the previous financial year was paid during the financial year under review.

The Board of Directors does not recommend any final dividend to be paid for the financial year under review.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM63,388,722 to RM63,388,772 by issuance of 100 new ordinary shares of RM0.50 each pursuant to the conversion of RM100 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS").

All new shares issued rank pari passu with the existing issued shares of the Company.

There were no issues of debentures during the financial year under review.

## EMPLOYEES' SHARE OPTION SCHEME

The Prinsiptek Corporation Berhad Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 21 February 2004.

The main features of the ESOS are as follows:-

- a. To be eligible for participating in the scheme, a person must satisfy the following conditions:-
  - (i) be of at least eighteen (18) years of age on the offer date; and
  - (ii) be an executive director or employee serving the Company or eligible subsidiary and has been confirmed in service on the offer date.
- b. The Committee may at its absolute discretion at any time and from time to time as it shall deem fit during the duration of the scheme make one or more offers to any eligible employee whom the committee may select, based on the criteria of allocation set out in By-Law 8, to subscribe for new shares in accordance with the terms of the scheme.
- c. An offer shall be valid for the period of thirty (30) days calendar days from the offer date or such longer period as may be determined by the committee on a case to case basis at its discretion.

**Directors' Report (cont'd)**

- d. The aggregate number of new shares to be offered to an eligible employee under the scheme shall be determined at the discretion of the committee after taking into consideration, inter alia, the performance, length of service and/or such other direct or indirect contributions by the eligible employee to the Group.

Provided always that:-

- (i) Not more than fifty percent (50%) of the new shares to be allocated under the scheme should be allocated in aggregate to the executive directors and senior management; and
  - (ii) Not more than ten percent (10%) of the new shares to be allotted under the scheme should be allocated to any eligible employee who, either singly or collectively through his/her associates holds twenty percent (20%) or more in the issued and paid-up capital of the Company.
- e. The price at which the grantee is entitled to subscribe for new shares under an option shall be the higher of:-
- (i) The weighted average market price of the shares for the five (5) market days immediately preceding the offer date, subject to a discount of not more than ten percent (10%) which the committee may at its discretion decide to give; or
  - (ii) The par value of the shares;

Subject to such adjustment in accordance with By-Law 16 herein.

- f. The scheme shall be in force for a period of 10 years from the date of the launch or implementation of the scheme.

The movements of options over unissued shares of the Company granted under the ESOS during the financial year are as follows:-

Number of share options						
At 01.01.2005	Granted	Exercised	Lapsed	At 31.12.2005	Exercise price per ordinary share	Exercise period
8,167,100	-	-	952,600	7,214,500	RM1.18	10 March 2005 to 9 March 2014

No options were granted to any person to take up the unissued shares of the Company during the year.

## DIRECTORS

## Directors' Report (cont'd)

The directors who served since the date of the last report are as follows:-

Dato' Foo Chu Jong  
Dato' Seri Mohamad Noor Abdul Rahim  
Datuk Nur Jazlan Bin Tan Sri Mohamed  
Foo Chu Pak  
Foo Chew Sam  
Shariman Bin Zainal Abideen

## DIRECTORS' INTERESTS

Details of holdings and deemed interests in the share capital of the Company and its related corporations by the directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:-

	Number of ordinary shares of RM0.50 each			
	At 1.1.2005	Acquired	Disposed	At 31.12.2005
<b>Direct interest -</b>				
Dato' Foo Chu Jong	41,580,625	-	26,790,625	14,790,000
Foo Chu Pak	26,355,000	-	18,430,000	7,925,000
Shariman Bin Zainal Abideen	13,845,000	-	13,845,000	-
<b>Indirect interest <sup>1</sup> -</b>				
Dato' Foo Chu Jong	-	51,490,625	-	51,490,625
Foo Chu Pak	-	51,490,625	-	51,490,625
Shariman Bin Zainal Abideen	-	51,490,625	-	51,490,625

<sup>1</sup> Deemed interest through shareholdings in Daya Setempat Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

Directors' Report (cont'd)

	Number of options over ordinary shares of RM0.50 each ("ESOS")				
	At 1.1.2005	Granted	Exercised	Lapsed	At 31.12.2005
<b>Direct interest -</b>					
Dato' Foo Chu Jong	900,000	-	-	-	900,000
Foo Chu Pak	800,000	-	-	-	800,000
Shariman Bin Zainal Abideen	800,000	-	-	-	800,000
Foo Chew Sam	800,000	-	-	-	800,000

By virtue of their interests in the shares of the Company, Dato' Foo Chu Jong, Foo Chu Pak and Shariman Bin Zainal Abideen are deemed to have an interest in the shares of all its subsidiary companies to the extent the Company has an interest.

None of the other director holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

#### **DIRECTORS' BENEFITS**

Neither during nor at the end of the financial year, was the Company or its subsidiary company a party to any arrangement the object of which is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Group and of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Group and of the Company has received or 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) 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.

## OTHER STATUTORY INFORMATION

### Directors' Report (cont'd)

- a. Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:-
- (i) to ascertain that 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 adequate 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.
- b. At the date of this report, the directors are not aware of any circumstances which would render:-
- (i) the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
  - (ii) the values attributed to the current assets in the financial statements in the financial statements of the Group and of the Company misleading;
  - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
  - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- c. No contingent or other liabilities have become enforceable, or are 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 affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- d. At the date of this report, there does not exist:-
- (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) any contingent liability in respect of the Company or its subsidiary companies which has arisen since the end of the financial year.

**Directors' Report (cont'd)**

**SIGNIFICANT EVENTS**

The significant events are disclosed in Note 38 to the financial statements.

**SUBSEQUENT EVENTS**

The subsequent events are disclosed in Note 39 to the financial statements.

**STAFF INFORMATION**

The total number of employees of the Group and of the Company (excluding directors) at the end of the financial year were 187 and Nil (2004: 191 and Nil) respectively.

**AUDITORS**

The auditors, Anuarul Azizan Chew & Co., have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors.

**DATO' FOO CHU JONG**

**FOO CHU PAK**

KUALA LUMPUR  
23 March 2006

We, **DATO' FOO CHU JONG** and **FOO CHU PAK**, being two of the directors of **PRINSIPTEK CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 41 to 102 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results of their operations and the cash flows of the Group and of the Company for the financial year ended on that date.

**Statement By Directors**

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

Signed in accordance with a resolution of the directors.

**DATO' FOO CHU JONG**

**FOO CHU PAK**

KUALA LUMPUR  
23 March 2006

## Statutory Declaration

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

I, **DATO' FOO CHU JONG**, being the director primarily responsible for the financial management of PRINSIPTEK CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 102 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed **DATO' FOO CHU JONG** at )  
**KUALA LUMPUR** in the Federal Territory )  
this 23 March 2006 )

**DATO' FOO CHU JONG**

Before me,

**COMMISSIONER FOR OATHS**

**Report Of The Auditors  
To The Members**

We have audited the financial statements set out on pages 41 to 102 of Prinsiptek Corporation Berhad.

The financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those 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 towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of :-
  - (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results and the cash flows of the Group and of the Company for the financial 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.
- b. The accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 5 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon other than those mentioned in Note 5(b).

**Report Of The Auditors  
To The Members (cont'd)**

We are satisfied that the financial statements of the subsidiary companies 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 as required by us for those purposes.

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

**ANUARUL AZIZAN CHEW & CO.**

Firm Number: AF 0791  
Chartered Accountants

**TEE GUAN PIAN**

Approved Number: 1886/05/06 (J/PH)  
Partner of Firm

KUALA LUMPUR  
23 March 2006

**Balance Sheets**

AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	3	7,904,303	10,189,477	249,493	258,282
Land and property development costs	4	22,773,387	27,494,645	-	-
Investment in subsidiary companies	5	-	-	42,851,567	42,846,912
Investment in associated company	6	3,829	4,947	-	-
Other investments	7	5,010,800	5,010,800	5,000,000	5,000,000
Intangible assets	8	47,173,740	47,571,764	38,408,020	38,408,020
		<b>82,866,059</b>	<b>90,271,633</b>	<b>86,509,080</b>	<b>86,513,214</b>
<b>Current Assets</b>					
Property development costs	4	23,009,774	9,671,100	-	-
Inventories	9	12,486	20,759	-	-
Trade receivables	10	156,297,347	145,161,680	-	-
Other receivables	11	13,893,428	15,417,528	137,008	544,326
Tax recoverable		851,517	-	8,588	7,105
Amount owing by customers on contracts	12	116,653,434	70,726,552	-	-
Amount owing by subsidiary companies	13	-	-	53,072,960	51,762,655
Amount owing by associated company	14	6,953	6,743	-	-
Cash held under Housing Development Account	15	518,292	-	-	-
Fixed deposits with licensed banks	16	37,585,470	24,176,174	-	-
Cash and bank balances		1,287,292	609,273	17,191	9,694
		<b>350,115,993</b>	<b>265,789,809</b>	<b>53,235,747</b>	<b>52,323,780</b>
<b>Current Liabilities</b>					
Trade payables	17	94,793,890	93,620,745	-	-
Other payables	18	3,524,846	9,381,796	566,837	585,583
Hire purchase payables	19	1,329,228	2,281,478	-	-
Bank borrowings	20	96,244,959	53,884,657	-	-
Amount owing to customers on contracts	12	47,407,310	24,885,271	-	-
Taxation		2,793,652	3,032,695	-	-
		<b>246,093,885</b>	<b>187,086,642</b>	<b>566,837</b>	<b>585,583</b>
Net current assets		104,022,108	78,703,167	52,668,910	51,738,197
		<b>186,888,167</b>	<b>168,974,800</b>	<b>139,177,990</b>	<b>138,251,411</b>

## Balance Sheet (cont'd)

AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Financed By</b>					
Share capital	21	63,388,772	63,388,722	63,388,772	63,388,722
Share premium		21,732,115	21,732,065	21,732,115	21,732,065
Irredeemable convertible unsecured loan stocks	22	5,200	5,300	5,200	5,300
Reserve on consolidation		658,115	658,115	-	-
Exchange reserve		(339)	-	-	-
Retained profits		48,806,564	30,491,923	4,051,903	3,125,324
Shareholders' funds		<b>134,590,427</b>	<b>116,276,125</b>	<b>89,177,990</b>	<b>88,251,411</b>
<b>Non-Current Liabilities</b>					
Minority interests		581,449	182,197	-	-
Hire purchase payables	19	189,848	1,432,981	-	-
Bank borrowings	20	51,189,298	50,245,448	50,000,000	50,000,000
Deferred tax liabilities	23	337,145	838,049	-	-
		<b>52,297,740</b>	<b>52,698,675</b>	<b>50,000,000</b>	<b>50,000,000</b>
		<b>186,888,167</b>	<b>168,974,800</b>	<b>139,177,990</b>	<b>138,251,411</b>

**Income Statements**

*FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2005*

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	24	305,604,544	294,793,493	4,853,134	4,852,660
Cost of sales		(268,533,354)	(250,728,627)	-	-
Gross profit		37,071,190	44,064,866	4,853,134	4,852,660
Other operating income		1,819,119	883,848	-	-
Administration expenses		(6,465,960)	(5,951,569)	(154,942)	(179,603)
Other operating expenses		(1,063,360)	(1,528,656)	(133,905)	(168,970)
Profit from operations	25	31,360,989	37,468,489	4,564,287	4,504,087
Finance costs	26	(3,182,856)	(3,179,658)	(105)	84,918
		28,178,133	34,288,831	4,564,182	4,589,005
Share of loss in associated company		(1,118)	(1,012)	-	-
Profit before taxation		28,177,015	34,287,819	4,564,182	4,589,005
Taxation	27	(7,457,970)	(9,553,450)	(1,355,609)	(1,344,787)
Profit after taxation		20,719,045	24,734,369	3,208,573	3,244,218
Minority shareholders' interest		(122,410)	(96,062)	-	-
<b>Net profit for the financial year</b>		<b>20,596,635</b>	<b>24,638,307</b>	<b>3,208,573</b>	<b>3,244,218</b>
Earnings per share (sen)	28				
Basic		<b>16.2</b>	<b>21.6</b>		
Fully diluted		<b>16.2</b>	<b>19.2</b>		

## Statements Of Changes In Equity

FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2005

Group	Note	Non-distributable					Distributable	Total
		Share Capital RM	Share Premium RM	ICULS Equity Component RM	Reserve on Consolidation RM	Exchange Reserve RM	Retained Profits RM	
At 1 January 2004		45,308,022	3,500,000	35,765,741	658,115	-	5,853,616	91,085,494
Issued during the financial year pursuant to								
conversion of ICULS		18,047,350	18,047,350	(35,760,441)	-	-	-	334,259
exercise of options under ESOS		33,350	45,356	-	-	-	-	78,706
Adjustment to listing expenses		-	139,359	-	-	-	-	139,359
Net profit for the financial year		-	-	-	-	-	24,638,307	24,638,307
<b>At 31 December 2004</b>		<b><u>63,388,722</u></b>	<b><u>21,732,065</u></b>	<b><u>5,300</u></b>	<b><u>658,115</u></b>	<b><u>-</u></b>	<b><u>30,491,923</u></b>	<b><u>116,276,125</u></b>
At 1 January 2005		63,388,722	21,732,065	5,300	658,115	-	30,491,923	116,276,125
Issued during the financial year pursuant to								
conversion of ICULS		50	50	(100)	-	-	-	-
Exchange difference arising during the financial year		-	-	-	-	(339)	-	(339)
Net profit for the financial year		-	-	-	-	-	20,596,635	20,596,635
Dividends	29	-	-	-	-	-	(2,281,994)	(2,281,994)
<b>At 31 December 2005</b>		<b><u>63,388,772</u></b>	<b><u>21,732,115</u></b>	<b><u>5,200</u></b>	<b><u>658,115</u></b>	<b><u>(339)</u></b>	<b><u>48,806,564</u></b>	<b><u>134,590,427</u></b>

**Statements Of Changes  
In Equity (cont'd)**

*FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2005*

Company	Note	Non-distributable		Distributable	Total	
		Share Capital RM	Share Premium RM	ICULS Equity Component RM		Retained Profits RM
At 1 January 2004		45,308,022	3,500,000	35,765,741	(118,894)	84,454,869
Issued during the financial year pursuant to						
conversion of ICULS		18,047,350	18,047,350	(35,760,441)	-	334,259
exercise of options under ESOS		33,350	45,356	-	-	78,706
Adjustment to listing expenses		-	139,359	-	-	139,359
Net profit for the financial year		-	-	-	3,244,218	3,244,218
<b>At 31 December 2004</b>		<b><u>63,388,722</u></b>	<b><u>21,732,065</u></b>	<b><u>5,300</u></b>	<b><u>3,125,324</u></b>	<b><u>88,251,411</u></b>
At 1 January 2005		63,388,722	21,732,065	5,300	3,125,324	88,251,411
Issued during the financial year pursuant to						
conversion of ICULS		50	50	(100)	-	-
Net profit for the financial year		-	-	-	3,208,573	3,208,573
Dividends	29	-	-	-	(2,281,994)	(2,281,994)
<b>At 31 December 2005</b>		<b><u>63,388,772</u></b>	<b><u>21,732,115</u></b>	<b><u>5,200</u></b>	<b><u>4,051,903</u></b>	<b><u>89,177,990</u></b>

## Cash Flow Statements

FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	28,177,015	34,287,819	4,564,182	4,589,005
Adjustments for:-				
Depreciation of property, plant and equipment	451,926	760,344	8,789	2,527
Share of loss in associated company	1,118	1,012	-	-
Amortisation of development rights	398,024	161,816	-	-
Property, plant and equipment written off	788	-	-	-
Interest expense	3,182,856	3,179,658	105	(84,918)
Gain on disposal of property, plant and equipment	(283,588)	(38,923)	-	-
Interest income	(1,155,813)	(740,878)	(53,134)	(52,660)
Dividend income	(360)	-	(4,800,000)	(4,800,000)
<b>Operating profit/(loss) before working capital changes</b>	<b>30,771,966</b>	<b>37,610,848</b>	<b>(280,058)</b>	<b>(346,046)</b>
Decrease/(Increase) in working capital				
Inventories	8,273	4,058	-	-
Property development expenditure	(8,008,562)	(7,223,363)	-	-
Amount owing by/to customers on contracts	(14,875,841)	(47,295,261)	-	-
Receivables	(9,615,514)	(40,234,071)	407,318	549,367
Payables	(4,693,200)	23,550,529	(18,746)	87,249
Amount owing by subsidiary companies	-	-	(1,310,305)	(45,852,488)
Amount owing by associated companies	(210)	(1,715)	-	-
	<b>(37,185,054)</b>	<b>(71,199,823)</b>	<b>(921,733)</b>	<b>(45,215,872)</b>
Cash used in operations	(6,413,088)	(33,588,975)	(1,201,791)	(45,561,918)
Interest received	1,155,813	740,878	53,134	52,660
Interest paid	(11,263,453)	(6,888,297)	(105)	84,918
Tax paid	(9,049,434)	(8,846,102)	(1,357,092)	(1,355,470)
	<b>(19,157,074)</b>	<b>(14,993,521)</b>	<b>(1,304,063)</b>	<b>(1,217,892)</b>
<b>Net cash used in operating activities</b>	<b>(25,570,162)</b>	<b>(48,582,496)</b>	<b>(2,505,854)</b>	<b>(46,779,810)</b>

Note

**Cash Flow Statements  
(cont'd)**

FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Cash Flows From Investing Activities</b>				
Purchase of property, plant and equipment	31 (645,397)	(929,484)	-	(260,809)
Proceeds from disposal of property, plant and equipment	1,704,186	232,668	-	-
Investment in bonds	-	(5,000,000)	-	(5,000,000)
Acquisition of subsidiary companies	-	(2,650,596)	(4,655)	(2,846,912)
Dividend received	360	-	4,800,000	4,800,000
Net cash generated from/(used in) investing activities	1,059,149	(8,347,412)	4,795,345	(3,307,721)
<b>Cash Flows From Financing Activities</b>				
Drawdown of bank borrowings	1,000,000	49,949,633	-	50,000,000
Repayment of bank borrowings	(52,089)	-	-	-
Repayment of hire purchase payables	(2,195,383)	(2,032,622)	-	-
Proceeds from issue of shares from Minority interest	289,845	-	-	-
Proceeds from issue of shares	-	78,706	-	78,706
(Increase)/Decrease in fixed deposits pledged	(13,409,296)	2,205,026	-	-
Dividends paid	(2,281,994)	-	(2,281,994)	-
Net cash (used in)/generated from financing activities	(16,648,917)	50,200,743	(2,281,994)	50,078,706
<b>Net (decrease)/increase in cash and cash equivalents</b>	(41,159,930)	(6,729,165)	7,497	(8,825)
<b>Cash and cash equivalents at beginning of the financial year</b>	(53,221,160)	(46,491,995)	9,694	18,519
<b>Cash and cash equivalents at end of the financial year</b>	<b>(94,381,090)</b>	<b>(53,221,160)</b>	<b>17,191</b>	<b>9,694</b>
Cash and cash equivalents at end of the financial year comprises:-				
Fixed deposits with licensed banks	37,585,470	24,176,174	-	-
Cash and bank balances	1,287,292	609,273	17,191	9,694
Cash held under Housing Development Account	518,292	-	-	-
Bankers' acceptances	(21,150,780)	(16,387,480)	-	-
Bank overdrafts	(75,035,894)	(37,442,953)	-	-
	(56,795,620)	(29,044,986)	17,191	9,694
Less: Fixed deposits pledged with licensed banks	(37,585,470)	(24,176,174)	-	-
	<b>(94,381,090)</b>	<b>(53,221,160)</b>	<b>17,191</b>	<b>9,694</b>

## Notes To The Financial Statements

### 1. CORPORATE INFORMATION

The principal activities of the Company are those of management and investment holding. The principal activities of the subsidiary companies and associated company are stated in Notes 5 and 6 to the financial statements.

The Company is a private limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

#### b. Basis of consolidation

##### (i) Subsidiary companies

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

**Notes To The Financial Statements (cont'd)**

Minority interest is measured at the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with goodwill and exchange differences which were not previously recognised in the consolidated income statement.

**(ii) Associated companies**

Associated companies are defined as those enterprises, not being a subsidiary company, in which the investor company has a long term equity interest and in whose financial and operating decisions the investor company exercises significant influence.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

**c. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. All other property, plant and equipment with the exception of loose tools are depreciated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:-

Buildings	2%
Computers	10%-33%
Furniture and fittings	10%
Tools and instruments	Base stock
Motor vehicles	20%
Office and electrical equipment	10%
Plant and machinery	10%
Renovation	10%
Scaffolding	10%

**Notes To The Financial  
Statements (cont'd)**

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised as income or expense in the income statements.

**d. Investments**

Investment in subsidiary companies and associated company are stated at cost less impairment losses.

Other investments are long term investments stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

**e. Intangible assets**

**(i) Goodwill or reserve arising on consolidation**

Goodwill or reserve arising on consolidation represents the difference between the cost of the acquisition over the fair value of the net identifiable assets of subsidiary companies and associated companies acquired at the date of acquisition. Goodwill or reserve is not amortised. Goodwill or reserve is stated at cost less impairment losses, if any. Goodwill will be reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

**(ii) Listing status**

This represents the purchase consideration paid/payable for the transfer of L&M Corporation (M) Berhad's listing status to the Company.

Listing status is not amortised. Listing status is stated at cost less impairment losses, if any. It will be reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

**(iii) Development rights**

Development rights represent the excess of the acquisition cost over the fair values of the net assets of subsidiary companies, which own development rights over certain development lands, acquired at the date of acquisition.

Development rights are amortised through the consolidated income statement based on the percentage of completion of each project commencing from the launching date of the project.

f. **Impairment**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, 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 is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued 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 determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. 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 statements, a reversal of that impairment loss is recognised as income in the income statement.

g. **Land held for property development**

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

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

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

**Notes To The Financial  
Statements (cont'd)**

Where the Company and its subsidiary companies had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by the MASB 32, Property Development Activities.

**h. Property development costs**

Property development costs comprise of all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense are recognised as an asset, which measured at the lower of cost and net realisable value.

Property development costs shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Property development costs shall be reclassified to current assets when the development activities have been commenced and expected to be completed within the normal operating cycle.

When the financial outcome of development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on units sold are recognised as an expense in the period in which they are incurred.

When the revenue recognised in the income statement exceed billings to purchaser, the balance is shown as accrued billings under current assets. When the billings to purchaser exceed the revenue recognised in the income statement, the balance is shown as progress billings current liabilities.

**i. Inventories**

**(i) Development properties**

Inventories represent cost of unsold completed development units which is determined on a specific identification basis. The inventories are stated at the lower of cost and net realisable value.

(ii) **Other inventories**

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

j. **Trade and other receivables**

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off when identified. Doubtful debts are provided based on specific review of the receivables.

k. **Construction contracts**

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the balance sheet date. The stage of completion is determined by the surveys of work performed and completion of a physical proportion of the contract work.

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 will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

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

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

**Notes To The Financial  
Statements (cont'd)**

**l. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank 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, if any.

**m. Trade and other payables**

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

**n. Hire purchase**

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Company's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statements over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

**o. Borrowing**

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

p. **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the income statement in the period in which they are incurred.

q. **Provisions for liabilities**

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

r. **ICULS**

ICULS are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible borrowings. The difference between the proceeds of issue of the

**Notes To The Financial  
Statements (cont'd)**

ICULS and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or maturity whilst the value of the equity component is not adjusted in subsequent periods except in times of ICULS conversion into ordinary shares.

Under the effective interest rate method, the interest expenses on liability component is calculated by applying the prevailing market interest rate for a similar non-convertible borrowings. The difference between this amount and the interest paid is added to the carrying value of the ICULS.

s. **Equity instruments**

Ordinary shares are recognised in equity in the period in which they are declared. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The portion of of the ICULS representing the value of conversion option is included in equity as stated in Note 2(r) on ICULS.

t. **Employee benefits**

(i) **Short term employee benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

(ii) **Defined contribution plans**

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 statements as incurred.

(iii) **Employees' Share Option Scheme**

The Prinsiptek Corporation Berhad Employees' Share Option Scheme allows the Group's employees to subscribe for shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

u. **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Notes To The Financial  
Statements (cont'd)

v. **Revenue recognition**

(i) **Goods sold and services rendered**

Revenue from sales of goods is recognised when significant risk and rewards have been transferred to the buyer, net of discounts, if any.

(ii) **Interest income**

Interest income is recognised as it accrues unless ability to collect is in doubt.

(iii) **Dividend income**

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

(iv) **Construction contracts**

Revenue from work done on construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the completion of a physical proportion of the contract work. Allowance for foreseeable losses is made in the financial statements when such losses can be determined.

(v) **Property development**

Revenue derived from property development activities is recognised based on the percentage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total contract costs.

Any expected loss on a development project including costs to be incurred over the defects liability period shall be recognised as an expense immediately.

w. **Financial instruments**

Financial instruments carried on the balance sheets include cash and bank balances, deposits, other investments, receivables, payables and borrowings. Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as

expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

**Notes To The Financial  
Statements (cont'd)**

Notes To The Financial  
Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold and leasehold lands	Buildings	Computers	Furniture and fittings	Tools and instrument	Motor vehicles	Office and electrical equipment	Plant and machinery	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>										
At 1.1.2005	607,427	912,349	1,109,726	1,108,906	49,720	1,765,120	1,018,593	10,715,869	452,864	17,740,574
Additions	-	-	78,650	29,666	-	10,000	55,942	444,069	27,070	645,397
Disposal	-	-	(15,800)	-	-	-	(6,297)	(2,305,228)	-	(2,327,325)
At 31.12.2005	607,427	912,349	1,172,576	1,138,572	49,720	1,775,120	1,068,238	8,854,710	479,934	16,058,646
<b>Accumulated Depreciation</b>										
At 1.1.2005	330	36,798	643,702	228,265	-	1,463,822	491,892	4,409,667	276,621	7,551,097
Charge for the financial year	990	21,139	262,989	56,431	-	113,220	89,312	929,286	35,818	1,509,185
Disposal	-	-	(1,316)	-	-	-	(863)	(903,760)	-	(905,939)
At 31.12.2005	1,320	57,937	905,375	284,696	-	1,577,042	580,341	4,435,193	312,439	8,154,343
<b>Carrying amount</b>										
At 31.12.2005	606,107	854,412	267,201	853,876	49,720	198,078	487,897	4,419,517	167,495	7,904,303
At 31.12.2004	607,097	875,551	466,024	880,641	49,720	301,298	526,701	6,306,202	176,243	10,189,477
<b>Depreciation charge for the financial year ended 31.12.2004</b>	<b>330</b>	<b>20,763</b>	<b>398,114</b>	<b>52,207</b>	<b>-</b>	<b>174,353</b>	<b>80,971</b>	<b>941,078</b>	<b>33,606</b>	<b>1,701,422</b>

**Notes To The Financial Statements (cont'd)**

<b>Company</b>	<b>Leasehold lands RM</b>	<b>Buildings RM</b>	<b>Computers RM</b>	<b>Total RM</b>
<b>Cost</b>				
At 1.1.2005/31.12.2005	98,040	148,269	14,500	260,809
<b>Accumulated depreciation</b>				
At 1.1.2005	330	989	1,208	2,527
Charge for the financial year	990	2,965	4,834	8,789
At 31.12.2005	1,320	3,954	6,042	11,316
<b>Carrying amount</b>				
At 31.12.2005	96,720	144,315	8,458	249,493
At 31.12.2004	97,710	147,280	13,292	258,282
<b>Depreciation charge for the financial year ended 31.12.2004</b>	<b>330</b>	<b>989</b>	<b>1,208</b>	<b>2,527</b>

- a. The freehold land and buildings of the Group with a carrying amount of RM438,187 and RM609,174 (2004: RM438,187 and RM625,211) respectively have been pledged to licensed banks as security for credit facilities granted to a subsidiary company as stated in Note 20 to the financial statements.
- b. Included in the property, plant and equipment of the Group are plant and equipment and motor vehicles acquired under hire purchase with carrying amount of RM1,104,092 and RM109,529 (2004: RM2,512,244 and RM230,381) respectively.
- c. A motor vehicle of the Group with carrying amount of RM34,708 (2004: RM54,954) is held in trust under the name of a third party.

Notes To The Financial  
Statements (cont'd)

4. LAND AND PROPERTY DEVELOPMENT COSTS

	Group	
	2005 RM	2004 RM
<b>Non-Current</b>		
<b>Land held for property development</b>		
Leasehold land, at cost		
At 1 January	7,978,570	-
Acquisition of subsidiary company	-	3,800,000
Additions during the financial year	-	4,178,570
Transferred to current assets	(4,178,570)	-
At 31 December	3,800,000	7,978,570
Development costs		
At 1 January	19,516,075	13,152,635
Acquisition of subsidiary company	-	542,766
Additions during the financial year	3,667,981	5,820,674
Transferred to current assets	(3,118,609)	-
Transferred to income statements	(1,092,060)	-
At 31 December	18,973,387	19,516,075
<b>Total land held for development property and property development cost</b>	<b>22,773,387</b>	<b>27,494,645</b>

Notes To The Financial  
Statements (cont'd)

	Group	
	2005 RM	2004 RM
<b>Current</b>		
Leasehold land, at cost		
At 1 January	90,740	233,845
Additions during the financial year	-	-
Transferred from non-current assets	4,178,570	-
Transferred to income statement	-	(143,105)
At 31 December	4,269,310	90,740
Development costs		
At 1 January	61,234,797	28,132,077
Additions during the financial year	17,404,414	38,619,720
Transferred from non-current assets	3,118,609	-
Transferred to income statement	-	(5,517,000)
At 31 December	81,757,820	61,234,797
	<b>86,027,130</b>	<b>61,325,537</b>
Less: Costs recognised in the income statement:-		
At 1 January	51,654,437	16,195,441
Recognised during the financial year	11,362,919	41,119,101
	<b>63,017,356</b>	<b>57,314,542</b>
Less: Portion related to completed projects	-	(5,660,105)
At 31 December 2005	63,017,356	51,654,437
<b>Total property development cost</b>	<b>23,009,774</b>	<b>9,671,100</b>

- a. Two subsidiary companies entered into privatisation agreements with the landowner to develop a piece of leasehold land solely at the cost of the subsidiary companies and based on the agreements, that subsidiary companies are required to pay a consideration of 20% of the total projected gross sales value of the development to the landowner in the manner specified in the agreements.
- b. The leasehold land of the Group with a carrying amount of RM4,178,570 (2004: RM4,178,570) have been pledged to a licensed bank as security for credit facilities granted to a subsidiary company as stated in Note 20 to the financial statements.
- c. Included in the land and development expenditures for the financial year is finance costs of RM995,428 (2004: RM711,988) capitalised as disclosed in Note 26 to the financial statements.

Notes To The Financial  
Statements (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES

- a. Investment in subsidiary companies

	Company	
	2005 RM	2004 RM
<b>Unquoted shares, at cost</b>	<u>42,851,567</u>	<u>42,846,912</u>

- b. The subsidiary companies and shareholdings therein are as follows:-

Name of company	Country of incorporation	Equity interest		Principal activity
		2005	2004	
<b>Direct holding:-</b>		%	%	
Sekinchan Jaya Sdn. Bhd.	Malaysia	100	100	Property development
Tanah Perangasng Sdn. Bhd.	Malaysia	100	100	Investment holding
Gabungan Sanjung Sdn. Bhd.	Malaysia	100	100	Investment holding
Prinsiptek (M) Sdn. Bhd.	Malaysia	100	100	Building contractors
Antara Murni Development Sdn. Bhd.	Malaysia	70	70	Property development
Strategic Development Sdn. Bhd.	Malaysia	100	100	Property development
Magnificent Degree Sdn. Bhd.	Malaysia	100	100	Provision of project management and secretarial services
Prinsiptek International Limited*	Thailand	91	-	Investment holding
<b>Indirect holding:-</b>				
Jeram Perwira Sdn. Bhd.	Malaysia	100	100	Property development
Esa Pile Sdn. Bhd.	Malaysia	100	100	Piling and construction works
LKD Trading Sdn. Bhd.	Malaysia	100	100	Trading of building materials
PST Concrete Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading of ready mix concrete
NBL Land Development Sdn. Bhd.	Malaysia	100	100	Property development
Prinsiptek Thai Limited*	Thailand	60	-	Property development and construction

**Notes To The Financial  
Statements (cont'd)**

- \* Subsidiary companies not audited by Anuarul Azizan Chew & Co.
- \* The audited financial statements for the financial year ended 31 December 2005 of these subsidiary companies are not available at the date the financial statements of the Group are authorised for issue. The preparation of the consolidated financial statements was based on the management financial statements of these subsidiary companies for the financial year ended 31 December 2005. The financial statements of these subsidiary companies are not material to the Group as the said subsidiary company is incorporated during the financial year and inactive.

c. Acquisition of subsidiary companies

The effect of the acquisition on the financial results of the Group during the financial year is as follows:-

	<b>Group</b>	
	<b>2005 RM</b>	<b>2004 RM</b>
Other operating income	2,783	-
Administration expenses	(50,817)	-
Other operating expenses	(9,056)	-
Operating loss	<u>(57,090)</u>	<u>-</u>
Finance cost	-	-
Loss before taxation	<u>(57,090)</u>	<u>-</u>
Taxation	(835)	-
Loss after taxation	<u>(57,925)</u>	<u>-</u>
Minority shareholders' interest	12,709	-
<b>Net loss for the year</b>	<b><u>(45,216)</u></b>	<b><u>-</u></b>

**Notes To The Financial  
Statements (cont'd)**

The summary of effects of the acquisition on the financial position of the Group is as follows:-

	<b>Group</b>	
	<b>2005 RM</b>	<b>2004 RM</b>
Land and property development costs	-	4,342,766
Intangible assets	-	2,453,564
Amount owing by customers on contracts	139,737	-
Other receivables	278,787	-
Fixed deposits	892,400	-
Cash and bank balances	27,634	3,032
Trade and other payables	(1,110,192)	(4,145,531)
Taxation	(837)	(203)
Minority interest	(263,410)	-
	<b><u>(35,881)</u></b>	<b><u>2,653,628</u></b>

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary companies is as follows:-

	<b>Group</b>	
	<b>2005 RM</b>	<b>2004 RM</b>
Net assets acquired:-		
Land and development expenditure	-	4,342,766
Cash and bank balances	-	3,032
Trade and other payables	-	(4,145,531)
Taxation	-	(203)
Share of net assets acquired	-	<u>200,064</u>
Goodwill on consolidation	-	<u>2,453,564</u>
Discharged by cash	-	2,653,628
Less: Cash and cash equivalent of subsidiary companies	-	<u>(3,032)</u>
<b>Cash outflow on acquisition, net of cash acquired</b>	<b><u>-</u></b>	<b><u>2,650,596</u></b>

Notes To The Financial  
Statements (cont'd)

**6. INVESTMENT IN ASSOCIATED COMPANY**

a. Investment in associated company

	Group	
	2005 RM	2004 RM
Unquoted shares, at cost	40,000	40,000
Share of post acquisition accumulated losses	(36,171)	(35,053)
	<u>3,829</u>	<u>4,947</u>
<b>Share of net assets</b>	<b><u>3,829</u></b>	<b><u>4,947</u></b>

b. The associated company and shareholding therein are as follows:-

Name of company	Country of incorporation	Equity interest		Principal activity
		2005	2004	
<b>Indirect holding -</b>		%	%	
Associated company of Prinsiptek (M) Sdn. Bhd.:- Antap Wangsa Holdings Sdn. Bhd.	Malaysia	40	40	Dormant

**7. OTHER INVESTMENTS**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At cost:-				
Quoted shares in Malaysia	10,800	10,800	-	-
Unquoted bonds in Malaysia	5,000,000	5,000,000	5,000,000	5,000,000
	<u>5,010,800</u>	<u>5,010,800</u>	<u>5,000,000</u>	<u>5,000,000</u>
At market value:-				
Quoted shares in Malaysia	<u>8,712</u>	<u>13,860</u>	-	-

Notes To The Financial  
Statements (cont'd)

8. INTANGIBLE ASSETS

	Goodwill	Listing status	Develop- ment rights	Total
	RM	RM	RM	RM
<b>Group</b>				
At 1 January 2005	7,441,678	38,408,020	1,883,882	47,733,580
Less: Accumulated amortisation	-	-	(559,840)	(559,840)
At 31 December 2005	<b>7,441,678</b>	<b>38,408,020</b>	<b>1,324,042</b>	<b>47,173,740</b>
At 1 January 2004	3,276,114	38,408,020	1,883,882	43,568,016
Acquisition of subsidiary companies	2,453,564	-	-	2,453,564
Under provision of taxation in subsidiary company prior to acquisition	1,712,000	-	-	1,712,000
	7,441,678	38,408,020	1,883,882	47,733,580
Less: Accumulated amortisation	-	-	(161,816)	(161,816)
At 31 December 2004	<b>7,441,678</b>	<b>38,408,020</b>	<b>1,722,066</b>	<b>47,571,764</b>
<b>Company</b>				
At 1 January 2005/ 31 December 2005	-	<b>38,408,020</b>	-	<b>38,408,020</b>
At 1 January 2004/ 31 December 2004	-	<b>38,408,020</b>	-	<b>38,408,020</b>

## 9. INVENTORIES

	Group	
	2005 RM	2004 RM
Raw material, at cost	<u>12,486</u>	<u>20,759</u>

## Notes To The Financial Statements (cont'd)

## 10. TRADE RECEIVABLES

	Group	
	2005 RM	2004 RM
Trade receivables	142,379,205	114,379,366
Accrued billings in respect of property development costs	8,287,525	25,475,218
Retention sum on contracts	5,630,617	5,307,096
	<u>156,297,347</u>	<u>145,161,680</u>

Except for turnkey customers, the Group's normal trade credit terms range from 14 to 60 days (2004 : 45 to 60 days).

## 11. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	3,142,203	3,475,195	14,998	544,326
Deposits	10,118,748	11,942,333	15,000	-
Prepayments	632,477	-	107,010	-
	<u>13,893,428</u>	<u>15,417,528</u>	<u>137,008</u>	<u>544,326</u>

Notes To The Financial  
Statements (cont'd)

**12. AMOUNT OWING BY/(TO) CUSTOMERS ON CONTRACTS**

	Group	
	2005 RM	2004 RM
Aggregate cost incurred to date	778,377,114	510,025,311
Add: Attributable profits	96,297,676	63,740,452
	874,674,790	573,765,763
Less: Progress billings	(805,428,666)	(527,924,482)
	<b>69,246,124</b>	<b>45,841,281</b>
Represented by:		
Amount owing by customers on contracts	116,653,434	70,726,552
Amount owing to customers on contracts	(47,407,310)	(24,885,271)
	<b>69,246,124</b>	<b>45,841,281</b>
Advances received on contracts, included under other payables	-	<b>4,566,138</b>
Retention sum included in the progress billings	<b>5,733,000</b>	<b>3,185,444</b>

Included in the cost incurred during the financial year are the following:-

	Note	Group	
		2005 RM	2004 RM
Hire of machinery		680,737	4,859,158
Depreciation of property, plant and equipment		1,057,259	941,078
Finance costs	26	7,471,743	3,288,145
Rental of premises		4,718	191,811
Staff costs	32	<b>4,051,527</b>	<b>3,105,535</b>

**13. AMOUNT OWING BY SUBSIDIARY COMPANIES**

This represents unsecured interest free advances with no fixed term of repayment.

#### 14. AMOUNT OWING BY ASSOCIATED COMPANY

This represents unsecured interest free advances with no fixed term of repayment.

#### 15. CASH HELD UNDER HOUSING DEVELOPMENT ACCOUNT

Cash held under the Housing Development Account represents monies received from purchasers of residential properties less payments or withdrawals in accordance with the Housing Development (Control and Licensing) Act, 1966.

#### 16. FIXED DEPOSITS WITH LICENSED BANKS

The above fixed deposits have been pledged to licensed banks as securities for banking facilities granted to the Company as disclosed in Note 20 to the financial statements.

The interest rates of deposits during the financial year range from 2.5% to 3.7% (2004: 3.0% to 3.7%) per annum and the maturities of deposits are 30 to 365 days (2004: 30 to 365 days) respectively.

#### 17. TRADE PAYABLES

	Group	
	2005 RM	2004 RM
Trade payables	76,655,917	82,375,365
Progress billings in respect of property Development costs	44,042	-
Retention sum on contracts	18,093,931	11,245,380
	<b>94,793,890</b>	<b>93,620,745</b>

Included in the trade payables of the Group is an amount of RM19,654,926 (2004: RM22,836,891) owing to the landowner as mentioned in Note 4 to the financial statements.

The normal trade credit terms granted to the Group range from 15 to 90 days (2004: 30 to 90 days).

Notes To The Financial  
Statements (cont'd)

18. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	1,036,848	7,065,022	236,348	232,946
Accruals	2,299,998	2,316,774	330,489	352,637
Deposits	188,000	-	-	-
	<b>3,524,846</b>	<b>9,381,796</b>	<b>566,837</b>	<b>585,583</b>

19. HIRE PURCHASE PAYABLES

	Group	
	2005 RM	2004 RM
<b>a. Minimum hire purchase payments</b>		
Within one year	1,379,136	2,454,285
Between one and five years	194,493	1,482,885
	<u>1,573,629</u>	<u>3,937,170</u>
Less: Future finance charges	(54,553)	(222,711)
Present value of hire purchase liabilities	<b>1,519,076</b>	<b>3,714,459</b>
<b>b. Present value of hire purchase liabilities</b>		
Within one year	1,329,228	2,281,478
Between one and five years	189,848	1,432,981
	<u>1,519,076</u>	<u>3,714,459</u>
Analysed as:-		
Repayable within twelve months	1,329,228	2,281,478
Repayable after twelve months	189,848	1,432,981
	<b>1,519,076</b>	<b>3,714,459</b>

The hire purchase liabilities bore interest at rates between 3.10% and 4.25% (2004: 3.40% and 4.25%) per annum.

**20. BANK BORROWINGS**

**Notes To The Financial Statements (cont'd)**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Secured</b>				
Project loan	51,689,942	16,367,019	-	-
Bank overdrafts	23,345,952	21,075,934	-	-
Bankers' acceptance	21,150,780	16,387,480	-	-
Fixed loans	245,497	299,672	-	-
Bridging loan	1,002,086	-	-	-
	<u>97,434,257</u>	<u>54,130,105</u>	<u>-</u>	<u>-</u>
<b>Unsecured</b>				
Fixed loans				
<b>Total Borrowings</b>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
	<u>147,434,257</u>	<u>104,130,105</u>	<u>50,000,000</u>	<u>50,000,000</u>
<b>Analysed as follows:-</b>				
<b>Repayable within twelve months</b>				
<b>Secured</b>				
Project loan	51,689,942	16,367,019	-	-
Bank overdrafts	23,345,952	21,075,934	-	-
Bankers' acceptance	21,150,780	16,387,480	-	-
Fixed loans	58,285	54,224	-	-
	<u>96,244,959</u>	<u>53,884,657</u>	<u>-</u>	<u>-</u>
<b>Repayable after twelve months</b>				
<b>Secured</b>				
Fixed loans	187,212	245,448	-	-
Bridging loan	1,002,086	-	-	-
	<u>1,189,298</u>	<u>245,448</u>	<u>-</u>	<u>-</u>
<b>Unsecured</b>				
Fixed loans	50,000,000	50,000,000	50,000,000	50,000,000
	<u>51,189,298</u>	<u>50,245,448</u>	<u>50,000,000</u>	<u>50,000,000</u>
	<b><u>147,434,257</u></b>	<b><u>104,130,105</u></b>	<b><u>50,000,000</u></b>	<b><u>50,000,000</u></b>

**Notes To The Financial Statements (cont'd)**

- a. The above credit facilities obtained from financial institutions are secured by a charge over the freehold land and building of a subsidiary company, a pledged of fixed deposits of the Group and personal guarantee of certain directors.

The fixed loan of RM245,497 (2004: RM299,672) is repayable over a period of 72 months at a monthly instalment of RM6,181.

- b. The unsecured fixed loan of RM50,000,000 (2004: RM50,000,000) represents primary collateralised loan obligations entered by the Company on 21 May 2004. The borrowing is for 5 years with interest to be serviced semi-annually at a fixed interest rate of 8.10% per annum and the principal sum is repayable in one lump sum on the last day of the tenure of the facility. A total of RM5,000,000 (2004: RM50,000,000) out of the above borrowing was used to invest in unquoted subordinated bonds as disclosed in Note 7 to the financial statements being part of the terms and conditions under the above borrowing arrangement. The balance of the fund was utilised primarily for working capital purposes.

Maturity of borrowings is as follows:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Within 1 year	96,244,959	53,884,657	-	-
Between 1 and 2 years	62,654	58,289	-	-
Between 2 and 5 years	51,126,644	50,187,159	50,000,000	50,000,000
	<b>147,434,257</b>	<b>104,130,105</b>	<b>50,000,000</b>	<b>50,000,000</b>

Range of interest rates is as follows:-

	Group	
	2005 RM	2004 RM
Project loan	7.75 - 8.00	7.75 - 8.00
Bank overdrafts	7.75 - 8.00	7.75 - 8.00
Bankers' acceptance	3.00 - 5.00	3.00 - 5.00
Fixed loans	7.25	7.25 - 8.10
Bridging loan	7.50	-

## 21. SHARE CAPITAL

### Notes To The Financial Statements (cont'd)

	Group / Company	
	2005 RM	2004 RM
Ordinary shares of RM0.50 each:-		
<b>Authorised</b>		
At 1 January/31 December	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>		
At 1 January	63,388,722	45,308,022
Issued during the financial year	50	18,080,700
At 31 December	<u>63,388,772</u>	<u>63,388,722</u>

During the financial year, the issued and paid-up share capital of the Company was increased from RM63,388,722 to RM63,388,772 by issuance of 100 new ordinary shares of RM0.50 each pursuant to the conversion of RM100 nominal value of ICULS.

## 22. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

	Group / Company	
	2005 RM	2004 RM
<b>Equity instrument</b>		
Nominal value:-		
Irredeemable Convertible Unsecured Loan Stocks 2003/2006	<u>5,200</u>	<u>5,300</u>

The Company, under a Trust Deed dated 19 November 2003, issued RM36,100,000 of nominal value of RM1.00 each of ICULS as part of the purchase consideration for the Prinsiptek (M) Sdn. Bhd., a subsidiary company incorporated in Malaysia and for the settlement of scheme creditors under the corporate and debt restructuring scheme of L&M Corporation (M) Berhad.

The salient terms of the ICULS are as follows:-

- a. The ICULS issued in registered form and in multiples of RM1.00;
- b. The ICULS bears interest at the rate of 2.0% per annum for the first and second year and 3.0% per annum for the third year, payable in arrears on each anniversary date of issuance of the ICULS based on the amount outstanding at the respective anniversaries;

**Notes To The Financial  
Statements (cont'd)**

- c. RM1.00 nominal value of ICULS is convertible into 1 ordinary share of the Company. The conversion price will be subject to adjustments under certain circumstances in accordance with the provisions of the trust deed;
- d. The ICULS is convertible into new ordinary shares during the period commencing from and including the date of issue of the ICULS up to the maturity date;
- e. The ICULS constitutes direct, unconditional and unsecured obligations of the Company ranking pari passu with the unsecured obligations of the Company without any preference or priority amongst themselves;
- f. The new ordinary shares of the Company issued pursuant to the conversion of the ICULS are rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of conversion, except that they are not entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which is prior to such date of allotment of the new ordinary shares of the Company; and
- g. The ICULS are for a period of 3 years commencing from and including the date of issue of the ICULS.

**23. DEFERRED TAX LIABILITIES**

	Group	
	2005 RM	2004 RM
At 1 January	838,049	836,452
Recognised in income statement	(57,337)	1,597
Over provision of deferred tax liabilities in prior years	(443,567)	-
At 31 December	<u><b>337,145</b></u>	<u><b>838,049</b></u>

The components and movements of deferred tax liabilities of the Group during the financial year are as follows:-

**Notes To The Financial Statements (cont'd)**

Deferred tax liabilities of the Group:-

<b>Group</b>	<b>Accelerated capital allowances</b> <b>RM</b>	<b>Total</b> <b>RM</b>
At 1 January 2005	838,049	838,049
Recognised in income statement	(57,337)	(57,337)
Over provision in prior years	(443,567)	(443,567)
At 31 December 2005	<u><b>337,145</b></u>	<u><b>337,145</b></u>
At 1 January 2004	836,452	836,452
Recognised in income statement	1,597	1,597
At 31 December 2004	<u><b>838,049</b></u>	<u><b>838,049</b></u>

**24. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM</b>	<b>2004</b> <b>RM</b>	<b>2005</b> <b>RM</b>	<b>2004</b> <b>RM</b>
Property development	12,480,719	71,557,657	-	-
Construction contracts	255,659,737	209,123,004	-	-
Trading	37,410,954	14,060,172	-	-
Dividend income	-	-	4,800,000	4,800,000
Interest income	53,134	52,660	53,134	52,660
	<u><b>305,604,544</b></u>	<u><b>294,793,493</b></u>	<u><b>4,853,134</b></u>	<u><b>4,852,660</b></u>

**Notes To The Financial  
Statements (cont'd)**

**25. PROFIT FROM OPERATIONS**

Profit from operations is derived after charging/(crediting):-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amortisation of development rights	398,024	161,816	-	-
Auditors' remuneration				
current year	46,000	47,800	10,000	8,000
over provision in previous year	(15,724)	-	-	-
Depreciation of property,plant and equipment	451,926	760,344	8,789	2,527
Directors' remuneration				
fees	78,684	60,000	60,000	60,000
salaries	1,623,400	1,638,732	-	-
EPF	194,232	196,080	-	-
Rental of premises	45,200	24,000	-	-
Property, plant and equipment written off	788	-	-	-
Gain on disposal of property,plant and equipment	(283,508)	(38,923)	-	-
Dividend income	(360)	(360)	-	-
Interest income	(1,155,813)	(740,878)	-	-

## 26. FINANCE COSTS

### Notes To The Financial Statements (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Finance costs on:-				
Bank overdrafts	1,946,351	1,928,383	-	-
Bankers' acceptance and bank guarantees	2,485,505	632,793	-	-
Fixed and project loan	6,707,048	4,437,402	-	-
Hire purchase	176,469	168,377	-	-
ICULS				
current year	105	-	105	-
over accrued in prior year	-	(84,918)	-	(84,918)
Bridging loan	6,029	-	-	-
Others	328,520	97,754	-	-
	<u>11,650,027</u>	<u>7,179,791</u>	<u>105</u>	<u>(84,918)</u>
Less: Finance costs capitalised in qualifying assets:-				
Property development cost	(995,428)	(711,988)	-	-
Amount owing by/to customers on contracts	(7,471,743)	(3,288,145)	-	-
	<u>(8,467,171)</u>	<u>(4,000,133)</u>	<u>-</u>	<u>-</u>
	<b><u>3,182,856</u></b>	<b><u>3,179,658</u></b>	<b><u>105</u></b>	<b><u>(84,918)</u></b>

Borrowing costs capitalised in the qualifying assets during the financial year arose on the general borrowing pool and have been calculated by applying a capitalisation rate of 3.00% to 8.10 % (2004: 3.00% to 8.10 %) per annum to expenditure on such assets.

Notes To The Financial  
Statements (cont'd)

27. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax provision	8,002,772	9,453,428	1,352,244	1,345,145
(Over) / Under provision in prior years	(43,898)	98,425	3,365	(358)
	7,958,874	9,551,853	1,355,609	1,344,787
Deferred tax				
Relating to origination and reversal of temporary differences	(57,337)	123,992	-	-
Over provision in prior years	(443,567)	(122,395)	-	-
	(500,904)	1,597	-	-
<b>Tax expenses for the financial year</b>	<b>7,457,970</b>	<b>9,553,450</b>	<b>1,355,609</b>	<b>1,344,787</b>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Profit before taxation</b>	<b>28,177,015</b>	<b>34,287,819</b>	<b>4,564,182</b>	<b>4,589,005</b>
Taxation at statutory tax rate of 28% (2004: 28%)	7,966,075	9,600,589	1,277,971	1,284,921
Tax incentive obtained from differential tax rate of 20% applicable to subsidiary companies	(160,818)	(187,250)	-	-
Expenses not deductible for tax purposes	121,609	176,050	74,273	60,224
Income not subject to tax	(61)	(11,969)	-	-
Deferred tax assets not recognised	18,630	-	-	-
(Over) / Under provision of current taxation in prior years	(43,898)	98,425	3,365	(358)
Over provision of deferred tax in prior years	(443,567)	(122,395)	-	-
<b>Tax expense for the financial year</b>	<b>7,457,970</b>	<b>9,553,450</b>	<b>1,355,609</b>	<b>1,344,787</b>

## 28. EARNINGS PER SHARE

### a. Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation and minority interests of RM20,596,635 for the Group and the weighted average number of ordinary shares in issue during the financial year of 126,777,544.

### b. Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the adjusted consolidated profit after taxation and minority interests of RM20,596,711 for the Group and the adjusted weighted average number of ordinary shares issued and issuable of 126,782,744 shares. The consolidated profit after taxation and minority interests and weighted average number of ordinary shares in issue and issueable during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the ICULS and the exercise of options granted under the ESOS.

## 29. DIVIDENDS

A final dividend of 5% less tax at 28% amounting to a total dividend of RM2,281,994 in respect of the previous financial year was paid during the financial year under review.

## 30. SECTION 108 TAX CREDIT

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its distributable reserves as at 31 December 2005 without incurring any additional tax liability.

Notes To The Financial  
Statements (cont'd)

**31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	Group	
	2005 RM	2004 RM
Aggregate costs	645,397	3,035,483
Less: Hire purchase financing	-	(2,105,999)
<b>Cash payment</b>	<b>645,397</b>	<b>929,484</b>

**32. STAFF COSTS**

	Note	Group	
		2005 RM	2004 RM
Staff costs (excluding directors) comprise:-			
charged to income statement		2,909,909	5,713,503
capitalised in amount owing by/ to customers on contracts	12	4,051,527	3,105,535
<b>Total staff costs for the financial year</b>		<b>6,961,436</b>	<b>8,819,038</b>

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM760,920 (2004: RM462,047).

The total number of employees of the Group and of the Company (excluding directors) at the end of the financial year was 187 and Nil (2004: 191 and Nil) respectively.

**33. SIGNIFICANT RELATED PARTIES TRANSACTIONS**

	Group / Company	
	2005 RM	2004 RM
Professional fees payable to Perunding CMF Sdn. Bhd.	326,797	284,636
Purchases from SKC Machinery Sdn. Bhd.	6,336,813	8,782,039
Sales to SKC Machinery Sdn. Bhd.	1,389	46,630

A shareholder and director of Perunding CMF Sdn. Bhd. and SKC Machinery Sdn. Bhd. is the brother of Dato' Foo Chu Jong, Foo Chu Pak and Foo Chew Sam who are the directors of the Company. Dato' Foo Chu Jong and Foo Chu Pak are also the substantial shareholders of the Company.

The Directors of the Company are of the opinion that the related party transactions are carried out in the normal course of business and at terms mutually agreed between the parties.

### 34. FINANCIAL INSTRUMENTS

#### a. **Financial risk management objectives and policies**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including interest rate, credit, liquidity and cash flow risks. The Group does not trade in financial instruments.

#### b. **Interest rate risk**

The Group finances its operation through operating cash flows and borrowings. Interest rate exposure arises from the Group's borrowings and deposits. The Group seeks to achieve the desired interest rate profile by maintaining a prudent mix of fixed and floating rate borrowings.

#### c. **Credit risk**

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

**Notes To The Financial  
Statements (cont'd)**

**d. Liquidity and cash flow risk**

The Group actively manages its debt maturity profile, operating cash flows and maintains a flexible and cost effective borrowing structure to ensure that all refinancing, repayment and funding needs are met. The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

**e. Fair values**

- (i) The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.
- (ii) The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For unquoted bonds in Malaysia, it is not practicable to estimate its fair value because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.
- (iii) It is not practical to estimate the fair values of non-trade intercompany balances as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheets to be significantly different from the values that would eventually be received or settled.

The fair values of the long term borrowings are estimated using the discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Company and the Group, the carrying values of the long term borrowings approximate their fair values.

### 35. CONTINGENT LIABILITIES

Notes To The Financial Statements (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Secured guarantees:-				
as performance guarantees	37,566,445	44,405,840	-	-
to trade suppliers	2,765,000	2,020,000	-	-
	<b>40,331,445</b>	<b>46,425,840</b>	-	-
Unsecured corporate guarantees given:-				
to trade suppliers	-	-	12,296,508	10,806,559
to financial institutions	-	-	60,707,405	32,235,836
	-	-	<b>73,003,913</b>	<b>43,042,395</b>
	<b>40,331,445</b>	<b>46,425,840</b>	<b>73,003,913</b>	<b>43,042,395</b>

### 36. CAPITAL COMMITMENT

	2005	2004
	RM	RM
Authorised and contracted for:-		
Property, plant and equipment	<b>598,700</b>	-

Notes To The Financial  
Statements (cont'd)

**37. NON-CANCELLABLE OPERATING LEASE COMMITMENTS**

	Group	
	2005 RM	2004 RM
Future minimum rentals payables:-		
Within one year	1,079,784	-
Between one and five years	425,343	-
	<b>1,505,127</b>	<b>-</b>

Operating lease payments represents rentals payable by the Group for use of the scaffolding and machineries. Leases are fixed for a term of two years.

**38. SIGNIFICANT EVENTS**

During the financial year, the following significant events took place for the Company:-

- a. On 1 July 2005, the entire issued and paid up share capital and irredeemable convertible unsecured loan stocks 2003/2006 transferred from the Second Board to the Main Board of Bursa Securities under the "Construction" and "Loans" sectors.
- b. On 15 November 2005, the Company incorporated a 90.57% controlled subsidiary company through voting power known as Prinsiptek International Limited ("PIL") in Thailand.
- c. On 15 November 2005, the Company incorporated a 60% owned subsidiary company known as Prinsiptek Thail Limited in Thailand through PIL.

**39. SUBSEQUENT EVENTS**

During the financial year, the following subsequent events took place for the Company:-

- a. On 18 January 2006, the Company incorporated a wholly owned subsidiary company known as Global Panel Hong Kong Ltd in British Virgin Island.
- b. On 24 January 2006, the Subsidiary Company, Prinsiptek (M) Sdn. Bhd. acquired an additional 60,000 ordinary shares in its associated company, Antap Wangsa

Notes To The Financial  
Statements (cont'd)

Holdings Sdn. Bhd. ("AWSB") from its existing shareholder for a cash consideration of RM7,421. Consequently AWSB became the wholly owned subsidiary company of the Company.

- c. On 25 January 2006, the Subsidiary Company, Tanah Perangsang Sdn. Bhd. entered into a conditional share sale agreement with a third party to acquire the entire issued and paid-up share capital of Pentaland Sdn Bhd ("PSB"), a company incorporated in Malaysia for a purchase price of RM20,000 in cash and to assume total liabilities of RM9,480,000 for settlement of PSB's debts and takeover of PSB's land development project arising from the proposed acquisition. Upon completion of the proposed acquisition, PSB will become a wholly-owned subsidiary of the Company.
- d. On 27 January 2006, the Company obtained approval from the Securities Commission for the issuance of the RM80.0 million Murabahah Commercial Papers Programme ("MCPs Programme") and Murabahah Medium Term Notes Programme ("MMTNs Programme"). On 9 March 2006, the company had issued RM15 million nominal value of MCPs under the MCPs Programme with a tenure of 6 months from 9 March 2006 to 8 September 2006.

#### 40. SEGMENT INFORMATION – GROUP

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and expenses.

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

The accounting policies of the segments are consistent with the accounting policies of the Group.

- a. Business segments

The main business segments of the Group comprise the following:-

<b>Property Development</b>	Development of residential and commercial properties.
<b>Construction</b>	Piling and construction work.
<b>Trading</b>	Trading in building materials.

## Notes To The Financial Statements (cont'd)

	Construction RM	Property development RM	Trading and others RM	Elimination RM	Total RM
<b>2005</b>					
<b>Revenue</b>					
External sales	255,659,737	12,480,719	37,464,088	-	305,604,544
Inter-segment sales	21,941,795	-	18,268,839	(40,210,634)	-
	<b>277,601,532</b>	<b>12,480,719</b>	<b>55,732,927</b>	<b>(40,210,634)</b>	<b>305,604,544</b>
<b>Results</b>					
Segment results	26,868,819	880,097	2,455,824	436	30,205,176
Interest expense	(2,588,718)	(6,029)	(588,109)	-	(3,182,856)
Interest income	894,784	261,029	-	-	1,155,813
Share of results of associated company	(1,118)	-	-	-	(1,118)
Profit before tax	<b>25,173,767</b>	<b>1,135,097</b>	<b>1,867,715</b>	<b>436</b>	<b>28,177,015</b>
Taxation					(7,457,970)
Minority interests					(122,410)
Net profit for the year					<b>20,596,635</b>
<b>Assets</b>					
Segment assets	278,724,778	59,256,971	56,563,434	-	394,545,183
Fixed deposits	37,585,470	-	-	-	37,585,470
Associated company	3,829	-	-	-	3,829
Tax recoverable	-	842,929	8,588	-	851,517
Consolidated total assets	<b>316,314,077</b>	<b>60,099,900</b>	<b>56,572,022</b>	<b>-</b>	<b>432,985,999</b>
<b>Liabilities</b>					
Segment liabilities	112,249,601	19,667,357	15,328,165	-	147,245,123
Current and deferred taxation	2,697,961	244,364	188,471	-	3,130,796
Borrowings	96,432,171	1,002,086	50,000,000	-	147,434,257
Consolidated total liabilities	<b>211,379,733</b>	<b>20,913,807</b>	<b>65,516,636</b>	<b>-</b>	<b>297,810,176</b>
<b>Other information</b>					
Capital expenditure	645,397	-	-	-	645,397
Depreciation	1,498,086	90	11,008	-	1,509,184
Non cash expenses other than depreciation	(281,682)	398,024	-	-	116,342

Notes To The Financial  
Statements (cont'd)

	Construction RM	Property development RM	Trading and others RM	Elimination RM	Total RM
<b>2004</b>					
<b>Revenue</b>					
External sales	209,123,004	71,557,656	14,112,833	-	294,793,493
Inter-segment sales	30,840,439	-	42,792,753	(73,633,192)	-
	<b>239,963,443</b>	<b>71,557,656</b>	<b>56,905,586</b>	<b>(73,633,192)</b>	<b>294,793,493</b>
<b>Results</b>					
Segment results	20,347,424	15,657,715	722,259	213	36,727,611
Interest expense	(3,022,542)	-	(157,116)	-	(3,179,658)
Interest income	673,340	14,878	52,660	-	740,878
Share of results of associated company	(1,012)	-	-	-	(1,012)
Profit before tax	<b>17,997,210</b>	<b>15,672,593</b>	<b>617,803</b>	<b>213</b>	<b>34,287,819</b>
Taxation					(9,553,450)
Minority interests					(96,062)
Profit after tax after minority interest					24,638,307
Net profit for the year					<b>24,638,307</b>
<b>Assets</b>					
Segment assets	198,731,044	77,793,325	55,303,799	-	331,828,168
Fixed deposits	24,176,174	-	-	-	24,176,174
Associated company	4,947	-	-	-	4,947
Tax recoverable	4,174	40,874	7,105	-	52,153
Consolidated total assets	<b>222,916,339</b>	<b>77,834,199</b>	<b>55,310,904</b>	<b>-</b>	<b>356,061,442</b>
<b>Liabilities</b>					
Segment liabilities	85,342,275	23,618,798	22,641,198	-	131,602,271
Current and deferred Taxation	1,866,253	1,975,917	28,574	-	3,870,744
Borrowings	54,130,105	-	50,000,000	-	104,130,105
Consolidated total liabilities	<b>141,338,633</b>	<b>25,594,715</b>	<b>72,669,772</b>	<b>-</b>	<b>239,603,120</b>
<b>Other information</b>					
Capital expenditure	2,774,494	-	260,989	-	3,035,483
Depreciation	1,636,587	90	64,745	-	1,701,422
Non cash expenses other than depreciation	(37,911)	161,816	-	-	123,905

Notes To The Financial  
Statements (cont'd)

**41. DATE OF AUTHORISATION FOR ISSUE**

The financial statements of the Group and of the Company for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Board of Directors on 23 March 2006.

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

In preparing the financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable; and
- ensured applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

## Statement of Directors' Responsibilities

in respect of the Audited  
Financial Statements

Other Compliance  
Information

- 1 **UTILISATION OF PROCEEDS**  
There were no proceeds raised from any proposal during the financial year 2005.
- 2 **SHARE BUY-BACKS**  
There was no share buy-back by the Company during the financial year 2005.
- 3 **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**  
During the financial year 2005, a total of RM100 nominal value of Irredeemable Convertible Unsecured Loan Stocks 2003/2006 was converted into 100 new ordinary shares of RM0.50 each of the Company.  
  
There was no exercise of option under the Employees' Share Option Scheme of the Company during the financial year.
- 4 **AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")**  
The Company did not sponsor any ADR or GDR programme during the financial year 2005.
- 5 **SANCTIONS AND/OR PENALTIES**  
There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year 2005.
- 6 **NON-AUDIT FEES**  
The total amount of non-audit fees paid and payable to the external auditors by the Company and its subsidiaries during the financial year 2005 is RM21,500.00.
- 7 **VARIATION IN RESULTS**  
There is no material variance between the audited financial results for the financial year 2005 and the unaudited financial results previously announced by the Company.  
  
The Company did not release any profit estimate, forecast or projection during the financial year.
- 8 **PROFIT GUARANTEES**  
The Company did not give any profit guarantee during the financial year 2005.
- 9 **REVALUATION POLICY**  
The Company does not adopt any revaluation policy on landed properties.

10 **MATERIAL CONTRACTS**

None of the Company and/or its subsidiaries has any material contract involving its directors and major shareholders during the financial year 2005.

11 **RECURRENT RELATED PARTY TRANSACTIONS**

The details of the recurrent related party transactions conducted pursuant to shareholders' mandate during the financial year 2005 are disclosed in Note 33 to the Financial Statements on page 94 of this Annual Report.

Other Compliance  
Information (cont'd)

## List of Properties

*AS AT 31 DECEMBER 2005*

<b>Location</b>	<b>Description/ Existing Use</b>	<b>Area (Sq. Feet)</b>	<b>Tenure &amp; Expiry Date</b>	<b>Net Book Value (RM'000)</b>	<b>Age of Building (Years)</b>	<b>Year of Acquisition</b>
PT 3742 & 3743 H.S. (D) 9104 & 9105 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	Shop offices	4,038	Freehold	1,047	24	1990
PT 45 - 49 H.S. (D) 1389 - 1423 Mukim Pekan Sekinchan Daerah Sabak Bernam Selangor Darul Ehsan	Land under development	134,164	Leasehold – expiring 2091	91	-	1991
No. 3, Jalan Kemudi 2C/1, Bernam Jaya Selangor Darul Ehsan	Shop house	1,399	Leasehold – expiring 2103	172	4	2003
No. 25, Jalan CJ 3/13-2 Pusat Bandar Cheras Jaya Selangor Darul Ehsan	Shop house	1,302	Leasehold – expiring 2103	241	2	2004
PT 26720 - 26761 Lot 4598, Mukim Batu Daerah Gombak Selangor Darul Ehsan	Land under development	177,723	Leasehold – expiring 2092	3,800	-	2004
PT 1184, H.S. (D) 33859 Kawasan Bandar VI Daerah Melaka Tengah Negeri Melaka	Land under development	193,750	Leasehold – expiring 2095	4,179	-	2004

Authorised share capital	: RM100,000,000
Issued and paid-up share capital	: RM63,388,822
Class of share	: Ordinary Shares of RM0.50 each
Voting rights	: 1 vote per shareholder on a show of hands and 1 vote per ordinary share on a poll

## Analysis of Shareholdings

AS AT 18 April 2006

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	Total Shareholdings	%
Less than 100	1,449	51.22	72,820	0.06
100 to 1,000	706	24.96	399,160	0.31
1,001 to 10,000	465	16.44	2,095,930	1.65
10,001 to 100,000	146	5.16	5,635,033	4.44
100,001 to 6,338,881 (less than 5% of issued shares)	59	2.09	40,604,676	32.03
6,338,882 (5% and above of issued shares)	4	0.14	77,970,025	61.50
<b>Total</b>	<b>2,829</b>	<b>100.00</b>	<b>126,777,644</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

(as per the Company's Register of Substantial Shareholders)

Name	No. of Shares Held			
	Direct	%	Indirect	%
Dato' Foo Chu Jong	14,790,000	11.67	51,490,625 <sup>1</sup>	40.61
Foo Chu Pak	7,925,000	6.25	51,490,625 <sup>1</sup>	40.61
Shariman Bin Zainal Abideen	-	-	51,490,625 <sup>1</sup>	40.61
Daya Setempat Sdn Bhd	51,490,625	40.61	-	-
Artradis Barracuda Fund	8,814,400 <sup>2</sup>	6.95	-	-

<sup>1</sup> Deemed interest through shareholdings in Daya Setempat Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

<sup>2</sup> Held via UBS AG which in turn is held via Citicorp Nominees (Asing) Sdn Bhd.

Analysis of Shareholdings  
(cont'd)

**DIRECTORS' SHAREHOLDINGS**  
(as per the Company's Register of Directors' Shareholdings)

Name	No. of Shares Held			
	Direct	%	Indirect	%
Dato' Seri Mohamad Noor Abdul Rahim	-	-	-	-
Datuk Nur Jazlan Bin Tan Sri Mohamed	-	-	-	-
Dato' Foo Chu Jong	14,790,000	11.67	51,490,625 <sup>1</sup>	40.61
Foo Chu Pak	7,925,000	6.25	51,490,625 <sup>1</sup>	40.61
Shariman Bin Zainal Abideen	-	-	51,490,625 <sup>1</sup>	40.61
Foo Chew Sam	-	-	-	-

None of the Directors of the Company holds any share either directly or indirectly in the Company's subsidiaries save and except for the interest held through the Company.

**THIRTY (30) LARGEST SHAREHOLDERS**

Name	No. of Shares Held	%
1. Daya Setempat Sdn Bhd	51,490,625	40.61
2. ECM Libra Securities Nominees (Tempatan) Sdn Bhd ECM Libra Securities Limited for Foo Chu Jong	10,740,000	8.47
3. Citigroup Nominees (Asing) Sdn Bhd UBS AG for Artradis Barracuda Fund	8,814,400	6.95
4. ECM Libra Securities Nominees (Tempatan) Sdn Bhd ECM Libra Securities Limited for Foo Chu Pak	6,925,000	5.46
5. Alliance Group Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	4,730,500	3.73
6. Tan Kim Guan	4,360,000	3.44
7. Malaysia Nominees (Tempatan) Sendirian Berhad Amanah SSCM Asset Management Berhad for Amanah Millenia Fund Berhad (JM730)	3,299,200	2.60
8. Foo Chu Jong	2,959,375	2.33
9. HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	2,057,800	1.62
10. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Pheim-Aizawa Asia Fund	1,835,000	1.45
11. Micheal Leong Yew Chong	1,501,000	1.18
12. ECM Libra Securities Nominees (Asing) Sdn Bhd ECM Libra Securities Limited for ECM Libra Investment Bank Limited	1,101,900	0.87
13. Ng Yoke Kong	1,100,400	0.87
14. Foo Chu Jong	1,050,000	0.83
15. Amanah Raya Nominees (Tempatan) Sdn Bhd AUTB Progress Fund	1,008,300	0.80

**Analysis of Shareholdings  
(cont'd)**

<b>Name</b>	<b>No. of Shares Held</b>	<b>%</b>
16. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	1,000,000	0.79
17. Foo Chu Pak	1,000,000	0.79
18. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pheim Emerging Companies Balanced Fund (4033)	920,100	0.73
19. Mohd Muhid Bin Sanib	890,000	0.70
20. AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Apex Dana Al-Sofi-I (5/26-4)	750,000	0.59
21. Loong Yit Ming	639,797	0.50
22. Lai Keng Onn	637,929	0.50
23. Wong Chui Kheng	563,000	0.44
24. H'ng Bak Tee	522,000	0.41
25. Tan Chee Wah	515,000	0.41
26. Wong Fong Kee @ Wong Kuan Yam	503,600	0.40
27. Chin Soong Jin	471,263	0.37
28. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Fiveca Holdings Limited	434,900	0.34
29. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Asean Emerging Companies Growth Fund Ltd	430,000	0.34
30. Raymond Fam Chye Soon	400,000	0.32
<b>Total</b>	<b>112,651,089</b>	<b>88.86</b>

## Analysis of Holdings of Convertible Securities

*AS AT 18 April 2006*

Type of convertible securities : RM36,100,000.00 Nominal Value of Irredeemable Convertible Unsecured Loan Stocks 2003/2006 ("ICULS")

Nominal value of ICULS : RM1.00 each

Voting rights at meetings of ICULS holders : 1 vote per ICULS holder on a show of hands and 1 vote per ICULS on a poll

### DISTRIBUTION OF ICULS HOLDINGS

Size of ICULS Holdings	No. of ICULS Holders	%	Total ICULS Holdings	%
Less than 100	-	-	-	-
100 to 1,000	5	83.33	3,300	64.71
1,001 to 10,000	1	16.67	1,800	35.29
10,001 and above	-	-	-	-
<b>Total</b>	<b>6</b>	<b>100.00</b>	<b>5,100</b>	<b>-</b>

### LIST OF ALL ICULS HOLDERS

Name	No. of ICULS Held	%
1. Loh Sai Eng	1,800	35.29
2. Eg Kaa Chee	1,000	19.61
3. Roshadah Binti Ibrahim	1,000	19.61
4. Tam Fook Cheong	1,000	19.61
5. Chang Yean Phing	200	3.92
6. Goh Wan Ching	100	1.96
<b>Total</b>	<b>5,100</b>	<b>100.00</b>

# PRINSIPTEK

PRINSIPTEK CORPORATION BERHAD  
(595000-H)

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

\_\_\_\_\_ being a member/members of PRINSIPTEK CORPORATION BERHAD ("Company") hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the FOURTH ANNUAL GENERAL MEETING of the Company ("Meeting") to be held at Ivory 6, Level 4, Convention Centre, Holiday Villa Subang, No. 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 9 June 2006 at 10.00 a.m. and any adjournment thereof, in the manners as indicated below :-

## Proxy Form

### No. of Shares Held

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2006

Signature /  
Common Seal of Shareholder

### RESOLUTIONS

### FOR

### AGAINST

- 1 To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
- 2 To approve a final dividend of 6% less 28% income tax for the financial year ended 31 December 2005.
- 3 To re-elect the retiring Director, Encik Shariman Bin Zainal Abideen.
- 4 To re-elect the retiring Director, Mr. Foo Chew Sam.
- 5 To approve the Directors' fees totaling RM60,000.00 for the financial year ended 31 December 2005.
- 6 To re-appoint Messrs Anuarul Azizan Chew & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.
- 7 To give authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.
- 8 To renew the shareholders' mandate for recurrent related party transactions.

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[Please indicate with an "X" in the spaces above as to how you wish your votes to be cast. If no specific direction as to voting is given, your proxy will vote or abstain from voting at his discretion.]

### Notes:-

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company.
- 2 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares.
- 3 The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, either under its common seal or the hand of its officer or attorney duly authorised. The instrument duly completed shall be deposited at the Company's Registered Office, No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before time appointed for holding the meeting or adjourned meeting.



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**The Company Secretaries**  
**PRINSIPTEK CORPORATION BERHAD**

No. 83 & 85, Jalan SS15/4C  
47500 Subang Jaya  
Selangor Darul Ehsan, Malaysia



**Prinsiptek Corporation Berhad (595000-H)**

No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

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Website : [www.prinsiptek.com](http://www.prinsiptek.com)