

# FINANCIAL STATEMENTS





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The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2006.

## Principal Activities

The principal activities of the Company consist of investment holding and civil construction. The principal activities of the subsidiary companies are disclosed in Note 16 to the financial statements. There was no significant change in the nature of the principal activities of the Company or its subsidiary companies during the financial year other than the acquisition of subsidiaries as disclosed in Note 34 to the financial statements.

## Financial Results

	<b>Group</b> <b>RM</b>	<b>Company</b> <b>RM</b>
Profit for the year	12,723,538	5,850,634
Attributable to:		
Equity holders of the Company	12,687,919	5,850,634
Minority interests	35,619	0
	<u>                    </u>	<u>                    </u>

## Dividends

The dividends on ordinary shares paid by the Company since 31 December 2005 were as follows:

	<b>RM</b>
In respect of the financial year ended 31 December 2005, as shown in the Directors' report of that financial year, final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax at 28%, paid on 21 July 2006	3,916,800
	<u>                    </u>

The Directors now recommend the payment of a final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax at 27%, amounting to RM3,971,200, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## Reserves And Provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## Directors

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Abdul Rashid bin Abdul Manaff  
 Loh Kim Tai  
 Loh Kim Kah  
 Lee Hon Keong  
 Danny Ng Siew L'Leong  
 Hooi Kah Hung  
 O Wai Tiong  
 Yong Weng Fai  
 Dato' Voon Tin Yow  
 Michael Oh Aik Teong



## Directors' Report (Continued)

### Directors

In accordance with Article 118 of the Company's Articles of Association, Loh Kim Tai, Yong Weng Fai and Danny Ng Siew L'Leong retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(2) of the Companies Act, 1965, the office of Mr. Hooi Kah Hung, who is over the age of seventy years old, shall become vacant at the conclusion of the forthcoming Annual General Meeting. The Directors recommend his appointment under Section 129(6) of the said Act.

### Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the directors' fees and other emoluments disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 30 to the financial statements.

### Directors' Interests In Shares

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	<i>Number of ordinary shares of RM1 each in the Company</i>			
	<i>At 1.1.2006</i>	<i>Bought</i>	<i>Sold</i>	<i>At 31.12.2006</i>
<b>Direct interest</b>				
Lee Hon Keong	95,625	0	0	95,625
Loh Kim Kah	600,000	0	0	600,000
<b>Indirect interest</b>				
Loh Kim Tai	31,085,431	0	0	31,085,431
Loh Kim Kah	30,685,431	0	0	30,685,431

By virtue of their interests in the Company, Loh Kim Tai, Loh Kim Kah and Lee Hon Keong are deemed to be interested in the shares of the subsidiary companies to the extent the Company has an interest.

Other than disclosed above, according to the register of Directors' shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares in the Company or its related corporations during the financial year.

### Number Of Employees

The number of employees (excluding Directors) as at the end of the financial year of the Group and Company were 452 (2005: 375) and Nil (2005: Nil) respectively.



## Directors' Report (Continued)

### Statutory Information On The Financial Statements

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the changes in accounting policies as disclosed in Note 3 to the financial statements and the acquisition of subsidiaries during the year as disclosed in Note 34 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 30 April 2007.

**LEE HON KEONG**  
DIRECTOR

**LOH KIM KAH**  
DIRECTOR

# Income

## Statements



For The Financial Year Ended 31 December 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	214,628,756	138,387,262	6,648,197	9,751,267
Cost of sales		(187,060,607)	(114,240,260)	(174,674)	(3,825,246)
Gross profit		27,568,149	24,147,002	6,473,523	5,926,021
Other operating income					
- reserve on consolidation credited to income statement		3,462,683	0	0	0
- fair value gain on investment properties		553,463	0	0	0
- others		1,414,150	710,091	1,742,883	9,715
Administrative expenses		(17,458,197)	(16,146,713)	(767,332)	(769,948)
Profit from operations	6	15,540,248	8,710,380	7,449,074	5,165,788
Finance cost	7	(105,498)	(63,811)	0	0
Profit from ordinary activities before taxation		15,434,750	8,646,569	7,449,074	5,165,788
Taxation	8	(2,711,212)	(3,405,248)	(1,598,440)	(1,823,508)
Profit for the year		12,723,538	5,241,321	5,850,634	3,342,280
Attributable to:					
Equity holders of the Company		12,687,919	5,299,117	5,850,634	3,342,280
Minority interests		35,619	(57,796)	0	0
Profit for the year		12,723,538	5,241,321	5,850,634	3,342,280
Earnings per share attributable to equity holders of the Company (sen)- Basic	10	19	8		

As at 31 December 2006



	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	38,133,398	23,679,333	0	0
Investment properties	12	23,594,000	23,040,537	0	0
Land held for property development	13	21,422,042	21,163,788	0	0
Interest in leasehold land	14	5,144,118	0	0	0
Other long term investments	15	1,304,239	12,283,382	1,009,714	11,988,857
Subsidiary companies	16	0	0	97,539,899	89,575,189
Associated companies	17	50	50	0	0
Goodwill	18	192,499	192,499	0	0
Deferred tax assets	19	212,013	166,108	0	0
		<u>90,002,359</u>	<u>80,525,697</u>	<u>98,549,613</u>	<u>101,564,046</u>
<b>CURRENT ASSETS</b>					
Trade and other receivables	20	89,757,698	93,483,601	19,924	217,340
Inventories	22	732,499	514,013	0	0
Short term investments	23	13,237,740	7,003,267	13,232,340	6,997,867
Tax recoverable		1,475,851	2,398,848	460,945	268,843
Cash and cash equivalents	24	57,506,123	28,077,745	12,778,397	12,866,506
		<u>162,709,911</u>	<u>131,477,474</u>	<u>26,491,606</u>	<u>20,350,556</u>
<b>TOTAL ASSETS</b>		<u>252,712,270</u>	<u>212,003,171</u>	<u>125,041,219</u>	<u>121,914,602</u>



*Balance Sheets (Continued)*

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the Company					
Share Capital	25	68,000,000	68,000,000	68,000,000	68,000,000
Reserves		94,082,805	84,229,520	29,627,352	27,693,518
		<u>162,082,805</u>	<u>152,229,520</u>	<u>97,627,352</u>	<u>95,693,518</u>
Minority interests		2,071,519	641,285	0	0
<b>TOTAL EQUITY</b>		<u>164,154,324</u>	<u>152,870,805</u>	<u>97,627,352</u>	<u>95,693,518</u>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase creditors	27	989,912	950,332	0	0
Deferred tax liabilities	19	4,708,458	3,371,945	0	0
		<u>5,698,370</u>	<u>4,322,277</u>	<u>0</u>	<u>0</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	28	82,420,543	54,398,807	27,413,867	26,221,084
Taxation		439,033	411,282	0	0
		<u>82,859,576</u>	<u>54,810,089</u>	<u>27,413,867</u>	<u>26,221,084</u>
<b>TOTAL LIABILITIES</b>		<u>88,557,946</u>	<u>59,132,366</u>	<u>27,413,867</u>	<u>26,221,084</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>252,712,270</u>	<u>212,003,171</u>	<u>125,041,219</u>	<u>121,914,602</u>

# Consolidated

## Statement of Changes in Equity

For The Financial Year Ended 31 December 2006



### Attributable to equity holders of the Company

	Nominal value RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 January 2006	68,000,000	8,628,713	75,600,807	152,229,520	641,285	152,870,805
Adoption of FRS 140	0	(6,435,801)	6,435,801	0	0	0
At 1 January 2006 (restated)	68,000,000	2,192,912	82,036,608	152,229,520	641,285	152,870,805
Revaluation of property, plant and equipment	0	1,137,031	0	1,137,031	0	1,137,031
Dilution arising from issue of additional shares in subsidiary company	0	0	(54,865)	(54,865)	124,865	70,000
Income and expense recognised directly in equity	0	1,137,031	(54,865)	1,082,166	124,865	1,207,031
Acquisition of subsidiaries	0	0	0	0	1,269,750	1,269,750
Net profit for the year	0	0	12,687,919	12,687,919	35,619	12,723,538
Final dividend for the financial year ended - 31 December 2005	0	0	(3,916,800)	(3,916,800)	0	(3,916,800)
At 31 December 2006	68,000,000	3,329,943	90,752,862	162,082,805	2,071,519	164,154,324
As at 1 January 2005	68,000,000	8,628,713	74,218,490	150,847,203	699,081	151,546,284
Net profit for the year	0	0	5,299,117	5,299,117	(57,796)	5,241,321
Final dividend for the financial year ended - 31 December 2004	0	0	(3,916,800)	(3,916,800)	0	(3,916,800)
At 31 December 2005	68,000,000	8,628,713	75,600,807	152,229,520	641,285	152,870,805



	<i>Non-distributable</i>		<i>Distributable</i>	<i>Total RM</i>
	<i>Nominal value RM</i>	<i>Revaluation reserve RM</i>	<i>Retained earnings RM</i>	
At 1 January 2006	68,000,000	21,145,500	6,548,018	95,693,518
Net profit for the financial year	0	0	5,850,634	5,850,634
Final dividend for the financial year ended - 31 December 2005	0	0	(3,916,800)	(3,916,800)
At 31 December 2006	68,000,000	21,145,500	8,481,852	97,627,352
At 1 January 2005	68,000,000	21,145,500	7,122,538	96,268,038
Net profit for the financial year	0	0	3,342,280	3,342,280
Final dividend for the financial year ended - 31 December 2004	0	0	(3,916,800)	(3,916,800)
At 31 December 2005	68,000,000	21,145,500	6,548,018	95,693,518

## Flow Statements

For The Financial Year Ended 31 December 2006



	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit attributable to shareholders		12,687,919	5,299,117	5,850,634	3,342,280
Adjustments for:					
(Accretion of discount)/ amortisation of premium on purchase of unquoted bonds		(33,228)	10,209	(33,228)	10,209
Dividend income from investment in quoted shares		(171,184)	(159,082)	(171,184)	(149,082)
Dividend from subsidiary company		0	0	(5,426,250)	(5,426,250)
Interest expense		105,498	63,811	0	0
Interest income		(1,570,943)	(1,684,663)	(1,050,763)	(1,352,100)
Depreciation of property, plant and equipment		1,907,732	1,498,397	0	0
Amortisation of interest in leasehold land		155,882	0	0	0
Gain on disposal of property, plant and equipment		(467,745)	(95,036)	0	0
Property, plant and equipment written off		135,747	0	0	0
Fair value gain on investment properties		(553,463)	0	0	0
Impairment of investment properties		0	72,421	0	0
Loss on disposal of bonds		0	3,200	0	3,200
Loss/(gain) on disposal of investment in quoted shares		81,188	(327,837)	81,188	(327,837)
Allowance for doubtful debts net of (writeback)		52,357	43,171	0	0
Bad debts written off		5,575	0	0	0
(Writeback)/allowance for diminution in value of investments		(1,689,731)	1,239,118	(1,689,731)	1,239,118
Unrealised loss/(gain) on foreign exchange		430	(2,402)	0	0
Amortisation of goodwill net of reserve on consolidation		0	976,533	0	0
Impairment of goodwill		2,140	0	0	0
Reserve on consolidation credited to income statement		(3,462,683)	0	0	0
Taxation		2,711,212	3,405,248	1,598,440	1,823,508
Minority interest		35,619	(57,796)	0	0
		<u>9,932,322</u>	<u>10,284,409</u>	<u>(840,894)</u>	<u>(836,954)</u>



*Cash Flow Statements (Continued)*

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Changes in construction contracts		(17,139,830)	(9,817,911)	0	0
Decrease/(increase) in receivables		26,652,968	(3,336,710)	197,417	618,169
Decrease in inventories		64,788	410,215	0	0
Increase /(decrease) in payables		13,018,722	8,257,401	(7,862,920)	69,253
Changes in intercompany balances		0	0	1,153,190	(8,074,393)
Increase in property development		(258,254)			
Decrease in investment properties		0	3,133,689	0	0
Net cash from operations		32,270,716	8,931,093	(7,353,207)	(8,223,925)
Taxation paid		(2,285,181)	(4,145,187)	(271,192)	(532,500)
Tax refund		0	31,500	0	0
Interest paid		(105,498)	(63,811)	0	0
Net cash from operating activities		29,880,037	4,753,595	(7,624,399)	(8,756,425)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment		1,328,237	255,306	0	0
Proceeds from disposal of quoted investments		753,087	321,612	753,087	321,612
Proceeds from redemption of bonds		6,000,000	4,000,380	6,000,000	4,000,380
Purchase of property, plant and equipment		(4,792,250)	(1,229,766)	0	0
Acquisition of subsidiary		266,514	0	(1,000)	0
Proceeds from disposal of shares in subsidiary		70,000	0	0	0
Investment in quoted shares		(251,600)	(462,898)	(251,600)	(462,898)
Investment in unquoted bonds		0	(4,000,000)	0	(4,000,000)
Interest income received		1,526,456	1,636,980	1,006,276	1,271,759
Dividend received		39,427	46,809	3,946,327	3,943,708
Additions to investment properties		0	(33,720)	0	0
Purchase of land held for property development		0	(21,163,788)	0	0
Net cash from investing activities		4,939,871	(20,629,085)	11,453,090	5,074,561



## Cash Flow Statements (Continued)

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of hire purchase creditors		(1,474,730)	(695,656)	0	0
Dividends paid		(3,916,800)	(3,916,800)	(3,916,800)	(3,916,800)
Net cash from financing activities		(5,391,530)	(4,612,456)	(3,916,800)	(3,916,800)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		29,428,378	(20,487,946)	(88,109)	(7,598,664)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		28,077,745	48,565,691	12,866,506	20,465,170
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	24	57,506,123	28,077,745	12,778,397	12,866,506

# Summary

## of Significant Accounting Policies



For The Financial Year Ended 31 December 2006

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

### **A** Basis Of Preparation

The financial statements of the Group and Company have been prepared under the historical cost convention, as modified by the revaluation of investment in subsidiary companies and certain property, plant and equipment, in accordance with the provisions of Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results could differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

#### (i) Standards and amendments to published standards that are effective

On 1 January 2006, the Group and the Company adopted the following MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities mandatory for financial periods beginning on or after 1 January 2006:

- FRS 1 First-time adoption of Financial Reporting Standards
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments : Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards and amendments to published standards. All standards and amendments adopted by the Group require retrospective application other than:

- FRS 3 – prospectively for business combinations for which the agreement date is on or after 1 January 2006.
- FRS 136 and 138 – applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2006.
- FRS 140 – the effect of adopting the fair value model is adjusted to the opening balance of retained earnings for the financial year.

#### (ii) Standards, amendments to published standards and interpretation to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2007 or later periods, but which the Group has not early adopted, are as follows:

- FRS 117 Leases - This standard requires the classification of leasehold land as prepaid lease payment. The Group will apply this standard from financial periods beginning on 1 January 2007.
- FRS 124 Related Party Disclosures – This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial periods beginning on 1 January 2007.



## Summary of Significant Accounting Policies (Continued)

### A Basis Of Preparation (Continued)

- (ii) Standards, amendments to published standards and interpretation to existing standards that are not yet effective and have not been early adopted (Continued)
  - FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contract to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.
- (iii) Standards that are not yet effective and not relevant for the Group's operations
  - FRS 6 : Exploration for and Evaluation of Mineral Resources
  - Amendments to FRS119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
  - Amendments to FRS 121 :The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations

### B Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Acquisitions of subsidiary companies prior to 1 April 2002 which met the criteria for merger accounting under Malaysian Accounting Standard 2, Accounting for Acquisitions ("MAS 2"), the generally accepted accounting principles prevailing at that time, are accounted for under that method. If the criteria of MAS 2 were not met, then the acquisitions are accounted for under the acquisition method of accounting. The acquisition of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. which met the criteria for merger accounting under MAS 2 are accounted for under that method.

The Group has taken advantage of the exemption provided by FRS 122<sup>2004</sup> and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in these subsidiary companies over the nominal value of the shares acquired is taken to merger reserve. Merger deficit is set off against reserves on the consolidated financial statements.

In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad has recorded its investment in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any cost directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities share of changes in the subsidiaries' equity since then.



## Summary of Significant Accounting Policies (Continued)

### **C** Investments

Investments in subsidiary companies, associated companies and other long term investments are stated at cost or valuation. Short term investments are stated at the lower of cost and market value. Any write down of carrying value is charged to the income statement. Investment in unquoted bonds is stated at cost net of amortisation of premiums or accretion of discount over the period between acquisition and maturity of the bonds. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

The Company revalued its investment in subsidiary companies for a special corporate exercise for a bonus issuance of shares (Note 16).

Profit and loss arising on sale of investments are credited or charged to the income statement.

### **D** Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

### **E** Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in a jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

### **F** Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

### **G** Revenue Recognition

Revenue from construction contracts is recognised on the percentage of completion method. Percentage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total costs of the contract.

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

Revenue from quarry operations is recognised based on invoiced value of goods delivered to customers.

Revenue from dividends is recognised in the financial statements when the Company's right to receive payment is established.

Revenue from rental and interest income is recognised based on the accrual basis.



## Summary of Significant Accounting Policies (Continued)

### H Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. The percentage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when 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 financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts under trade and other receivables (within current assets). Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under trade and other payables (within current liabilities).

### I PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Freehold land is stated at cost or Directors' valuation based on independent professional valuers' reports, with no depreciation charge. The carrying amount of property, plant and equipment will be written down if the Directors are of the opinion that the recoverable amount of the property, plant and equipment is lower than the carrying amount. The amount written down is charged to the income statement.

Buildings are amortised over 40 years.

Depreciation of other property, plant and equipment is provided on the reducing balance basis to write off the cost of the assets, to their residual values over their estimated useful lives, at the following annual rates:

Plant and machinery	10% - 20%
Office equipment, furniture and fittings	7.5% - 33.3%
Motor vehicles	20%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

Gains and losses on disposals are determined by company proceeds with carrying amount and are included in profit/(loss) on operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

### J Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and depreciated in accordance with the policy set out in I above. The corresponding outstanding obligations due under hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to the income statement over the period of the respective hire purchase.



## Summary of Significant Accounting Policies (Continued)

### **K** Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, 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 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 is measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, 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.

### **L** Foreign Currency

#### (a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Transactions arising in foreign currencies have been converted into Ringgit Malaysia at rates of exchange approximating those ruling on transaction dates except for transactions uncompleted at the financial year end, which have been translated at rates of exchange approximating those ruling at that date. All exchange differences are taken up in the income statement.

The principal closing rate used in translation of foreign currency amounts is as follows:

	2006 RM	2005 RM
1 United States Dollar	-	3.795

### **M** Investment Properties

Investment properties are held for long term rental yields and long term capital appreciation.

Investment properties are stated at fair value, representing open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation method such as recent prices on less active markets or discounted cash flow projections. Changes in the fair values are recorded in the income statement as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.



## Summary of Significant Accounting Policies (Continued)

### **N** Land Held For Property Development

Land held for property development consists of land on which no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with note U.

Land held for property development is classified as property development costs (under current assets) at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### **O** Property Development Costs

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

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. 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 properties sold are recognised as an expense in the period in which they are incurred.

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

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value. The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

### **P** Cash And Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of outstanding bank overdraft.

### **Q** Receivables

Receivables are carried at invoiced amount less allowance for doubtful debts made for debts which the Directors consider are doubtful of recovery.

### **R** 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. The cost of inventories consists of direct materials, direct labour, direct charges and variable production overheads, determined on a weighted average basis.

### **S** Dividends

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.



## Summary of Significant Accounting Policies (Continued)

### **T** Employee Benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior years. The defined contribution plan of the Group relates to the contributions to the Employees Provident Fund.

The Company's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

### **U** Impairment Of Assets

At each balance sheet, the Group reviews the carrying amount of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued assets is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### **V** Financial Instruments

(i) Financial instruments recognised on the balance sheet

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

(ii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

#### **Foreign currency forward contracts**

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rate by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged

(iii) Fair value estimation for disclosure purposes

The face values of investment in unquoted bonds which are subject to accretion and amortisation over the tenor of the investment are assumed to approximate their fair values. The fair value of marketable securities is based on quoted market prices at the balance sheet date.

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

# Notes

## to the Financial Statements

31 December 2006



### 1 General Information

The principal activities of the Company consist of investment holding and civil construction. The principal activities of the subsidiary companies are disclosed in Note 16 to the financial statements. There has been no significant change in the principal activities of the Company or its subsidiary companies during the financial year.

The Company is a public limited company, domiciled and incorporated in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is as follows:

P-1-6, Block P  
Plaza Damas  
60, Jalan Sri Hartamas 1  
Sri Hartamas, 50480 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

19 & 21, Jalan Sri Hartamas 7  
Taman Sri Hartamas  
50480 Kuala Lumpur

### 2 Financial Risk Management Objectives And Policies

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign exchange, interest, credit and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board.

#### Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt and deposits. The Group regularly reviews its debt portfolio, taking into account the investment holding period and the nature of its assets.

#### Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or security assets. For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into physical supply contracts within these set parameters.

#### Credit risk

Credit risk is controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via the Group management reporting procedures.

#### Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

#### Foreign currency exchange risk

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material transactions with foreign exchange exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.



## Notes to the Financial Statements (Continued)

### 3 Changes In Accounting Policies And Effects Arising From Adoption Of New And Revised Financial Reporting Standards ("Frss")

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 5, 102, 110, 116, 121, 127, 128, 131, 132, and 133 did not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

#### (a) **FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

Prior to 1 January 2006, goodwill was amortised on a straight line basis over the estimated useful life of up to five years.

The adoption of these new FRSs has resulted in the Group ceasing annual amortisation of goodwill. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events of changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and any subsequent reversal is not allowed.

Because these accounting policies have been applied prospectively, the change has had no impact on the amounts reported for financial year ended 31 December 2005 and prior periods.

#### (b) **FRS 101: Presentation of Financial Statements**

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

The changes in presentation are applied retrospectively and the comparative amounts have been restated.

#### (c) **FRS 140: Investment Property**

Prior to 1 January 2006, investment property was stated at valuation/cost less impairment losses. Upon adoption of FRS 140, investment properties are stated at fair value, representing open-market value determined annually by external valuers. In accordance with the transitional provisions of FRS 140, the change in accounting policy has had no impact on amounts reported for 2005 or prior periods. Changes in fair values are recorded in the income statement as part of other income.



Notes to the Financial Statements (Continued)

### 3 Changes In Accounting Policies And Effects Arising From Adoption Of New And Revised Financial Reporting Standards ("Frss") (Continued)

#### (c) FRS 140: Investment Property (Continued)

In accordance with the transitional provisions of FRS 140, this change is reflected as an adjustment to the opening balance of retained earnings and includes the reclassification of any amount held in revaluation surplus, as follows:

	<i>As previously stated RM</i>	<i>FRS 140 RM</i>	<i>Restated RM</i>
<b>Group</b>			
<b>At 1 January 2006</b>			
Asset revaluation reserve	8,628,713	(6,435,801)	2,192,912
Retained earnings	75,600,807	6,435,801	82,036,608
	<u>                    </u>	<u>                    </u>	<u>                    </u>

#### (d) Effects arising from adoption of new and revised FRSs

The following provide the extent to which each of the line items in the Group's balance sheet and income statement for the year ended 31 December 2006 is lower or higher than it would have been had the previous policies been applied in the current year. There is no financial impact of the change in accounting policies on the Company's financial statements.

##### (i) Effects on consolidated balance sheet as at 31 December 2006:

	<i>FRS 140 RM</i>
Increase in investment properties	553,463
Increase in reserves	553,463
	<u>                    </u>

##### (ii) Effects on consolidated income statement for the year ended 31 December 2006:

	<i>FRS 140 RM</i>
Fair value gain on investment properties	553,463
Increase in profit before taxation	553,463
	<u>                    </u>



## Notes to the Financial Statements (Continued)

### 4 Critical Accounting Estimates And Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### (a) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

#### (b) Construction contracts

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgment, the Group relied on past experience.

#### (c) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on internal technical evaluations and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

### 5 Revenue

	<i>Group</i>		<i>Company</i>	
	<i>2006</i> <i>RM</i>	<i>2005</i> <i>RM</i>	<i>2006</i> <i>RM</i>	<i>2005</i> <i>RM</i>
Construction contracts	199,542,312	120,113,064	0	0
Quarry operations	451,776	1,589,744	0	0
Rental income	144,000	132,000	0	0
Sale of investments	0	2,813,835	0	2,813,835
Sale of investment properties	0	3,465,000	0	0
Interest income	1,050,763	1,352,100	1,050,763	1,352,100
Dividends				
- unquoted investments in subsidiaries	0	0	5,426,250	5,426,250
- other investments, quoted in Malaysia	171,184	159,082	171,184	159,082
Sale of goods	13,268,721	8,762,437	0	0
	<u>214,628,756</u>	<u>138,387,262</u>	<u>6,648,197</u>	<u>9,751,267</u>



## Notes to the Financial Statements (Continued)

## 6 Profit From Operations

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit from operations is arrived at after charging/(crediting):				
Rental on hiring of plant and machinery	8,240	73,383	0	0
Rental of site premises	22,400	29,200	0	0
Allowance for doubtful debts net of (writeback)	52,357	43,171	0	0
Bad debts written off	5,575	0	0	0
Auditors' remuneration:				
- PricewaterhouseCoopers Malaysia				
- statutory audit	85,000	74,500	9,000	9,000
- tax and other fees	23,800	23,800	4,000	4,000
- Other firm of auditors				
- statutory audit	46,035	25,000	0	0
- tax and other fees	18,500	18,500	0	0
(Accretion of discount)/amortisation of premium on purchase of unquoted bonds	(33,228)	10,209	(33,228)	10,209
Staff costs (excluding remuneration of Executive Directors)				
- wages, salaries and bonus	7,603,589	7,422,038	14,000	24,400
- defined contribution plan	874,040	814,543	1,680	2,880
- other employee benefits	211,812	193,852	0	0
(Writeback)/allowance for diminution in value of investments	(1,689,731)	1,239,118	(1,689,731)	1,239,118
Loss on disposal of bonds	0	3,200	0	3,200
Loss/(gain) on disposal of investment in quoted shares	81,188	(327,837)	81,188	(327,837)
Amortisation of goodwill net of reserve on consolidation	0	976,533	0	0
Impairment of goodwill	2,140	0	0	0
Property, plant and equipment				
- depreciation	1,907,732	1,498,397	0	0
- gain on disposal	(467,745)	(95,036)	0	0
- write off	135,747	0	0	0
Amortisation of interest in leasehold land	155,882	0	0	0
Impairment of investment properties	0	72,421	0	0
Income from rental of office premises	0	(8,750)	0	0
Interest income	(520,180)	(332,563)	0	0
Dividend income				
- quoted shares	(171,184)	(159,082)	(171,184)	(149,082)
- subsidiary company	0	0	(5,426,250)	(5,426,250)
Rental income of plant and machinery	(25,200)	(32,400)	0	0
Unrealised loss/(gain) on foreign exchange	430	(2,402)	0	0
Realised loss on foreign exchange	387	162	0	0

Contract cost of the Group recognised as an expense during the financial year amounted to RM168,483,001 (2005: RM100,468,891).



## Notes to the Financial Statements (Continued)

### 6 Profit From Operations (Continued)

The Directors of the Company in office during the period are as follows:

#### Non-executive Directors

- Tan Sri Abdul Rashid bin Abdul Manaff
- Danny Ng Siew L'Leong
- Hooi Kah Hung
- O Wai Tiong
- Yong Weng Fai
- Dato' Voon Tin Yow
- Michael Oh Aik Teong

#### Executive Directors

- Loh Kim Tai
- Loh Kim Kah
- Lee Hon Keong

The aggregate amount of remuneration received/receivable by Directors of the Group and Company for the financial year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
Executive Directors:				
- fees	288,000	288,000	288,000	288,000
- salaries and bonus	1,430,010	1,259,800	0	0
- defined contribution plan	171,603	154,560	0	0
- estimated money value of benefits-in-kind	55,850	80,850	0	0
	<u>1,945,463</u>	<u>1,783,210</u>	<u>288,000</u>	<u>288,000</u>
Non Executive Directors:				
- fees	330,000	300,000	276,000	246,000
Total directors' remuneration	<u>2,275,463</u>	<u>2,083,210</u>	<u>564,000</u>	<u>534,000</u>

Fees paid for professional services to firms of which a Director of the Company is a member amounted to RM36,773 (2005:RM38,360) and RM32,850 (2005:RM35,336) for the Group and Company respectively.

### 7 Finance Cost

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
Interest expense				
- hire purchase	105,001	59,147	0	0
- others	497	4,664	0	0
	<u>105,498</u>	<u>63,811</u>	<u>0</u>	<u>0</u>



## Notes to the Financial Statements (Continued)

## 8 Taxation

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
In Malaysia				
Current taxation				
- company and subsidiary companies	3,329,442	3,434,896	1,589,350	1,841,350
- (over)/under provision in respect of prior years	(145,144)	192,029	9,090	(17,842)
Deferred taxation (Note 19)				
- company and subsidiary companies	(473,086)	(221,677)	0	0
	<u>2,711,212</u>	<u>3,405,248</u>	<u>1,598,440</u>	<u>1,823,508</u>

The effective tax rate on the Group's and the Company's profit from ordinary activities before taxation differs from the statutory tax rate of 28% and is reconciled as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2006 %</b>	<b>2005 %</b>	<b>2006 %</b>	<b>2005 %</b>
Statutory income tax rate	28	28	28	28
Income not subject to tax	(11)	0	(7)	0
Expenses not deductible for tax purposes	2	10	1	7
Effect of different tax rates	0	(1)	0	0
Reversal of previously unrecognised deferred tax assets	0	(1)	0	0
Under provision of deferred tax in respect of prior years	0	1	0	0
(Over)/under provision of current tax in respect of prior years	(1)	2	0	0
	<u>18</u>	<u>39</u>	<u>22</u>	<u>35</u>

## 9 Dividends

	<b>Group and Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>
<b>2006</b>		
Proposed final gross dividend of 8 sen per share less tax at 27%	3,971,200	0
<b>2005</b>		
Final gross dividend of 8 sen per share less tax at 28%	0	3,916,800
	<u>3,971,200</u>	<u>3,916,800</u>



Notes to the Financial Statements (Continued)

**9 Dividends (Continued)**

The financial statements do not reflect the proposed final dividend which will only be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2007 when approved by the shareholders in the Annual General Meeting.

**10 Earnings Per Share**

The earnings per share is calculated by dividing the Group earnings of RM12,687,919 (2005: RM5,299,117) by the weighted average number of shares amounting to 68,000,000 (2005: 68,000,000) in issue during the financial year.

**11 Property, Plant And Equipment**

	<i>Freehold land and buildings RM</i>	<i>Leasehold buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
<b>Group 2006</b>						
<b>COST/VALUATION</b>						
At 1.1.2006						
- Cost	0	0	35,974,878	4,696,211	14,143,517	54,811,606
- Valuation	3,235,000	0	0	0	0	3,235,000
Revaluation surplus	1,196,875	0	0	0	0	1,196,875
Additions	0	0	2,926,372	789,606	3,080,772	6,796,750
Disposals/write off	0	0	(1,843,681)	(19,541)	(1,979,188)	(3,842,410)
Arising from acquisition of subsidiary	0	15,258,897	1,920,253	631,713	271,998	18,082,861
At 31.12.2006	4,431,875	15,258,897	38,977,822	6,097,989	15,517,099	80,283,682
<b>ACCUMULATED DEPRECIATION</b>						
At 1.1.2006	212,500	0	24,207,034	2,296,639	7,654,100	34,370,273
Charge for the financial year	19,375	185,228	1,932,881	367,677	1,548,851	4,054,013
Released on disposals/ write off	0	0	(897,422)	(16,216)	(1,522,162)	(2,435,801)
Arising from acquisition of subsidiary	0	3,758,896	1,545,845	586,927	270,131	6,161,799
At 31.12.2006	231,875	3,944,124	26,788,338	3,235,027	7,950,920	42,150,284
<b>NET BOOK VALUE</b>						
At 31.12.2006	4,200,000	11,314,773	12,189,484	2,862,962	7,566,179	38,133,398



## Notes to the Financial Statements (Continued)

**11 Property, Plant And Equipment (Continued)**

	<i>Freehold land and buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
<b>Group 2005</b>					
<b>COST/VALUATION</b>					
At 1.1.2005					
- Cost	0	35,985,654	4,431,274	12,051,500	52,468,428
- Valuation	3,235,000	0	0	0	3,235,000
Additions	0	352,785	284,937	2,704,044	3,341,766
Disposals/write off	0	(363,561)	(20,000)	(612,027)	(995,588)
At 31.12.2005	3,235,000	35,974,878	4,696,211	14,143,517	58,049,606
<b>ACCUMULATED DEPRECIATION</b>					
At 1.1.2005	193,125	22,696,616	2,024,237	7,029,861	31,943,839
Charge for the financial year	19,375	1,825,711	282,516	1,134,106	3,261,708
Released on disposals/write off	0	(315,010)	(10,753)	(509,511)	(835,274)
At 31.12.2005	212,500	24,207,317	2,296,000	7,654,456	34,370,273
<b>NET BOOK VALUE</b>					
At 31.12.2005	3,022,500	11,767,561	2,400,211	6,489,061	23,679,333

The current year's depreciation charge of RM2,146,281 (2005: RM1,763,311) relating to the Group's property, plant and equipment used at construction sites was capitalised in contract work-in-progress forming part of construction contracts (Note 21).

Freehold land and building were revalued at the end of the current financial year by Long Tian Chek, B.Sc, MRICS, MIS(M), of Henry Butcher Malaysia Sdn Bhd, an independent qualified valuer using the comparison method to reflect fair value.

The carrying values were adjusted to reflect the latest revaluation and the resultant surplus was credited into the revaluation reserve account.

Included in the Group's property, plant and equipment are assets acquired under hire purchase agreements with net book values as follows:

	<b>2006 RM</b>	<b>2005 RM</b>
Property, plant and equipment	4,036,374	3,123,166



## Notes to the Financial Statements (Continued)

### 11 Property, Plant And Equipment (Continued)

Included in the Group's additions to property, plant and equipment are assets purchased under hire purchase agreements as follows:

	2006 RM	2005 RM
Property, plant and equipment	3,000,117	2,874,908

Had the property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount of each class of property, plant and equipment that would have been included in the financial statements at the end of the financial year would be as follows:

	2006 RM	2005 RM
Freehold land and buildings	796,984	816,359
Leasehold buildings	9,905,624	0
Plant and machinery	12,189,484	11,767,561
Office equipment, furniture and fittings	2,862,962	2,400,211
Motor vehicles	7,566,179	6,489,061
	33,321,233	21,473,192

### 12 Investment Properties

	2006 RM	2005 RM
As at 1 January	23,040,537	26,212,927
Fair value adjustment	553,463	0
Additions	0	33,720
Disposals	0	(3,133,689)
Impairment losses	0	(72,421)
As at 31 December	23,594,000	23,040,537

The adoption FRS 140 has resulted in a change in accounting policy for investment properties. Investment properties are stated at fair value, representing open-market value determined by external valuers. Gains and losses arising from changes in fair values of investment properties are recognised in profit or loss in the period in which they arise

In accordance with the transitional provisions of FRS 140, this change of accounting policy is reflected as an adjustment to the opening balance of retained earnings and includes the reclassification of any amount held in revaluation surplus.

The effect of this standard on the current year consolidated financial statements is set out in Note 3.



## Notes to the Financial Statements (Continued)

**13 Land Held For Property Development**

	<i>Freehold land RM</i>	<i>Development expenditure RM</i>	<i>Total RM</i>
<b>Group 2006</b>			
Cost			
As at 1.1.2006	21,126,938	36,850	21,163,788
Additions	0	258,254	258,254
As at 31.12.2006	<u>21,126,938</u>	<u>295,104</u>	<u>21,422,042</u>
<b>2005</b>			
Cost			
As at 1.1.2005	0	0	0
Additions	21,126,938	36,850	21,163,788
As at 31.12.2005	<u>21,126,938</u>	<u>36,850</u>	<u>21,163,788</u>

**14 Interest In Leasehold Land**

	<b>2006 RM</b>	<b>Group 2005 RM</b>
As at 1 January	0	0
Arising from acquisition of subsidiaries	5,300,000	0
Amortisation for the year	(155,882)	0
As at 31 December	<u>5,144,118</u>	<u>0</u>

Interest in leasehold land arises from the acquisition of subsidiaries during the year. The interest in leasehold land was determined based on the favourable incremental portion of lease rental as compared with the amount paid/incurred by the Group.

The interest in leasehold land were valued at the end of the current financial year by Long Tian Chek, B.Sc, MRICS, MIS(M) (Messrs. Henry Butcher Malaysia Sdn Bhd), an independent qualified valuer using the investment method to reflect fair value.



Notes to the Financial Statements (Continued)

**15 Other Long Term Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
<b>Investment in unquoted shares</b>				
At cost	340,000	340,000	0	0
Impairment losses	(45,475)	(45,475)	0	0
	<u>294,525</u>	<u>294,525</u>	<u>0</u>	<u>0</u>
<b>Investment in unquoted bonds</b>				
At cost	1,036,542	12,002,442	1,036,542	12,002,442
Accretion of discount net of amortisation of premium	(26,828)	(13,585)	(26,828)	(13,585)
	<u>1,009,714</u>	<u>11,988,857</u>	<u>1,009,714</u>	<u>11,988,857</u>
	<u>1,304,239</u>	<u>12,283,382</u>	<u>1,009,714</u>	<u>11,988,857</u>
Fair value	<u>1,352,829</u>	<u>12,735,978</u>	<u>1,058,304</u>	<u>12,441,453</u>

**16 Subsidiary Companies**

	<b>2006 RM</b>	<b>2005 RM</b>
Unquoted shares at valuation	<u>97,539,899</u>	<u>89,575,189</u>

The subsidiary companies are:

<b>Name</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Percentage of equity held</b>	
			<b>2006 %</b>	<b>2005 %</b>
<b>Direct subsidiary companies:</b>				
Loh & Loh Constructions Sdn. Bhd.	Building and civil construction and investment holding	Malaysia	100	100
Loh & Loh Development Sdn. Bhd.	Property investment	Malaysia	100	100
^ Water Engineering Technology Sdn. Bhd.	Trading, contracting and mechanical & electrical engineering related activities	Malaysia	100	100
^# Central Icon Sdn. Bhd.	Investment holding	Malaysia	90	0



## Notes to the Financial Statements (Continued)

**16 Subsidiary Companies (Continued)**

The subsidiary companies are:

Name	Principal activities	Country of incorporation	Percentage of equity held	
			2006 %	2005 %
<b>Subsidiary companies of Loh &amp; Loh Constructions Sdn. Bhd.</b>				
Jutakim Sdn. Bhd.	Civil engineering	Malaysia	100	100
Turf-Tech Sdn. Bhd.	Turfing and other construction related works	Malaysia	100	100
Loh & Loh Sato Kogyo JV Sdn. Bhd.	Civil engineering	Malaysia	51	51
Quality Quarry Sdn. Bhd.	Quarry operations	Malaysia	68	68
Loh & Loh Ikhmas Sdn. Bhd.	Civil engineering	Malaysia	70	70
Sepakat Sempurna Sdn. Bhd.	Dormant	Malaysia	60	0
<b>Subsidiary companies of Water Engineering Technology Sdn. Bhd.</b>				
^ WET Sales and Services Sdn. Bhd.	Trading and contracting in water related equipment	Malaysia	100	100
^ WET Air Sdn. Bhd.	Design and supply of air pollution control systems	Malaysia	74	100
<b>Subsidiary companies of Central Icon Sdn. Bhd.</b>				
^# Ladang Impian Sdn. Bhd.	Cultivation and selling of agricultural produce and investment holding	Malaysia	100	0
<b>Subsidiary companies of Ladang Impian Sdn. Bhd.</b>				
^# Ladang Impian 1 Sdn. Bhd.	Cultivation and selling of agricultural produce	Malaysia	100	0
^# Ladang Impian 2 Sdn. Bhd.	Cultivation and selling of agricultural produce	Malaysia	100	0
<b>Subsidiary company of Ladang Impian 1 Sdn. Bhd.</b>				
^# Pasarakyat Sdn. Bhd.	Wholesale and retailing	Malaysia	100	0

^ These companies in the Group are not audited by PricewaterhouseCoopers

# Subsidiaries acquired during the financial year



## Notes to the Financial Statements (Continued)

### 16 Subsidiary Companies (Continued)

The acquisitions of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. in prior years which met the criteria for merger accounting under MAS 2 were accounted for under that method. In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad recorded its investments in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration. On consolidation, the excess of the carrying values of the investments over the nominal value of the shares acquired were taken to merger reserve.

All the subsidiary companies of Loh & Loh Constructions Sdn. Bhd., Water Engineering Technology Sdn. Bhd. and Central Icon Sdn. Bhd. are consolidated based on the acquisition method of accounting in the financial statements of Loh & Loh Corporation Berhad.

The unquoted shares are stated at valuation as the Company revalued its investment in certain subsidiary companies for a special corporate exercise for a bonus issuance of shares in prior years.

### 17 Associated Companies

	<b>2006</b> <i>RM</i>	<b>Group</b> <b>2005</b> <i>RM</i>
Unquoted shares - at cost	50	50
Group's share of net assets	50	50

The associated company is:

<b>Name</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Percentage of equity held</b>	
			<b>2006</b> <b>%</b>	<b>2005</b> <b>%</b>
Gold Bridge - Loh & Loh Sdn. Bhd.	Dormant	Malaysia	50	50

### 18 Goodwill

	<b>2006</b> <i>RM</i>	<b>Group</b> <b>2005</b> <i>RM</i>
Net book value at beginning of financial year	192,499	1,203,900
Amortisation of goodwill	0	(1,011,401)
Acquisition of subsidiary	2,140	0
Impairment of goodwill	(2,140)	0
Net book value at end of financial year	192,499	192,499



## Notes to the Financial Statements (Continued)

**19** Deferred Taxation

	2006 RM	Group 2005 RM
Deferred tax assets	212,013	166,108
Deferred tax liabilities		
- subject to income tax	(2,666,229)	(3,093,410)
- subject to capital gains tax	(286,747)	(278,535)
- arising from acquisition of subsidiaries	(1,755,482)	0
	(4,708,458)	(3,371,945)
	(4,496,445)	(3,205,837)
The movements during the financial year relating to deferred tax are as follows:		
At start of the financial year	(3,205,837)	(3,427,514)
(Charged)/credited to income statement:		
- property, plant and equipment	(155,231)	58,336
- provisions	489,846	163,341
- unutilised tax credits	131,007	0
- others	7,464	0
Charged to equity		
- investment properties	(8,212)	0
- acquisition of subsidiaries	(1,755,482)	0
At end of the financial year	(4,496,445)	(3,205,837)

	2006 RM	Group 2005 RM
Subject to income tax:		
<b>Deferred tax assets (before offsetting)</b>		
- Provisions	1,373,358	883,512
- Unutilised tax credits	131,007	0
- Property, plant and equipment	2,529	285,304
- Others	7,464	0
	1,514,358	1,168,816
Offsetting	(1,302,345)	(1,002,708)
Deferred tax assets (after offsetting)	212,013	166,108



Notes to the Financial Statements (Continued)

**19** Deferred Taxation (Continued)

	2006 RM	Group 2005 RM
<b>Deferred tax liabilities (before offsetting)</b>		
- Property, plant and equipment	(3,968,574)	(4,096,118)
Offsetting	1,302,345	1,002,708
Deferred tax liabilities (after offsetting)	<u>(2,666,229)</u>	<u>(3,093,410)</u>
Subject to capital gains tax		
<b>Deferred tax liabilities</b>		
- Investment properties	<u>(286,747)</u>	<u>(278,535)</u>

**20** Trade And Other Receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	29,784,208	52,200,072	0	0
Retention sums	14,928,501	16,390,011	0	0
Total trade receivables	<u>44,712,709</u>	<u>68,590,083</u>	<u>0</u>	<u>0</u>
Allowance for doubtful debts	(13,762,009)	(13,709,652)	0	0
	<u>30,950,700</u>	<u>54,880,431</u>	<u>0</u>	<u>0</u>
Amount due from customers on contracts (Note 21)	56,985,662	35,899,225	0	0
Deposits	569,329	493,341	0	0
Prepayments	479,895	185,797	0	0
Other receivables	1,616,150	2,868,845	19,924	217,340
Allowance for doubtful debts	(844,038)	(844,038)	0	0
	<u>89,757,698</u>	<u>93,483,601</u>	<u>19,924</u>	<u>217,340</u>

All trade and other receivables are denominated in Ringgit Malaysia.

The credit terms of trade receivables ranged from 90 days to 120 days (2005: 90 days to 120 days). The Group's top 5 (2005: 5) customers makes up 54% (2005: 59%) of the Group's trade receivables. Management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.



## Notes to the Financial Statements (Continued)

**21 Construction Contracts**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
Costs of contract work-in-progress incurred	575,297,687	437,050,973	0	0
Attributable profits	57,974,357	45,718,239	0	0
	<u>633,272,044</u>	<u>482,769,212</u>	<u>0</u>	<u>0</u>
Progress billings	(586,434,060)	(455,627,709)	0	0
	<u>46,837,984</u>	<u>27,141,503</u>	<u>0</u>	<u>0</u>
Amount due from customers on contracts (Note 20)	56,985,662	35,899,225	0	0
Amount due to customers on contracts (Note 28)	(10,147,678)	(8,757,722)	0	0
	<u>46,837,984</u>	<u>27,141,503</u>	<u>0</u>	<u>0</u>
Advances received on contracts (included in trade debtors)	7,001,736	2,100,955	0	0
Included in the costs of contract work-in-progress are charges incurred during the year:				
Depreciation of property, plant and equipment (Note 11)	2,146,281	1,763,311	0	0
Rental of site premises	379,560	216,085	0	0
Rental on hiring of plant and machinery	2,290,622	1,059,862	0	0
	<u></u>	<u></u>	<u></u>	<u></u>

Also included in the costs of contract work-in-progress during the financial year are fees paid for advisory services rendered by a Director of the Company to the Group amounting to RM54,000 (2005: RM54,000).

**22 Inventories**

	<b>Group</b>	
	<b>2006 RM</b>	<b>2005 RM</b>
At cost:		
Consumables	242,095	0
Water related equipment	490,404	484,982
Quarry stocks	0	29,031
	<u>732,499</u>	<u>514,013</u>



Notes to the Financial Statements (Continued)

**23 Short Term Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
<b>Investment in unquoted bonds in Malaysia</b>				
At cost	5,063,100	0	5,063,100	0
Accretion of discount net of amortisation of premium	(50,729)	0	(50,729)	0
	<u>5,012,371</u>	<u>0</u>	<u>5,012,371</u>	<u>0</u>
<b>Investment by asset management companies</b>				
At cost	5,893,113	5,621,017	5,893,113	5,621,017
Impairment losses	0	(799,698)	0	(799,698)
	<u>5,893,113</u>	<u>4,821,319</u>	<u>5,893,113</u>	<u>4,821,319</u>
<b>Investment in shares quoted in Malaysia</b>				
At cost	2,053,405	2,793,130	2,048,005	2,787,730
Impairment losses	(718,633)	(1,560,054)	(718,633)	(1,560,054)
	<u>1,334,772</u>	<u>1,233,076</u>	<u>1,329,372</u>	<u>1,227,676</u>
<b>Investment in unit trust</b>				
At cost	1,000,000	1,000,000	1,000,000	1,000,000
Impairment losses	(2,516)	(51,128)	(2,516)	(51,128)
	<u>997,484</u>	<u>948,872</u>	<u>997,484</u>	<u>948,872</u>
	<u>13,237,740</u>	<u>7,003,267</u>	<u>13,232,340</u>	<u>6,997,867</u>
Market value of investment in unquoted bonds	<u>5,141,068</u>	<u>0</u>	<u>5,141,068</u>	<u>0</u>
Market value of investment by asset management companies	<u>5,949,915</u>	<u>4,821,319</u>	<u>5,949,915</u>	<u>4,821,319</u>
Market value of investment in quoted shares	<u>1,334,772</u>	<u>1,233,076</u>	<u>1,329,372</u>	<u>1,227,676</u>
Market value of investment in unit trust	<u>997,484</u>	<u>948,872</u>	<u>997,484</u>	<u>948,872</u>



## Notes to the Financial Statements (Continued)

### 24 Cash And Cash Equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Short term deposits with licensed banks	34,593,713	22,674,388	12,488,317	12,505,547
Cash and bank balances	22,912,410	5,403,357	290,080	360,959
	<u>57,506,123</u>	<u>28,077,745</u>	<u>12,778,397</u>	<u>12,866,506</u>

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
<b>Weighted Average Interest Rates (Per Annum) At Financial Year End</b>				
Short term deposits with licensed banks	<u>3.13</u>	<u>2.90</u>	<u>3.26</u>	<u>2.95</u>

Short term deposits with licensed banks of the Group and the Company have an average maturity of 29 days and 31 days respectively (2005: 23 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

### 25 Share Capital

	Group & Company	
	2006 RM	2005 RM
Authorised 100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000
Issued and fully paid 68,000,000 ordinary shares of RM1 each	<u>68,000,000</u>	<u>68,000,000</u>

### 26 Retained Earnings

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank all of its retained earnings as at 31 December 2006 if paid out as dividends.

The tax exempt income account balance as at 31 December 2006 for the Company is approximately RM1,440,150 (2005: RM1,440,150).



Notes to the Financial Statements (Continued)

**27 Hire Purchase Creditors**

	<b>2006 RM</b>	<b>Group 2005 RM</b>
Amount payable	2,809,312	2,218,303
Finance charges	(207,929)	(143,670)
	<u>2,601,383</u>	<u>2,074,633</u>
Amount due within 1 year classified as payables (Note 28)	1,611,471	1,124,301
Amount due between 1 to 2 years	989,912	950,332
	<u>2,601,383</u>	<u>2,074,633</u>

The weighted average year end effective interest rate of hire purchase creditors was 3.4% (2005: 3.25%) per annum. The fair value of hire purchase creditors at balance sheet date is RM2,464,183 (2005: RM1,997,575).

**28 Trade And Other Payables**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
Trade payables	62,908,970	38,673,451	0	0
Amount due to customers on contracts (Note 21)	10,147,678	8,757,722	0	0
Amount due to subsidiary companies	0	0	26,810,825	25,657,634
Amount due to a related party	1,375,196	1,506,110	0	0
Other payables	3,208,187	1,435,016	603,042	563,450
Accruals	3,169,041	2,902,207	0	0
Hire purchase creditors (Note 27)	1,611,471	1,124,301	0	0
	<u>82,420,543</u>	<u>54,398,807</u>	<u>27,413,867</u>	<u>26,221,084</u>
The currency exposure profile of trade and other payables is as follows:				
- Ringgit Malaysia	82,420,543	53,478,053	27,413,867	26,221,084
- United States Dollar	0	920,754	0	0
	<u>82,420,543</u>	<u>54,398,807</u>	<u>27,413,867</u>	<u>26,221,084</u>

The credit terms of trade payables ranged from 60 days to 90 days (2005: 60 days to 90 days).

The amount due to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

The amount due to a related party (Saroma Engineering Sdn Bhd) is unsecured, interest free and has no fixed terms of repayment.



## Notes to the Financial Statements (Continued)

### 29 Contingent Liabilities (Unsecured)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Guarantees given to banks for Group's performance/ tender guarantees granted to customers	83,703,787	67,461,325	0	0

### 30 Significant Related Party Disclosures

Related parties	Relationships
Saroma Engineering Sdn. Bhd.	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn. Bhd.
Sato Kogyo (M) Sdn. Bhd.	Associated company of Sato Kogyo Co. Ltd.
Intercircle Management Sdn. Bhd.	A company in which a Director of the Group has interest
Pohmay Holdings Sdn Bhd	A company with common Director

#### Significant transactions with related parties

In the ordinary course of business, the Company's significant transactions with its related companies are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Progress billings paid/payable to: Sato Kogyo (M) Sdn. Bhd.	1,155,229	2,452,521	0	0
Saroma Engineering Sdn. Bhd.	727,071	0	0	0

Transactions with companies, firms in which the Directors of the Company have interest

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Secretarial fees paid to Intercircle Management Sdn. Bhd., a company in which Tan Sri Abdul Rashid Bin Abdul Manaff is a major shareholder and Director	36,773	38,360	32,850	35,336
Progress billings paid/payable to Pohmay Holdings Bhd, a company in which Danny Ng Siew L'Leong is a Director	0	720,831	0	0

The related party transactions described above were entered into in the normal course of business and have been established under negotiated terms.



## Notes to the Financial Statements (Continued)

### 31 Segmental Information

The Group is primarily organised within Malaysia into three main business segments:

- Construction - building and civil construction and mechanical and electrical engineering related activities
- Investments - investment holding
- Quarry and trading - quarry operations, trading in water related equipment, wholesale and retailing

	Construction RM	Investments RM	Quarry and trading RM	Property development RM	Eliminations RM	Total RM
<b>2006</b>						
<b>REVENUE</b>						
Revenue from external customers	199,542,312	1,365,947	13,720,497	0	0	214,628,756
Revenue from transactions with other business segments	18,694,934	5,930,250	3,704,420	0	(28,329,604)	0
	<u>218,237,246</u>	<u>7,296,197</u>	<u>17,424,917</u>	<u>0</u>	<u>(28,329,604)</u>	<u>214,628,756</u>
Segment results	22,542,433	8,824,295	1,858,838	0	(5,657,417)	27,568,149
Unallocated corporate expenses						(12,027,901)
Profit from operations						15,540,248
Finance cost						(105,498)
Taxation						(2,711,212)
Net profit for the year						<u>12,723,538</u>
<b>OTHER INFORMATION</b>						
Segment assets	158,939,180	50,505,528	20,507,399	21,506,177	0	251,458,334
Investment in associates	0	50	0	0	0	50
Unallocated corporate assets						1,253,886
Consolidated total assets						<u>252,712,270</u>
Segment liabilities	76,159,719	687,539	5,094,443	26,656	0	81,968,357
Unallocated corporate liabilities						6,589,589
Consolidated total liabilities						<u>88,557,946</u>
Capital expenditure (including acquisition of subsidiaries)	6,713,295	0	18,160,400	5,916	0	24,879,611
Depreciation						
- capitalised in contract work-in-progress	2,146,281	0	0	0	0	2,146,281
- others	1,393,649	0	523,859	15,234	(25,010)	1,907,732
	<u>3,540,930</u>	<u>0</u>	<u>523,859</u>	<u>15,234</u>	<u>(25,010)</u>	<u>4,000,013</u>



## Notes to the Financial Statements (Continued)

**31 Segmental Information (Continued)**

	<b>Construction RM</b>	<b>Investments RM</b>	<b>Quarry and trading RM</b>	<b>Eliminations RM</b>	<b>Total RM</b>
<b>2005</b>					
<b>REVENUE</b>					
Revenue from external customers	120,113,064	7,922,017	10,352,181	0	138,387,262
Revenue from transactions with other business segments	1,108,399	5,930,250	873,380	(7,912,029)	0
	<u>121,221,463</u>	<u>13,852,267</u>	<u>11,225,561</u>	<u>(7,912,029)</u>	<u>138,387,262</u>
Segment results	21,403,797	6,859,929	1,639,526	(5,756,250)	24,147,002
Unallocated corporate expenses					(15,436,622)
Profit from operations					8,710,380
Finance cost					(63,811)
Taxation					(3,405,248)
Net profit for the year					<u>5,241,321</u>
<b>OTHER INFORMATION</b>					
Segment assets	123,514,363	168,587,164	9,449,648	(92,082,140)	209,469,035
Unallocated corporate assets					2,534,136
Consolidated total assets					<u>212,003,171</u>
Segment liabilities	51,426,751	680,450	2,650,164	2,277	54,759,642
Unallocated corporate liabilities					4,372,724
Consolidated total liabilities					<u>59,132,366</u>
Capital expenditure	3,282,769	58,258	739	0	3,341,766
Depreciation					
- capitalised in contract					
work-in-progress	1,763,311	0	0	0	1,763,311
- others	1,157,251	5,487	360,669	(25,010)	1,498,397
Amortisation of goodwill					
net of reserve on consolidation	0	976,533	0	0	976,533



## Notes to the Financial Statements (Continued)

### **32** Material Litigations Instituted By The Group

#### **A Kuala Lumpur High Court - Writ of Summons No. D5-22-375-93 dated 13 May 1993**

Loh & Loh Constructions Sdn Bhd ("LLCSB"), a wholly owned subsidiary of Loh & Loh Corporation Berhad ("LLCB") had filed a suit at the Kuala Lumpur High Court by way of a Writ of Summons No. D5-22-375-93 dated 13 May 1993 ("said suit") against Quota Innovations Sdn Bhd ("QISB") for breach of Contract Agreement and against all QISB's directors for breach of guarantee and against Kassim Chan Management Services Sdn Bhd ("KCMS") for breach of duty of care towards LLCSB. The claim is for a sum of approximately RM3,623,000 under the Contract Agreement including a sum of RM1,100,000 by way of loan granted to QISB. KCMS is sued jointly for this loan sum of RM1,100,000 as the loan monies was disbursed through the project account managed by KCMS. There is a counter-claim filed by QISB against LLCSB for wrongful termination of the Contract Agreement. In respect of QISB and its director, the claim and counter-claim have been submitted for arbitration.

The status of the Suit are as follows:

#### **Against Guarantors:-**

- (i) Judgement Debtors Woon Mooi, Leong Hong Min and Leong Yoke Luen have been made bankrupt. M/s Amin Tan & Co has obtained an order in terms of their application to discharge as solicitors acting for these Judgement Debtors and Debtor Lai Man Fatt.
- (ii) Judgement Debtors Lam Hoi Song and Lam Hong Chang filed application to stay of bankruptcy proceedings. On 2 February 2005 the Judgement Debtors' solicitors obtained orders in terms to transfer the matters to the Ipoh High Court from Temerloh High Court.

On 3 April 2006, before the Judicial Commissioner of Ipoh High Court, LLCSB and the Judgement Debtors Lam Hoi Sang and Lam Hong Chang, agreed on a sum of RM257,000 (total payment from both Judgement Debtors) to be paid to LLCSB as full and final settlement of LLCSB's claim against the Judgement Debtors. To this matter the Judgement Debtors are required to withdraw their applications to set aside the Arbitrator's Interim Award and not to challenge the arbitration award and resulting Judgement irrespectively of the manner in which the proceeding may turn out in relation to the other Judgement Debtors in Kuala Lumpur High Court Suit No:D5-22-375-1993 (LLCSB vs QI and 7 Others) and other applicants in the Original Motion No:25-2-2005 (QI and 6 Others vs. LLCSB to set aside the Arbitrator's Interim Award).

#### **Guarantors' Application of 18 January 2002 to set aside the Arbitrator's Interim Award**

- (i) The Directors of QISB and QISB have filed an application in the High Court of Ipoh pursuant to Section 23 of the Arbitration Act 1952 to set aside the Learned Arbitrator's Award and further Hearing for the same has been adjourned to 19 May 2006. In the same proceedings LLCSB has applied for and been granted security for costs in the sum of RM20,000. Lam Hong Chang and Lam Hoi Song provided security for costs in the sum of RM20,000. Part of the settlement between Lam Hong Chang and Lam Hoi Sang with LLCSB required them to withdraw this claim on behalf of themselves and QISB as well as withdraw the security for costs deposited by them, which they had done on 3 April 2006. On 19 May 2006, the Court struck out this Claim by other claimants (the other directors) as they failed to attend Court on that date.

#### **Against KCMS:-**

- (i) The trial was concluded on 22 November 2004. The matter was fixed for decision on 11 April 2005 but due to failure of the defendant's solicitor to submit written submissions as directed by the Court, the Court refixed the decision date to 13 July 2005.

The Defendant's solicitors failed to file the written submissions on the date extended by the Court. The decision was delivered on 29 September 2005, on which decision the Court upheld KCMS's defence and with costs to LLCSB. LLCSB has filed Record of Appeal to the Court of Appeal on 6 January 2006 and is waiting the hearing of the appeal.



## Notes to the Financial Statements (Continued)

### 33 Financial Instruments

#### Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by the Group in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the Group's policy is to enter into forward foreign exchange contracts for up to 100% of anticipated payments.

The open forward contracts for the Group are as follows:

Hedging Items	Currency to be received	Currency to be paid	Contracted amounts	Ringgit Malaysia equivalent
<b>2006</b>				
Future purchase of materials over following 6 months	Ringgit Malaysia	Euro	238,583	1,122,060
<b>2005</b>				
Trade payables	Ringgit Malaysia	Sterling Pound	33,814	229,249
Future purchase of raw materials over following 6 months	Ringgit Malaysia	Sterling Pound	19,290	132,817
	Ringgit Malaysia	Euro	286,226	1,329,520

The fair value of net unrecognised forward contracts of the Group at the previous financial year end was a unfavourable net position of RM46,023.

### 34 Acquisition Of Subsidiaries

On 17 February 2006, LLCB acquired two ordinary shares of RM1.00 each of Central Icon Sdn. Bhd. ("CISB") representing 100% of the issued and paid up share capital of CISB for a cash consideration of RM2.00 and pursuant thereto, CISB has become a wholly owned subsidiary company of LLCB.

On 13 September 2006, the Settlement Agreement entered into between LLCB and its wholly owned subsidiaries, Water Engineering Technology Sdn. Bhd. ("WET") and CISB with Wong Seng Huat ("WSH"), a shareholder of Ladang Impian Sdn. Bhd. ("LISB") and Pasarakyat Sdn.Bhd. ("PSB") was completed. With the completion of the Settlement Agreement, LISB and its subsidiary companies became wholly owned subsidiaries of CISB. LLCB in turn effectively owned 90% of CISB while the remaining 10% of CISB is held by WSH.

The purchase consideration for the said Settlement Agreement consists of cash consideration of RM998 and the balance of RM7,963,712 by way of debt capitalisation.

The effects of this acquisition on the financial results of the Group for the current financial year were as follows:

	2006 RM
(a) Impact on the income statement	
Revenue	3,153,822
Cost of sales	(2,536,617)
Gross profit	617,205
Other operating income	308,264
Administrative expenses	(1,600,399)
Loss before taxation	(674,930)



## Notes to the Financial Statements (Continued)

### 34 Acquisition Of Subsidiaries (Continued)

	<b>2006</b> <b>RM</b>
(b) Impact on the balance sheet	
Property, plant and equipment	11,445,324
Interest in leasehold land	5,144,118
Inventories	236,521
Trade and other receivables	389,871
Cash and bank balances	730,828
Trade and other payables	(1,826,252)
Amount due to holding company	(2,327,681)
Deferred tax liabilities	(1,703,849)
Increase in the Group's net assets	<u>12,088,880</u>
(c) The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:	
	<b>At date of acquisition</b> <b>RM</b>
Property, plant and equipment (Note 11)	11,921,062
Interest in leasehold land	5,300,000
Inventories	283,274
Trade and other receivables	1,901,582
Cash and bank balances	269,712
Trade and other payables	(5,222,945)
Deferred tax liabilities (Note 19)	(1,755,482)
Fair value of total net assets acquired	<u>12,697,203</u>
Less: Minority interests	(1,269,750)
Group's share of net assets	11,427,453
Reserve on consolidation	(3,462,683)
Impairment of goodwill	2,140
Total purchase consideration	<u>7,966,910</u>
Purchase consideration discharged by cash	998
Purchase consideration discharged by cash, for acquisition of a subsidiary company which do not have a material effect on the financial position and results of the Group	2,200
Less: Cash and cash equivalents of subsidiaries acquired	(269,712)
Net cash inflow of the Group on acquisition	<u>(266,514)</u>

Goodwill acquired in a business combination is measured at cost less any impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

There was no acquisition in the prior year.



## Notes to the Financial Statements (Continued)

### 35 Jointly Controlled Entity

	<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>
Capital contribution to an unincorporated joint venture	50,000	0

Details of the unincorporated joint venture is as follows:

<i>Name of jointly controlled entity</i>	<i>Effective interest</i>		<i>Economic activity</i>
	<i>2006 %</i>	<i>2005 %</i>	
Water Engineering Technology Sdn Bhd - Envitech Sdn Bhd JV	50	0	To undertake project management in relation to sewage treatment plants and related activities

The Group's aggregate share of the assets, liabilities, income and expenses of the jointly controlled entity is as follows:

	<i>Group</i>	
	<i>2006 RM</i>	<i>2005 RM</i>
Non-current assets	49,043	0
Current assets	2,788,014	0
Non-current liabilities	(13,995)	0
Current liabilities	(2,753,637)	0
Net assets	69,425	0
Revenue	128,186	0
Expenses	19,425	0

### 36 Significant Events During The Year

- (a) On 7 June 2006, LLCBSB, a wholly owned subsidiary company of LLCB acquired sixty ordinary shares of RM1.00 each of Sepakat Sempurna Sdn. Bhd. ("SSSB") representing 60% of the issued and paid up share capital of SSSB for a cash consideration of RM2,200 and pursuant thereto, SSSB has become a subsidiary company of LLCBSB.
- (b) On 1 July 2006, WET, a wholly owned subsidiary company of LLCB issued additional seventy thousand ordinary shares of RM1.00 each in WET Air Sdn. Bhd. ("WASB") to Air Pollution Control Engineering Sdn. Bhd. ("APCE") representing 25.93% of the issued and paid up capital of WASB for a cash consideration of RM70,000 pursuant to the joint venture agreement entered on 22 June 2004 between WET, APCE, Yap Kam Biow and John Henning De Kock. With the issuance, the enlarged issued and paid up share capital of WASB is 270,000 ordinary shares and WET effectively control 74.07% of the issued and paid up capital of WASB.



## Notes to the Financial Statements (Continued)

### 37 Subsequent Events

- (a) On 5 January 2007, LLC SB disposed its 50 ordinary shares of RM1.00 each held in Gold Bridge-Loh & Loh Sdn Bhd ("GBLL"), a 50% owned associated company of LLC SB for a cash consideration of RM50.00 to Iskandar bin Haji Sheikh Fadzir. GBLL had been dormant since its corporation.
- (b) On 2 April 2007, Turf-Tech Sdn Bhd ("TTSB"), a wholly owned subsidiary of Loh & Loh Development Sdn Bhd ("LLDSB"), which in turn is a wholly owned subsidiary of LLC B, entered into a conditional Sale and Purchase Agreement with Perbadanan Nasional Berhad for the acquisition of a piece of freehold agricultural land held under PT No 34728, HS(D) 27473 Mukim Batu, District of Gombak, Selangor, with a net land area of 32.42 acres for a total cash purchase consideration of RM35.3 million.

### 38 Approval Of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 April 2007.

# Statement

by Directors

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



We, Lee Hon Keong and Loh Kim Kah, being two of the Directors of Loh & Loh Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 29 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results of the Group and the Company and the cash flows of the Group and the Company for the year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities.

In accordance with a resolution of the Board of Directors dated 30 April 2007.

**LEE HON KEONG**  
DIRECTOR

**LOH KIM KAH**  
DIRECTOR

Kuala Lumpur

# Statutory

Declaration

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



I, Loh Kim Kah, the Director primarily responsible for the financial management of Loh & Loh Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 71 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**LOH KIM KAH**

Subscribed and solemnly declared by the abovenamed Loh Kim Kah at Kuala Lumpur in Malaysia on 30 April 2007, before me.

Mohd. Radzi Bin Yasin  
W 327  
Commissioner for Oaths  
No. 86, Tingkat Bawah  
Jalan Putra  
50350 Kuala Lumpur

# Report of the Auditors

to the Members of Loh & LOH Corporation Berhad



(Company No.389765 V)

We have audited the financial statements set out on pages 29 to 71. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have 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 16 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditor's reports thereon.

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 required by us for those purposes.

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

**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)  
Chartered Accountants

**LEE YOKE KHAI**

(No. 1589/08/07 (J))  
Partner of the firm

Kuala Lumpur

30 April 2007