

FINANCIAL STATEMENTS

Directors' Report	72 - 78
Income Statements	79
Balance Sheets	80 - 81
Consolidated Statement of Changes in Equity	82 - 83
Company Statement of Changes in Equity	84 - 85
Cash Flow Statements	86 - 88
Summary of Significant Accounting Policies	89 - 97
Notes to the Financial Statements	98 - 181
Statement by Directors	182
Statutory Declaration	182
Report of the Auditors	183

DIRECTORS' REPORT

The Directors submit their report to the members together with the audited financial statements of the Group and Company for the eighteen months ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of construction of building and civil works, manufacturing and trading of building materials, trading and distribution of construction related products, quarrying and property development.

There was no significant change in the principal activities of the Group and Company during the financial period.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Company was changed from 31 December to 30 June.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss after tax	(793)	(76,730)
Minority interest	(10,477)	0
Net loss for the financial period	<u>(11,270)</u>	<u>(76,730)</u>

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004, reported in the directors' report of that year:	
Interim gross dividend of 3 sen per share on 539,013,879 ordinary shares, less income tax of 28%, paid on 13 January 2005.	11,643
Final gross dividend of 2 sen per share on 540,366,879 ordinary shares, less income tax of 28%, paid on 25 August 2005.	7,781
	<u>19,424</u>

The Directors do not recommend the payment of any dividends for the financial period ended 30 June 2006.

DIRECTORS' REPORT *(CONT'D)*

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial period, 1,333,000 and 5,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options over ordinary shares pursuant to the Company's Employees' Share Option Scheme ("ESOS") at exercise prices of RM1.00 per share and RM1.21 per share respectively.

The new ordinary shares issued during the financial period ranked pari passu in all respects with the existing ordinary shares of the Company.

SHARE BUYBACK

During the financial period, the Company bought back 100,000 of its issued shares of RM1.00 each from the open market at an average price of RM0.54 per share. The shares bought back were financed by internally generated funds and were retained as treasury shares.

EMPLOYEES' SHARE OPTION SCHEME

On 7 November 2002, the Company implemented an ESOS to the eligible employees (including Executive Directors) of the Company and its subsidiary companies. The ESOS is governed by the bylaws which were approved by the shareholders on 3 October 2002.

Details of the ESOS are set out in Note 28(iii) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia pursuant to Section 169 (11) of the Companies Act 1965 from having to disclose the names of Directors and persons to whom options over ordinary shares have been granted during the financial period and details of their holdings except for those Directors and persons who have options over ordinary shares of 600,000 and above, which are as follows:

Name of employees	Exercise price/share RM	Options over ordinary shares of RM1.00 each			At 30.6.2006
		At 1.1.2005	Granted	Exercised	
Yap Chin Leong	1.00	700,000	0	0	700,000
Lee Yu Ban	1.00	670,000	0	0	670,000
Wong Fook Chai	1.00	660,000	0	0	660,000
Ng Boon Liang	1.00	600,000	0	0	600,000
Phang Koon Tuck	1.58	600,000	0	0	600,000
Mok Sew Wah	1.58	600,000	0	0	600,000

DIRECTORS' REPORT *(CONT'D)*

DIRECTORS

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

Tan Sri Dato' Seri (Dr) Cheah Fook Ling	
Dato' Chew Chee Kin	
Yau Kok Seng	
Mark Victor Rozario	
Dato' Tan Kia Loke	
Kwan Foh Kwai	
Tan Ler Chin	(resigned on 26.4.2006)
Wong Chin Mun	
Tan Sri Dato' Seri Dr Md Noordin Bin Md Sopiee	(passed away on 29.12.2005)
Datuk Low Seng Kuan	
Datuk Abdul Malek Bin Abdul Aziz	(appointed on 13.3.2006)

In accordance with Article 114 of the Company's Articles of Association, Dato' Chew Chee Kin, Wong Chin Mun and Datuk Low Seng Kuan retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Article 120 of the Company's Articles of Association, Datuk Abdul Malek Bin Abdul Aziz, who was appointed during the period, retires at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for election.

DIRECTORS' BENEFITS

During and at the end of the financial period, 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, except for options over ordinary shares granted to certain Directors of the Company pursuant to the Company's ESOS as disclosed in Note 7 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any deemed benefits that may accrue to a Director by virtue of transactions negotiated between the Group and companies in which the Director has significant equity interests as disclosed in Note 37 to the financial statements.

DIRECTORS' REPORT *(CONT'D)*

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial period in shares, options over ordinary shares and warrants in the Company are as follows:

<u>Direct interest</u>	Number of ordinary shares of RM1.00 each			As at 30.6.2006
	As at 1.1.2005/ Date of appointment	Bought	Sold	
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	5,702,094	0	0	5,702,094
Dato' Chew Chee Kin	730,000	180,000	0	910,000
Yau Kok Seng	510,000	390,000	(210,000)	690,000
Mark Victor Rozario	20,000	0	0	20,000
Dato' Tan Kia Loke	275,000	0	0	275,000
Kwan Foh Kwai	660,000	0	0	660,000
Wong Chin Mun	10,000	0	0	10,000
Datuk Abdul Malek Bin Abdul Aziz	3,000	0	0	3,000
 <u>Deemed interest</u>				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling ¹	200,637,777	20,640,900	0	221,278,677
Dato' Chew Chee Kin ³	450,000	0	0	450,000

	Options over ordinary shares of RM1.00 each			As at 30.6.2006
	As at 1.1.2005	Granted	Exercised	
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	2,500,000	0	0	2,500,000
Dato' Chew Chee Kin	1,000,000	0	0	1,000,000
Dato' Tan Kia Loke	1,000,000	0	0	1,000,000
Yau Kok Seng	1,000,000	0	0	1,000,000
Mark Victor Rozario	700,000	0	0	700,000

DIRECTORS' REPORT *(CONT'D)*

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS (CONT'D)

<u>Direct interest</u>	Warrants 2004/2008			As at 30.6.2006
	As at 1.1.2005/ Date of appointment	Bought	Sold	
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	2,870,732	0	0	2,870,732
Yau Kok Seng	228,500	0	(228,500)	0
Mark Victor Rozario	102,000	0	0	102,000
Dato' Tan Kia Loke	446,455	0	0	446,455
Kwan Foh Kwai	210,000	0	(210,000)	0
Wong Chin Mun	3,500	0	0	3,500
Datuk Low Seng Kuan	59,500	0	(59,500)	0
Datuk Abdul Malek Bin Abdul Aziz	1,050	0	0	1,050
<u>Deemed interest</u>				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling ²	77,000,607	8,705,800	0	85,706,407

Footnote

- ¹ Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd and Sungei Way Corporation Sdn Bhd pursuant to Section 6A of the Companies Act 1965 and him being associated to his spouse and children.
- ² Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd and Sungei Way Corporation Sdn Bhd pursuant to Section 6A of the Companies Act 1965 and him being associated to his children.
- ³ Deemed interest by virtue of him being associated to his spouse.

By virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's interests in the Company as shown above, he is deemed to have interest in the shares of the subsidiary companies and associated companies to the extent that those shares are held by the Company.

DIRECTORS' REPORT *(CONT'D)*

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 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 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 Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 period which, in the opinion of the Directors, will or may affect the ability of the Group or 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 or Company which has arisen since the end of the financial period which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial period.

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.

DIRECTORS' REPORT *(CONT'D)*

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the income statement and Note 5, Note 33 and Note 35 to the financial statements; and
- (b) except as disclosed in Note 39 to the financial statements, there has not arisen in the interval between the end of the financial period 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 Company for the financial year in which this report is made.

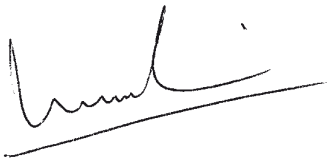
SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The significant event that occurred subsequent to balance sheet date is disclosed in Note 39 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 October 2006.



DATO' CHEW CHEE KIN
PRESIDENT



MARK VICTOR ROZARIO
FINANCE DIRECTOR

INCOME STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006

	Note	Group		Company	
		18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Revenue	3	2,057,266	1,497,519	65,953	29,843
Cost of sales	4	(1,667,041)	(1,207,202)	0	0
Gross profit		390,225	290,317	65,953	29,843
Other operating income		47,909	18,783	59,024	8,514
Distribution costs		(37,652)	(23,582)	0	0
Administrative expenses		(225,166)	(156,449)	(22,745)	(11,821)
Other operating expenses		(28,243)	(21,332)	(33,849)	(1)
(Impairment losses)/reversal of impairment losses	5	(23,760)	(8,946)	(110,077)	403
Profit from operations	6	123,313	98,791	(41,694)	26,938
Finance cost	8	(54,228)	(26,968)	(34,848)	(21,247)
Share of results of associated companies		(39,838)	(15,974)	0	0
Profit/(loss) from ordinary activities before tax		29,247	55,849	(76,542)	5,691
Tax expense:					
- Company and subsidiary companies		(29,604)	2,469	(188)	15,638
- Associated companies		(436)	(595)	0	0
	9	(30,040)	1,874	(188)	15,638
(Loss)/profit after tax		(793)	57,723	(76,730)	21,329
Minority interest		(10,477)	(18,424)	0	0
Net (loss)/profit for the financial period/year		(11,270)	39,299	(76,730)	21,329
(Losses)/Earnings per share (sen):					
- basic	10(a)	(2.09)	8.08		
- diluted	10(b)	N/A	7.92		
Dividend per ordinary share in respect of the financial period/year (sen)	11	0	5	0	5

BALANCE SHEETS

AS AT 30 JUNE 2006

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	272,189	216,617	261	269
Quarry development expenditure	13	1,165	0	0	0
Investments in subsidiary companies	14	0	0	679,852	527,023
Investments in associated companies	15	52,865	108,567	16,497	82,022
ABS Notes and other investments	16	2,232	9,514	2,229	3,664
Long term debtors	17	10,366	38,473	12,188	1,356
Land held for property development	18(a)	66,935	70,943	0	0
Goodwill	19	114,100	77,104	0	0
Deferred tax assets	26	12,600	11,010	0	0
		532,452	532,228	711,027	614,334
CURRENT ASSETS					
Property development costs	18(b)	18,011	13,657	0	0
Assets held for resale	20	21,335	21,537	320	0
Inventories and completed development properties	21	312,158	275,114	0	0
Tax recoverable		14,002	13,852	9,924	8,457
Debtors	22	816,997	776,460	65,757	165,868
Deposits, bank and cash balances	23	200,757	124,271	22,478	4,062
		1,383,260	1,224,891	98,479	178,387
CURRENT LIABILITIES					
Creditors	24	647,582	588,449	85,453	149,168
Borrowings:					
- bank overdrafts	25	17,301	22,154	0	0
- others	25	170,892	422,142	72,800	205,460
Current tax liabilities		16,378	11,458	0	0
		852,153	1,044,203	158,253	354,628
NET CURRENT ASSETS/ (LIABILITIES)		531,107	180,688	(59,774)	(176,241)

BALANCE SHEETS

AS AT 30 JUNE 2006 (CONT'D)

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
NON-CURRENT LIABILITIES					
Borrowings	25	407,964	49,009	296,400	0
Deferred tax liabilities	26	17,546	15,074	0	0
ABS Senior Notes	27	89,873	89,805	0	0
		515,383	153,888	296,400	0
		548,176	559,028	354,853	438,093
CAPITAL AND RESERVES					
Share capital	28	540,367	539,029	540,367	539,029
Warrants	29	8,777	8,791	8,777	8,791
Treasury shares		(54)	0	(54)	0
Share premium		195,112	195,111	195,112	195,111
Capital reserves		34,137	34,137	0	0
Merger relief reserve		49,615	49,615	49,615	49,615
Foreign currency reserve		(12,160)	(8,521)	0	0
Accumulated losses		(295,197)	(276,146)	(438,964)	(354,453)
Shareholders' equity		520,597	542,016	354,853	438,093
MINORITY INTEREST		27,579	17,012	0	0
		548,176	559,028	354,853	438,093

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006

		Issued and fully paid ordinary shares of RMI.00 each									
Note	Number of shares '000	Nominal value RM'000	Warrants RM'000	Share premium RM'000	*Capital reserves RM'000	**Merger relief reserve RM'000	Foreign currency reserve RM'000	***Revaluation reserves RM'000	Accumulated losses RM'000	Total RM'000	
At 1 January 2004 (as previously stated)	410,812	410,812	0	171,948	34,137	0	(9,088)	12,612	(316,230)	304,191	
- prior year adjustment	35	0	0	0	0	0	0	0	(184)	(184)	
At 1 January 2004 (as restated)	410,812	410,812	0	171,948	34,137	0	(9,088)	12,612	(316,414)	304,007	
Currency translation differences	0	0	0	0	0	0	567	0	0	567	
Revaluation reserves written off	0	0	0	0	0	0	0	(12,612)	12,612	0	
Net gain/(loss) not recognised in income statement	0	0	0	0	0	0	567	(12,612)	12,612	567	
Issue of shares:											
- exercise of options over ordinary shares	28	6,001	0	1	0	0	0	0	0	6,002	
- private placement	28	41,229	0	24,738	0	0	0	0	0	65,967	
- acquisition of a subsidiary company	28	80,987	0	0	0	51,022	0	0	0	132,009	
- share issue cost	0	0	0	(1,576)	0	(1,407)	0	0	0	(2,983)	
Issue of warrants:											
- renounceable rights issue	29	0	9,354	0	0	0	0	0	0	9,354	
- restricted issue	29	0	495	0	0	0	0	0	0	495	
- warrants issue cost	29	0	(1,058)	0	0	0	0	0	0	(1,058)	
Net profit for the financial year	0	0	0	0	0	0	0	0	39,299	39,299	
Dividends for the financial year ended 31 December 2004 (payable)	11	0	0	0	0	0	0	0	(11,643)	(11,643)	
At 31 December 2004	539,029	539,029	8,791	195,111	34,137	49,615	(8,521)	0	(276,146)	542,016	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

		Issued and fully paid ordinary shares of RMI.00 each									
		Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Warrants RM'000	Share premium RM'000	*Capital reserves RM'000	**Merger relief reserve RM'000	Foreign currency reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2005 (as previously stated)	35	539,029	539,029	0	8,791	195,111	34,137	49,615	(8,521)	(236,779)	581,383
- prior year adjustment		0	0	0	0	0	0	0	0	(39,367)	(39,367)
At 1 January 2005 (as restated)		539,029	539,029	0	8,791	195,111	34,137	49,615	(8,521)	(276,146)	542,016
Currency translation differences		0	0	0	0	0	0	0	(3,639)	0	(3,639)
Net loss not recognised in income statement		0	0	0	0	0	0	0	(3,639)	0	(3,639)
Issue of shares:											
- exercise of options over ordinary shares	28	1,338	1,338	0	0	1	0	0	0	0	1,339
Repurchase of shares	28	(100)	0	(54)	0	0	0	0	0	0	(54)
Issue of warrants:											
- warrant issue cost	29	0	0	0	(14)	0	0	0	0	0	(14)
Net loss for the financial period		0	0	0	0	0	0	0	0	(11,270)	(11,270)
Dividends for the financial year ended 31 December 2004 (paid)	11	0	0	0	0	0	0	0	0	0	0
At 30 June 2006		540,267	540,367	(54)	8,777	195,112	34,137	49,615	(12,160)	(295,197)	520,597

* Capital reserves represents Group's share of post acquisition capital reserves in associated companies and accretion in the value of investments in subsidiary company arising from internal restructuring.

** Merger relief reserve represents premium on the issue of shares for the acquisition of the remaining shares in Sunway Construction Sdn Bhd ("SunCon") in accordance with Section 60(4) of Companies Act 1965.

*** Revaluation reserves represent fair value adjustment arising from acquisition of a subsidiary company.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006

	Issued and fully paid ordinary shares of RM1.00 each	Non-distributable							Total RM'000
		Number of shares '000	Nominal value RM'000	Warrants RM'000	Share premium RM'000	*Merger relief reserve RM'000	**Revaluation reserves RM'000	Accumulated losses RM'000	
Note									
At 1 January 2004	410,812	410,812	0	171,948	0	129	(364,268)	218,621	
Revaluation reserves written off	0	0	0	0	0	(129)	129	0	
Net (loss)/gain not recognised in income statement	0	0	0	0	0	(129)	129	0	
Issue of shares:									
- exercise of options over ordinary shares	28	6,001	6,001	0	1	0	0	6,002	
- private placement	28	41,229	41,229	0	24,738	0	0	65,967	
- acquisition of a subsidiary company	28	80,987	80,987	0	0	51,022	0	132,009	
- share issue cost	0	0	0	(1,576)	(1,407)	0	0	(2,983)	
Issue of warrants:									
- renounceable rights issue	29	0	0	9,354	0	0	0	9,354	
- restricted issue	29	0	0	495	0	0	0	495	
- warrants issue cost	29	0	0	(1,058)	0	0	0	(1,058)	
Net profit for the financial year	0	0	0	0	0	0	21,329	21,329	
Dividends for the financial year ended 31 December 2004 (payable)	11	0	0	0	0	0	(11,643)	(11,643)	
At 31 December 2004	539,029	539,029	8,791	195,111	49,615	0	(354,453)	438,093	

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

	Note	Issued and fully paid ordinary shares of RM1.00 each				Non-distributable					Total RM'000
		Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Warrants RM'000	Share premium RM'000	*Merger		Accumulated losses RM'000		
							relief reserve RM'000	reserves RM'000			
At 1 January 2005		539,029	539,029	0	8,791	195,111	49,615	(354,453)	438,093		
Issue of shares:											
- exercise of options over ordinary shares	28	1,338	1,338	0	0	1	0	0	1,339		
Repurchase of shares	28	(100)	0	(54)	0	0	0	0	(54)		
Issue of warrants:											
- warrants issue cost	29	0	0	0	(14)	0	0	0	(14)		
Net loss for the financial period		0	0	0	0	0	0	(76,730)	(76,730)		
Dividends for the financial year ended 31 December 2004 (paid)	11	0	0	0	0	0	0	(7,781)	(7,781)		
At 30 June 2006		540,267	540,367	(54)	8,777	195,112	49,615	(438,964)	354,853		

* Merger relief reserve represents premium on the issue of shares for the acquisition of the remaining shares in Sunway Construction Sdn Bhd ("SunCon") in accordance with Section 60(4) of Companies Act 1965.

** Revaluation reserves represent fair value adjustment arising from acquisition of a subsidiary company.

CASH FLOW STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006

	Note	Group		Company	
		18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		2,070,650	1,480,043	20,188	4,728
Cash paid to suppliers and employees		(1,882,418)	(1,483,575)	(25,471)	(15,342)
Cash from operations		188,232	(3,532)	(5,283)	(10,614)
Tax paid		(36,015)	(24,463)	(31)	(535)
Tax refund		8,978	22,373	8,396	22,373
Interest received		3,631	4,354	0	0
Dividends received from other investments		141	1,493	0	2,717
Dividends received from subsidiary companies		0	0	0	3,803
Net cash flow from operating activities		164,967	225	3,082	17,744
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from dilution in stake of subsidiary companies		1,801	0	1,801	0
Proceeds from disposal of other investments		7,736	7,357	1,244	4,990
Proceeds from disposal of property, plant and equipment		4,963	2,006	0	0
Purchase of property, plant and equipment ⁽¹⁾		(71,497)	(32,503)	0	0
Purchase of additional shares in subsidiary companies	33	0	(89,086)	(59,967)	(89,086)
Purchase of subsidiary companies	33	(48,266)	(6,987)	0	0
Purchase of additional shares in associated companies		0	(6,736)	0	(6,144)
Purchase of other investments		0	(4,856)	(55)	(7,734)
Net cash flow from investing activities		(105,263)	(130,805)	(56,977)	(97,974)

CASH FLOW STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

	Note	Group		Company	
		18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of hire purchase and lease		(22,795)	(1,686)	0	0
Share issue cost		0	(2,983)	0	(2,983)
Warrants issue cost		(14)	(1,058)	(14)	(1,058)
Proceeds from issue of shares:					
- exercise of options over ordinary shares		1,339	17,956	1,339	6,002
- private placement		0	65,967	0	65,967
Proceeds from issue of warrants:					
- renounceable rights issue		0	9,354	0	9,354
- restricted issue		0	495	0	495
Proceeds from issue of Notes		0	98,992	0	0
Advances from shareholder of a subsidiary company		3,920	0	0	0
Subscription of shares by minority interest		1,396	0	0	0
Dividends paid to minority interest		(2,825)	0	0	0
Dividends paid to shareholders		(19,424)	0	(19,424)	0
Bank borrowings drawdown		739,648	252,966	436,000	185,760
Repayment of bank borrowings		(637,278)	(132,766)	(272,260)	(56,083)
Repayment of Bonds		0	(127,769)	0	(127,769)
Repayment of Notes		(1,527)	0	0	0
Purchase of Bonds		0	0	0	0
Repurchase of Shares		(54)	0	0	0
Redemption of Notes		0	(10,450)	0	0
Advances from subsidiary companies		0	0	154,200	55,595
Repayment of advances from subsidiary companies		0	0	43,239	18,057
Advances to subsidiary companies		0	0	(107,109)	(36,303)
Repayment of advances to subsidiary companies		0	0	(135,101)	(16,924)
Interest received		4,179	1,601	1,587	1,420
Interest paid		(44,517)	(27,154)	(30,146)	(18,291)
Deposits pledged as security for ABS Senior Notes		0	(10,394)	0	0
Net cash flow from financing activities		22,048	133,071	72,311	83,239

CASH FLOW STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

	Note	Group		Company	
		18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		81,752	2,491	18,416	3,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD/YEAR		91,723	90,134	4,062	1,053
FOREIGN CURRENCY RESERVE		(413)	(902)	0	0
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD/YEAR	23	173,062	91,723	22,478	4,062

⁽¹⁾ Additions of property, plant and equipment during the financial period/year were acquired by way of:

	Note	Group		Company	
		18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Cash		71,497	32,503	0	0
Hire purchase and finance lease arrangements		13,931	5,625	0	0
Movement in property, plant and equipment creditor		0	(4,016)	0	0
Acquisition of subsidiary companies					
- hire-purchase		9,791	0	0	0
- non hire-purchase		18,635	8,822	0	0
		113,854	42,934	0	0

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act 1965.

During the financial period, the Group adopted IC Interpretations 112 “Consolidation Special Purpose Entities” (“IC 112”) which led to the consolidation of ABS Land and Properties Sdn Bhd, an entity which is in substance controlled by the Group. The Directors are of the view that this adoption which is in advance of the effective date of IC 112 provides true and fair reflection of the financial statements of the Group. This change in accounting policy has been applied retrospectively and thus comparatives have been restated as disclosed in Note 35.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the MASB approved accounting standards in Malaysia requires the use of 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 financial year. Although these estimates are based on the Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

B BASIS OF CONSOLIDATION

(i) Subsidiary companies

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. Subsidiary companies are those corporations in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of are included from the date of acquisition up to the date of disposal. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments – see accounting policy Notes R (ii) and T (i)). At the date of acquisition, the fair values of the subsidiary companies’ net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group’s share of the fair value of the subsidiary companies’ identifiable net assets is reflected as goodwill or negative goodwill. See accounting policy Note E on goodwill.

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

All intragroup transactions, balances and unrealised profits on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those adopted by the Group.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B BASIS OF CONSOLIDATION (CONT'D)

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. 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 in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of associates in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those adopted by the Group.

C PROPERTY, PLANT AND EQUIPMENT

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

Freehold land is not depreciated as it has an infinite life. The lease period for short term leasehold land is less than 50 years. The lease periods for long term leasehold land range from 50-99 years. Leasehold land is amortised on a straight-line basis over the periods of the respective leases.

All other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	2% to 33%
Plant and machinery	6.25% to 20%
Motor vehicles	20%
Furniture, fittings and office equipment	5% to 20%

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note Q on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/loss from operations.

Repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

D INVESTMENTS

Investments in subsidiary companies and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note Q on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiary companies and associated companies over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill is recognised at cost less any accumulated impairment losses. The carrying value of goodwill is subject to annual impairment review and whenever events or changes in circumstances indicate that it may not be recoverable. An impairment charge will be recognised in the income statement when the results of such impairment review indicate that the carrying value of goodwill is impaired. See accounting policy Note Q on impairment of assets.

Negative goodwill represents the excess of the Group's interest in the fair value of identifiable net assets and liabilities over cost of acquisition, and is recognised directly in the income statement at the date of acquisition.

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

F QUARRY DEVELOPMENT EXPENDITURE

Quarry development expenditure is stated at cost less accumulated amortisation and impairment losses.

Expenses incurred on the development of quarry face are capitalised and written off based on actual production volume over the estimated reserves available from the quarry face developed.

Where an indication of impairment exists, the carrying value of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note Q on impairment of assets.

G INVENTORIES, COMPLETED DEVELOPMENT PROPERTIES AND ASSETS HELD FOR RESALE

(i) Inventories

Inventories consist of raw materials, work in progress, finished goods, trading goods, consumable stocks and spare parts. Inventories are stated at the lower of cost and net realisable value. Cost includes, where relevant, appropriate proportions of overheads and is determined on the weighted average method. Net realisable value of finished goods, trading goods, consumable stocks and spare parts is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(ii) Completed development properties

Completed development properties are stated at the lower of cost and net realisable value. The cost of completed development properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities. The net realisable value of completed development properties is based on the estimated selling price in the ordinary course of business, less selling expenses.

(iii) Assets held for resale

Assets held for resale are stated at the lower of cost and net realisable value. Cost for assets held for resale is determined on a specific identification basis. The net realisable value of assets held for resale is based on Directors' appraisal at open market value based on appropriate information and indices that are available.

H CONSTRUCTION CONTRACTS

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion of the value of work performed to date as certified by the architects over total contract revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H CONSTRUCTION CONTRACTS (CONT'D)

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.

Irrespective whether the outcome of a construction contract can be estimated reliably, 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 or 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 construction contracts under debtors (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 creditors (within current liabilities).

I PROPERTY DEVELOPMENT ACTIVITIES

(i) Land held for property development

Land held for property development consists of land held for future development and where no significant development has been undertaken and where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Costs associated with the acquisition of land includes the purchase price of the land, incidental costs of acquisition, development expenditure and interest costs to put the land in a condition ready for development. Where an indication of impairment exists, the carrying amount of the assets is assessed and written down immediately to its recoverable amount. See accounting policy Note Q on impairment of assets.

Land held for property development is transferred to property development costs (under current assets) when significant development activities has been undertaken and are expected to be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method based on architect certification to end purchasers.

When the outcome of the 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; property development costs on the development units sold are recognised when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

When revenue recognised in the income statement exceeds billings to purchasers, the balance is shown as accrued billings under debtors (under current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under creditors (under current liabilities).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J DEBTORS

Debtors are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the financial year end.

K LEASES

(i) Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

(ii) Accounting by lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a debtor. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of interest on the outstanding balance.

L CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

M FOREIGN CURRENCIES

(i) Foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'Foreign currency reserve' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M FOREIGN CURRENCIES (CONT'D)

(i) Foreign entities (cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

(ii) Foreign currency transactions and balances

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(iii) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	30.6.2006 RM	31.12.2004 RM
1 US Dollar	3.6800	3.8000
1 Euro	4.6878	5.2551
1 Renminbi	0.4606	0.4591
1 Hong Kong Dollar	0.4782	0.4940
1 Thai Baht	0.1001	0.1013
1 Singapore Dollar	2.3322	2.3566
1 Sterling Pound	6.7553	7.3901
1 Trinidad and Tobago Dollar	0.5795	N/A
1 Macau Pataca	0.4596	N/A
100 Japanese Yen	3.1963	N/A
100 Indian Rupee	8.0218	8.9430
1000 Vietnam Dong	0.2484	0.2518
1000 Indonesian Rupiah	0.4150	0.4240

N REVENUE RECOGNITION

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes, rebates and discounts, and after eliminating sales within the Group.

- (i) Revenue on construction contracts is recognised based on stage of completion. The stage of completion is measured by reference to the proportion of the value of work performed to date as certified by the architects over total contract revenue.
- (ii) Sales of goods are recognised upon delivery of goods and customer acceptance, net of sales taxes and discounts.
- (iii) Revenue from development properties is recognised on the percentage of completion method based on architects' certification to end purchasers.
- (iv) Interest on lease and hire purchase are recognised as income on the "Rule of 78" basis.
- (v) Dividend income from investments is recognised when the shareholders' right to receive payment is established.
- (vi) Management fees and rental income from completed development properties and assets held for resale is recognised on an accrual basis.
- (vii) Interest income is recognised on an accrual basis, unless collectibility is in doubt.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O BLOCK DISCOUNTING CHARGES

Block discounting charges are dealt with through the income statement on the “Rule of 78” basis.

P FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments recognised on the balance sheet

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

Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of quoted investments is based on quoted market prices at the balance sheet date and the fair value of other unquoted investments is based on a combination of projected future cash flow and realisable net assets value.

The fair values of financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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

Q IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Impairment losses are charged to the income statement.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised to the income statement.

R SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

R SHARE CAPITAL *(CONT'D)*

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared.

S WARRANTS

Warrants are classified as equity.

The issue of ordinary shares upon exercise of the warrants are treated as new subscriptions of ordinary shares for the consideration equivalent to the warrants exercise price.

T BORROWINGS

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

(ii) Capitalisation of borrowing cost

Borrowing costs incurred to finance property development activities and construction contracts are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

U INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary company or associated company on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiary companies and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

V EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees (including Executive Directors) of the Group.

(ii) Post-employment benefits

Companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group's contributions to the EPF are charged to the income statement in the financial period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity compensation benefits

Details of the Group's ESOS are set out in Note 28(iii) to the financial statements. The Group does not make a charge to the income statement in connection with options over ordinary shares granted. When the options over ordinary shares are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

W SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

X CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006

1 GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of construction of building and civil works, manufacturing and trading of building materials, trading and distribution of construction related product, quarrying and property development.

The number of employees of the Group and Company at the end of the financial period was 2,572 (2004: 2,243) and 111 (2004: 35) persons respectively.

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

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

Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

The financial year end of the Company was changed from 31 December to 30 June. Accordingly, comparative amounts for the income statement, changes in equity, cash flows and related notes are not comparable.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including:

- foreign currency exchange risk - risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates
- interest rate risk - risk that the value of a financial instrument will fluctuate due to changes in market interest rates
- credit risk - risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss
- cash flow risk - risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value
- liquidity risk (funding risk) - risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial management policies. The Board of Directors regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in currencies other than its functional currency. The Group limits its exposure on foreign currency debtors and creditors by entering into forward exchange rate contracts. The Group has a natural hedge to the extent that payments for foreign currency payables is matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

Interest rate risk

The Group and Company's income and operating cash flows are substantially independent of changes in the market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed through the use of fixed and floating rate debt financial instruments. Short term debt instruments are used, where appropriate, to generate a desired interest rate profile.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

The Group manages its credit risk through adherence to the Group's established policies on credit control which involve a comprehensive credit evaluation, setting up appropriate credit limits, obtaining adequate security in support of the credit exposure, ensuring that sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

The Group generally has no significant concentrations of credit risk and the Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

The Company has given guarantees to certain subsidiary companies and related companies for banking facilities. The Directors are of the view that such credit risk is minimal in view of the stability of the subsidiary companies' financial position.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3 REVENUE

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Construction contracts	1,271,184	1,055,317	0	0
Sale of goods and properties	576,960	282,281	0	0
Property development	162,963	133,659	0	0
Lease and hire purchase	3,770	5,044	0	0
Dividend income (gross) from:				
- subsidiary companies	0	0	54,000	26,953
- other investments	1,280	1,493	0	0
Management fees, rental income and rendering of services	41,109	19,725	11,953	2,890
	2,057,266	1,497,519	65,953	29,843

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

4 COST OF SALES

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Construction contracts	1,068,665	885,558	0	0
Cost of goods and properties sold	479,606	231,229	0	0
Property development cost	101,888	82,766	0	0
Lease and hire purchase	1,341	1,576	0	0
Cost of services rendered	15,541	6,073	0	0
	1,667,041	1,207,202	0	0

5 IMPAIRMENT LOSSES

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Impairment losses/(reversal of impairment losses) in respect of investments in:				
- Subsidiary companies (Note 14)				
- Unquoted investments	0	0	44,552 ⁽¹⁾	0
- Quoted warrants (Note 15)	10,773	0	4,753 ⁽²⁾	0
- Associated Companies (Note 15)				
- Unquoted investments	9,565	0	10,000 ⁽³⁾	0
- Quoted investments	(5,141)	0	50,772 ⁽⁴⁾	0
- Other investments (Note 16)				
- Unquoted investments	86	(403)	0	(403)
- Quoted investments	0	296	0	0
- Assets held for resale and inventories	6,637	6,908	0	0
- Property, plant and equipment	1,840	2,145	0	0
	23,760	8,946	110,077	(403)

The Company's carrying value of investment in associated company, Sunway Infrastructure Berhad ("SunInfra") indicated a shortfall when compared to its recoverable amount. As such, the Company has impaired its investments in SunInfra shares⁽⁴⁾, warrants⁽²⁾ and redeemable preference shares⁽³⁾. The Company has also impaired its investment in a subsidiary company⁽¹⁾ due to history of losses.

The provision for impairment in SunInfra warrants and redeemable preference shares have also been reflected in the financial statements of the Group.

In addition, there is a shortfall in carrying value of certain properties held by its subsidiary companies when compared to the prevailing market value. This led to the recognition of impairment losses for assets held for resale.

During the financial period, the Group made an impairment loss provision of RM1.8 million (2004: RM Nil) for buildings of a subsidiary company operating in the building materials segment, which has ceased operations in its Beranang plant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

6 PROFIT FROM OPERATIONS

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Profit from operations is arrived at:				
After charging:				
Auditors' remuneration:				
- fees for statutory audits				
- Company's auditors	610	494	77	67
- other auditors	267	122	0	0
- fees for other services				
- Company's auditors	6	46	6	6
- other auditors	0	15	0	0
Allowance for doubtful debts:				
- trade	17,238	3,833	0	0
- amounts due from subsidiary companies	0	0	32,792	0
Allowance for inventory obsolescence	1,494	1,292	0	0
Bad debts written off:				
- trade	1,058	80	524	0
- amount due from an associated company	0	5	0	0
Directors' fees (Note 7)	84	117	84	63
Exchange losses:				
- unrealised	540	409	0	0
- realised	0	895	325	0
Hire of plant and machinery	7,215	3,593	187	94
Inventories written off	2,119	83	0	0
Loss on disposal of investment properties	0	18	0	0
Loss on disposal of warrants in an associated company	1,073	0	0	0
Property, plant and equipment:				
- depreciation (Note 12)	48,664	27,791	8	6
- written off (Note 12)	3,658	45	0	0
- loss on disposal	92	70	0	0
Rental of land and buildings	12,052	3,312	962	262
Staff costs (including Directors' Remuneration (Note 7)):				
- wages, salaries and bonuses	155,078	92,489	12,755	4,307
- national defined contribution plan	11,131	7,969	1,117	390
- social security fund	3,620	724	42	6
- other employee benefits	12,997	6,770	917	257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

6 PROFIT FROM OPERATIONS (CONT'D)

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
And crediting:				
Bad debts recovered	2,138	337	0	0
Exchange gain:				
- unrealised	169	43	129	0
- realised	1,352	263	0	0
Gain on dilution of interest in a subsidiary company	398	0	0	0
Gain on disposal of a subsidiary company *	0	0	12,284	0
Gain on disposal of ABS Notes and other investments	590	124	349	124
Gain on disposal of property, plant and equipment	2,962	2,598	0	0
Gain on prior year's disposal of a subsidiary company **	0	2,284	0	2,284
Gain on disposal of assets held for resale	30	0	0	0
Interest income from:				
- advances to subsidiary companies	0	0	5,029	5,723
- others	11,871	13,051	595	356
Negative goodwill arising from acquisition of a subsidiary company (Note 33)	3,120	782	0	0
Rental income from land and buildings	2,747	4,570	0	0
Write back of allowance for doubtful debts:				
- amount due from a subsidiary company	0	0	13,637	0
- trade	3,943	1,228	0	0
Write back of provision for rock reserves	4,001	0	4,001	0
Waiver of debt by subsidiary company	0	0	23,000	0

* Disposal proceed of a subsidiary company is satisfied by way of set-off with amounts due to subsidiary company.

** The additional gain represents subsequent recovery of debts outstanding at the date of disposal of Sunway-Pioneer Quarry Sdn Bhd to Hanson Quarry Products (Holdings) Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

7 DIRECTORS' REMUNERATION

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
The aggregate amount of emoluments received/receivable by Directors of the Company during the financial period/year were as follows:				
Non-executive Directors*:				
- salaries and bonuses	1,675	1,196	0	0
- estimated money value of benefits-in-kind	80	30	0	0
- national defined contribution plan	214	158	0	0
- other benefits	105	125	0	0
Non-executive Directors:				
- fees (Note 6)	84	117	84	63
- other emoluments	37	34	37	29
Executive Directors:				
- salaries and bonuses	3,088	2,422	3,088	2,422
- estimated money value of benefits-in-kind	276	274	276	274
- national defined contribution plan	390	324	390	324
- other benefits	159	278	159	278
	6,108	4,958	4,034	3,390

* Directors' remuneration in respect of certain Non-executive Directors who are Executive Directors of a subsidiary company of the Company.

Executive Directors of the Company have been granted options over ordinary shares under the ESOS on the same terms and conditions of those offered to other employees of the Group (see Note 28(iii)) as follows:

Grant date	Expiry date	Exercise price RM/share	Number of options over ordinary shares			
			At start of financial period '000	Granted '000	Exercised '000	At end of financial period '000
<u>30.6.2006</u>						
7.11.2002	6.11.2012	1.00	6,200	0	0	6,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

7 DIRECTORS' REMUNERATION (CONT'D)

Grant date	Expiry date	Exercise price RM/share	Number of options over ordinary shares			
			At start of financial year '000	Granted '000	Exercised '000	At end of financial year '000
31.12.2004						
7.11.2002	6.11.2012	1.00	6,200	0	0	6,200
					30.6.2006 '000	31.12.2004 '000
Number of options over ordinary shares vested at balance sheet date					6,200	6,200

8 FINANCE COST

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Interest expense on:				
- Bank borrowings	40,452	13,934	32,279	4,228
- Bonds	0	6,479	0	6,479
- Advances from subsidiary companies	0	0	2,568	9,666
- Advances from related companies	0	0	0	616
- ABS Notes	9,357	5,769	0	0
- Others	4,419	3,752	1	258
	54,228	29,934	34,848	21,247
Less:				
Interest capitalised into property development costs (Note 18(b))	0	(2,966)	0	0
	54,228	26,968	34,848	21,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

9 TAX EXPENSE

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Current tax:				
- Malaysian tax	25,784	5,266	188	(15,638)
- Foreign tax	5,494	1,031	0	0
Deferred tax (Note 26)	(1,238)	(8,171)	0	0
	30,040	(1,874)	188	(15,638)
Current tax:				
- Current financial period/year	31,999	25,006	132	516
- Benefit from previously unrecognised tax losses	(418)	(1,156)	0	0
- (Over)/under accrual in prior financial years (net)	(303)	(17,553)	56	(16,154)
Deferred tax:				
- Origination and reversal of temporary differences	(2,314)	(8,171)	0	0
- Under accrual in prior financial year	1,076	0	0	0
	30,040	(1,874)	188	(15,638)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

9 TAX EXPENSE (CONT'D)

The explanation of the relationship between tax expense and profit/(loss) from ordinary activities before tax is as follows:

	Group		Company	
	18 months ended 30.6.2006 %	Year ended 31.12.2004 %	18 months ended 30.6.2006 %	Year ended 31.12.2004 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	28	28	28	28
Tax effects of:				
- small and medium enterprises tax rate of 20%/ foreign tax rate	3	(1)	0	0
- expenses not deductible for tax purposes	90	6	(37)	27
- income not subject to tax	(86)	(12)	27	(46)
- current period/year tax loss not recognised	63	6	0	0
- temporary differences not recognised	7	2	(18)	0
- previously unrecognised tax losses	(1)	(9)	0	0
- previously unrecognised temporary differences	(3)	(5)	0	0
- over accrual in prior financial years (net)	2	(18)	0	(284)
Average effective tax rate	103	(3)	0	(275)

	Group		Company	
	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
Tax losses				
Tax savings from the utilisation of tax losses brought forward from previous years for which the related credit is recognised during the financial period/year	418	1,156	0	0

During the financial period, the Company received RM8.3 million, being the total tax refund covering the years of assessment from 2003 to 2004 from the Inland Revenue Board. The tax refund consists of tax credits arising from Section 110 of the Income Tax Act, 1967 on dividend income received from subsidiary companies and/or overpayment of tax liabilities for the said years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit for the financial period/year by the weighted average number of ordinary shares in issue during the financial period/year.

	Group	
	18 months ended 30.6.2006	Year ended 31.12.2004
Net (loss)/profit for the financial period/year (RM'000)	(11,270)	39,299
Weighted average number of ordinary shares in issue ('000)	540,144	486,020
Basic (losses)/earnings per share (sen)	(2.09)	8.08

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: options over ordinary shares granted to employees and warrants. The terms of the options over ordinary shares and unexercised warrants are set out in Note 28(iii) and 29 to the financial statements respectively.

In the current financial period, the options and warrants are deemed non-dilutive since their exercise prices are above the fair value of the Company's shares. As such, in accordance with FRS 133 "Earnings Per Share", presentation of diluted earnings per share is not required.

For financial year ended 31 December 2004, in respect of options over ordinary shares granted to employees, a calculation was done to determine the number of shares that could had been issued at market price (determined as the average share price of the Company's shares) based on the consideration that would had been received on the exercise of the dilutive options over ordinary shares. The difference between the number of shares assumed to be issued on exercise of the dilutive options over ordinary shares and the number of shares that would had been issued at fair value were treated as an issue of ordinary shares for no consideration. The shares issued for no consideration were added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment was made to net profit for the financial year for options over ordinary shares calculation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

10 EARNINGS PER SHARE

(b) Diluted earnings per share (cont'd)

	Group Year ended 31.12.2004
Net profit for the financial year (RM'000)	39,299
Weighted average number of ordinary shares in issue ('000)	486,020
Adjustment for:	
- options over ordinary shares ('000)	9,082
- warrants ('000)	841
Weighted average number of ordinary shares for diluted earnings per share ('000)	495,943
Diluted earnings per share (sen)	7.92

Comparative earnings per share information has been restated to take into account the effect on net profit for the year of the change in accounting policy as disclosed in Note 35 to the financial statements.

11 DIVIDENDS

Dividends declared or proposed in respect of ordinary shares for the financial period/year is as follows:

	Group and Company			
	18 months ended 30.6.2006		Year ended 31.12.2004	
	Gross per share Sen	Amount of dividend, net of 28% tax RM'000	Gross per share Sen	Amount of dividend, net of 28% tax RM'000
Interim dividend declared	0	0	3	11,643
Final dividend proposed	0	0	2	7,781
	0	0	5	19,424

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2005 RM'000	Foreign currency reserve RM'000	Written off RM'000	Additions RM'000	Disposals RM'000	Reclassifications RM'000	At 30.6.2006 RM'000
Group							
Cost							
Purchased assets							
Freehold land	30,230	0	(832)	0	(498)	0	28,900
Long term leasehold land	10,543	0	0	571	(655)	0	10,459
Short term leasehold land	5,959	(57)	0	1,936	0	0	7,838
Buildings	106,908	(682)	(4,709)	10,528	(1,291)	(525)	110,229
Total land and buildings	153,640	(739)	(5,541)	13,035	(2,444)	(525)	157,426
Plant and machinery	246,653	(533)	(1,310)	56,777	(8,880)	3,017	295,724
Motor vehicles	45,402	(291)	0	4,962	(5,080)	(304)	44,689
Furniture, fittings and office equipment	35,462	(77)	(381)	7,863	(193)	(401)	42,273
Capital work-in-progress	1,028	0	0	7,497	0	(1,985)	6,540
	482,185	(1,640)	(7,232)	90,134	(16,597)	(198)	546,652
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	6,833	(56)	(799)	18,068	0	(44)	24,002
Motor vehicles	2,786	(2)	0	3,720	(19)	242	6,727
Furniture, fittings and office equipment	5,138	0	0	1,932	0	0	7,070
	14,757	(58)	(799)	23,720	(19)	198	37,799
	496,942	(1,698)	(8,031)	113,854	(16,616)	0	584,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2005 RM'000	Foreign currency reserve RM'000	Written off RM'000	Charge for the financial period RM'000	Released on disposals RM'000	Reclassifications RM'000	At 30.6.2006 RM'000
Group (cont'd)							
Accumulated depreciation							
Purchased assets							
Long term leasehold land	896	0	0	253	(655)	0	494
Short term leasehold land	2,010	(18)	0	1,154	0	0	3,146
Buildings	32,593	(209)	(2,310)	4,206	(1,468)	0	32,812
Total land and buildings	35,499	(227)	(2,310)	5,613	(2,123)	0	36,452
Plant and machinery	167,218	(399)	(885)	25,877	(5,144)	0	186,667
Motor vehicles	37,870	(224)	0	3,908	(4,124)	(146)	37,284
Furniture, fittings and office equipment	26,881	(73)	(379)	5,278	(847)	0	30,860
Capital work-in-progress	0	0	0	0	0	0	0
	267,468	(923)	(3,574)	40,676	(12,238)	(146)	291,263
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	6,351	(56)	(799)	3,367	(393)	0	8,470
Motor vehicles	1,505	(1)	0	1,410	(583)	146	2,477
Furniture, fittings and office equipment	1,255	0	0	3,211	0	0	4,466
	9,111	(57)	(799)	7,988	(976)	146	15,413
	276,579	(980)	(4,373)	48,664	(13,214)	0	306,676
Accumulated impairment losses							
Long term leasehold land	1,601	0	0	0	0	0	1,601
Buildings	0	0	0	1,840	0	0	1,840
Plant and machinery	1,300	0	0	0	0	0	1,300
Capital work-in-progress	845	0	0	0	0	0	845
	3,746	0	0	1,840	0	0	5,586

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2004 RM'000	Foreign currency reserve RM'000	Written off RM'000	Additions RM'000	Disposals RM'000	Reclassifications RM'000	At 31.12.2004 RM'000
Group							
Cost							
Purchased assets							
Freehold land	30,230	0	0	0	0	0	30,230
Long term leasehold land	3,208	(71)	0	7,885	(479)	0	10,543
Short term leasehold land	4,674	(40)	0	1,325	0	0	5,959
Buildings	121,447	221	0	9,814	(24,574)	0	106,908
Total land and buildings	159,559	110	0	19,024	(25,053)	0	153,640
Plant and machinery	235,171	(185)	(4)	12,360	(1,580)	891	246,653
Motor vehicles	46,311	262	(62)	1,907	(2,182)	(834)	45,402
Furniture, fittings and office equipment	31,781	36	(156)	3,927	(105)	(21)	35,462
Capital work-in-progress	973	0	0	91	0	(36)	1,028
	473,795	223	(222)	37,309	(28,920)	0	482,185
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	7,439	(606)	0	0	0	0	6,833
Motor vehicles	2,648	(86)	0	487	(263)	0	2,786
Furniture, fittings and office equipment	0	0	0	5,138	0	0	5,138
	10,087	(692)	0	5,625	(263)	0	14,757
	483,882	(469)	(222)	42,934	(29,183)	0	496,942

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2004 RM'000	Foreign currency reserve RM'000	Written off RM'000	Charge for the financial year RM'000	Released on disposals RM'000	Reclassifications RM'000	At 31.12.2004 RM'000
Group (cont'd)							
Accumulated depreciation							
Purchased assets							
Long term leasehold land	122	0	0	774	0	0	896
Short term leasehold land	1,353	(10)	0	667	0	0	2,010
Buildings	32,437	175	0	3,210	(3,229)	0	32,593
Total land and buildings	33,912	165	0	4,651	(3,229)	0	35,499
Plant and machinery	151,769	30	(1)	16,031	(1,335)	724	167,218
Motor vehicles	38,135	(39)	(62)	2,518	(1,961)	(721)	37,870
Furniture, fittings and office equipment	24,072	48	(114)	2,960	(82)	(3)	26,881
	247,888	204	(177)	26,160	(6,607)	0	267,468
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	6,597	(246)	0	0	0	0	6,351
Motor vehicles	1,386	(39)	0	376	(218)	0	1,505
Furniture, fittings and office equipment	0	0	0	1,255	0	0	1,255
	7,983	(285)	0	1,631	(218)	0	9,111
	255,871	(81)	(177)	27,791	(6,825)	0	276,579
Accumulated impairment losses							
Long term leasehold land	1,601	0	0	0	0	0	1,601
Plant and machinery	0	0	0	1,300	0	0	1,300
Capital work-in-progress	0	0	0	845	0	0	845
	1,601	0	0	2,145	0	0	3,746

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	30.6.2006 RM'000	31.12.2004 RM'000
Group (cont'd)		
Net book value		
<u>Purchased assets</u>		
Freehold land	28,900	30,230
Long term leasehold land	8,364	8,046
Short term leasehold land	4,692	3,949
Buildings	75,577	74,315
Total land and buildings	117,533	116,540
Plant and machinery	107,757	78,135
Motor vehicles	7,405	7,532
Furniture, fittings and office equipment	11,413	8,581
Capital work-in-progress	5,695	183
	249,803	210,971
<u>Assets acquired under finance lease and hire purchase agreements</u>		
Plant and machinery	15,532	482
Motor vehicles	4,250	1,281
Furniture, fittings and office equipment	2,604	3,883
	272,189	216,617

Freehold land with net book value of RM25,024,000 (2004: RM30,230,000) at the end of the financial period are pledged as security for term loan facilities (Note 25).

Leasehold land with net book value of RM6,915,000 (2004: RM7,128,000) at the end of the financial period are pledged as security for term loan facilities (Note 25).

Buildings with net book value of RM29,139,000 (2004: RM33,103,000) at the end of the financial period are pledged as security for term loan facilities (Note 25).

Plant and machinery with net book value of RM27,555,000 (2004: RM17,570,000) at the end of the financial period are pledged as security for term loan facilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	At 1.1.2005/ 30.6.2006 RM'000
Cost	
Building	280
Furniture, fittings and office equipment	3
	283

Company	At 1.1.2005 RM'000	Charge for the financial period RM'000	At 30.6.2006 RM'000
Accumulated depreciation			
Building	12	8	20
Furniture, fittings and office equipment	2	0	2
	14	8	22

Company	At 1.1.2004/ 31.12.2004 RM'000
Cost	
Building	280
Furniture, fittings and office equipment	3
	283

Company	At 1.1.2004 RM'000	Charge for the financial year RM'000	At 31.12.2004 RM'000
Accumulated depreciation			
Building	6	6	12
Furniture, fittings and office equipment	2	0	2
	8	6	14

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	30.6.2006 RM'000	31.12.2004 RM'000
<u>Company</u>		
<u>Net book value</u>		
Building	260	268
Furniture, fittings and office equipment	1	1
	261	269

13 QUARRY DEVELOPMENT EXPENDITURE

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
<u>Cost</u>		
At beginning of financial period/year	0	0
Acquisition of subsidiary company	268	0
Incurred during the financial period/year	1,017	0
At end of financial period/year	1,285	0
<u>Accumulated amortisation</u>		
At beginning of financial period/year	0	0
Charge for the financial period/year	120	0
At end of financial period/year	120	0
Net book value at end of financial period/year	1,165	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Non-current		
Unquoted shares, at cost		
At 1 January	552,068	251,598
Acquired during the financial period/year	197,881	9,918
Transferred from Quoted shares	0	290,552
Disposal	(500)	0
At 30 June/31 December	749,449	552,068
Less: Accumulated impairment losses	(69,597)	(25,045)
	679,852	527,023
Quoted shares, at cost		
At 1 January	0	79,376
Acquired during the financial period/year	0	211,176
Transferred to Unquoted shares	0	(290,552)
At 30 June/31 December	0	0
Total	679,852	527,023

Unquoted shares of a subsidiary company with carrying value of RM223,882,232 (2004: RM221,131,000) at the end of the financial period/year are pledged as security for term loan facilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
Sunway Construction Sdn Bhd	Malaysia	100.00	100.00	Construction of building and civil works
SunwayMas Sdn Bhd	Malaysia	100.00	100.00	Property and housing development
Sunway Juarasama Sdn Bhd **	Malaysia	100.00	100.00	Construction of building and civil works
Sunway Keramo Sdn Bhd	Malaysia	100.00	100.00	Marketing, manufacturing and sale of vitrified clay pipes and other similar clay products
Sunway Marketing Sdn Bhd	Malaysia	100.00	100.00	Marketing, distribution and sale of construction related products
Sunway Marketing (S) Pte. Ltd. *	Singapore	100.00	100.00	Import, export and wholesale of building materials, heavy equipment and industrial hardware
Sunway Credit & Leasing Sdn Bhd	Malaysia	100.00	100.00	Lease and hire purchase financing
Sunway Risk Management Sdn Bhd	Malaysia	100.00	100.00	General insurance underwriting and consultancy services
Sunway Management Sdn Bhd	Malaysia	100.00	100.00	Share registration and secretarial services
Sunway Land Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Sunway Holdings (Vietnam) Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Amalan Insaf (M) Sdn Bhd *	Malaysia	82.50	82.50	Investment holding
Reptolink Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Sunway Property (China) Ltd. (formerly known as Ubundi Ltd.)*	Hong Kong	100.00	100.00	Investment holding
Shahawan (M) Sdn Bhd **	Malaysia	100.00	100.00	Property investment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
Galaxy Avenue Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Sunway Orient Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Sunway Global Limited	Hong Kong	60.00	0.00	Investment holding and provision of management services
Sunway BPO Sdn Bhd	Malaysia	100.00	100.00	Provision of finance and accounting services
Sunway Shared Services Centre Sdn Bhd **	Malaysia	100.00	100.00	Provision of financial and accounting services to its related companies
City Leader Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Myanmar Sungei Way Holdings Limited *^	Myanmar	99.90	99.90	Dormant
Synergy Quarry and Asphalt Industries Sdn Bhd *	Malaysia	70.00	0.00	Dormant
Splendid Era Sdn Bhd	Malaysia	100.00	50.00	Dormant
ABS Land & Properties Berhad*	Malaysia	100.00	100.00	Implementation of securitisation transactions
Sunway Quarry Industries Sdn Bhd	Malaysia	100.00	0.00	Manufacturing and supplying of premix, quarry operations to carry out contract works for civil projects
Sunway Pipeplus Technology Sdn Bhd **	Malaysia	100.00	100.00	Production of concrete pipes
Sun-Block Sdn Bhd **	Malaysia	100.00	100.00	Manufacturing and sale of concrete blocks, pavers and compressed concrete tiles; manufacturing and sale of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Sunway Construction Sdn Bhd:</u>				
- Sunway Innopave Sdn Bhd	Malaysia	100.00	100.00	Construction of civil and building works and provision of project management
- Sunway M&E Sdn Bhd	Malaysia	100.00	100.00	Provision of mechanical and electrical works
- Sunway Machinery Sdn Bhd (formerly known as SWC Machinery Sdn Bhd)**	Malaysia	100.00	100.00	Renting of machinery and site equipment and undertaking sub-contract work
- Binajelata (M) Sdn Bhd **	Malaysia	100.00	100.00	Project management and providing technical advisory services
- Identiti Jelata (M) Sdn Bhd	Malaysia	100.00	100.00	Project management, technical advisory services and property management
- Sunway Engineering Sdn Bhd	Malaysia	74.70	74.70	Provision of mechanical and engineering works
- Sunway Builders Sdn Bhd	Malaysia	100.00	100.00	Construction of building and civil works
- Sunway Piling Sdn Bhd **	Malaysia	100.00	100.00	Manufacturing of concrete bricks and pavers; manufacturing and sales of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries
- Sunspan Sdn Bhd	Malaysia	100.00	100.00	Construction of building and civil works
- Muhibbah Permai Sdn Bhd**	Malaysia	80.00	80.00	Property development
- Target Beam (M) Sdn Bhd**	Malaysia	100.00	100.00	Project management, technical advisory services and property management

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Sunway Construction Sdn Bhd: (cont'd)</u>				
- Baramatics Sdn Bhd	Malaysia	100.00	100.00	Project management and technical advisory services
- Classvest Realty Sdn Bhd **	Malaysia	100.00	100.00	Property investment, project management and providing technical advisory services
- Crosside Realty Sdn Bhd **	Malaysia	100.00	100.00	Property investment, project management and providing technical advisory services
- Sunway Industrial Products Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
- Sunway Machineries Services Sdn Bhd**	Malaysia	100.00	100.00	Investment holding
- Sunway Construction (India) Pte. Ltd. *	India	100.00	100.00	Construction of civil and building works
- PT Sunway-Yasa PMI Pile	Indonesia	65.00	65.00	Design, manufacture, supply and installation of concrete based foundation and other concrete products
- Sunway Creative Stones Sdn Bhd	Malaysia	51.00	51.00	Trading of construction materials and general contract work
- Sunway GD Piling Sdn Bhd	Malaysia	60.00	0.00	Piling and foundation works
- Sunway Construction (Caribbean) Limited	Trinidad and Tobago	100.00	0.00	Construction of civil and building works
- Sunway Precast Industries Sdn Bhd **	Malaysia	100.00	100.00	Manufacturing precast concrete building components, undertaking of precast concrete building contracts and renting of machineries

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary company of Sunway Industrial Products Sdn Bhd:</u>				
- Sunway Concrete Products (S) Pte. Ltd. *	Singapore	100.00	100.00	Manufacturing and sale of precast concrete building components
<u>Subsidiary company of Sunway Creative Stones Sdn Bhd:</u>				
- Sunway Dimension Stones Sdn Bhd	Malaysia	51.00	100.00	Dormant
<u>Subsidiary companies of Sunway Machineries Services Sdn Bhd:</u>				
- Sunway PMI-Pile Construction Sdn Bhd **	Malaysia	99.42	99.42	Manufacturing and sale of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries
- Sunway SK Sdn Bhd (formerly known as Sunway Utama Sdn Bhd)	Malaysia	100.00	100.00	Dormant
- Amona Sunway Construction Consortium Sdn Bhd (formerly known as Sunway Modular Construction Sdn Bhd)**	Malaysia	100.00	100.00	Dormant
- Sun-Block (Batang Kali) Sdn Bhd **	Malaysia	100.00	100.00	Dormant
- Eternal Reserves Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Sunway Machineries Services Sdn Bhd: (cont'd)</u>				
- Gold Kinetic Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Investment holding
- Sunway Building Technology (Vietnam) Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Dormant
<u>Subsidiary company of Sunway SK Sdn Bhd (formerly known as Sunway Utama Sdn Bhd)</u>				
- Sunway Form-Eze Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Dormant
<u>Subsidiary company of Eternal Reserves Sdn Bhd</u>				
- Sunway Slag Cement Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Dormant
<u>Subsidiary companies of SunwayMas Sdn Bhd:</u>				
- Ikaz Engineering Sdn Bhd	Malaysia	100.00	94.00	Property development
- Mujurmas Sdn Bhd	Malaysia	100.00	100.00	Property development
- Pembangunan Risjaya Sdn Bhd	Malaysia	100.00	100.00	Property development
- Usaha Arahmanz Sdn Bhd	Malaysia	100.00	100.00	Property development
- Zafarra Corporation Sdn Bhd	Malaysia	100.00	100.00	Property development
- Eaglefield Sdn Bhd	Malaysia	100.00	100.00	Dormant
- Reliance Outline (M) Sdn Bhd (In liquidation)	Malaysia	100.00	100.00	Dormant

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Sunway Marketing Sdn Bhd:</u>				
- Sunway Marketing (East Malaysia) Sdn Bhd	Malaysia	85.00	85.00	General trading
- Sunway Hose Centre Sdn Bhd **	Malaysia	85.00	85.00	General trading
- Sunway Architectural Products Sdn Bhd **	Malaysia	85.00	85.00	Dormant
<u>Subsidiary companies of Sunway Marketing (S) Pte Ltd:</u>				
- PT Sunway Marketing Indonesia *	Indonesia	100.00	100.00	Trading in hydraulic hoses, fittings and industrial products
- Sunway Marketing (Shanghai) Pte. Ltd. *	China	100.00	100.00	Manufacturing and trading of pipes, hoses and related components
- PT Trek Masindo *	Indonesia	100.00	100.00	Sale of heavy equipment and related components
<u>Subsidiary companies of Sunway Credit & Leasing Sdn Bhd:</u>				
- SWL Nominees (Tempatan) Sdn Bhd	Malaysia	100.00	100.00	Provision of share nominee services
- Sunway Elite Sdn Bhd (formerly known as Eternal Elite Sdn Bhd)**	Malaysia	100.00	100.00	Property investment for rental income
- SWL Factoring Sdn Bhd	Malaysia	100.00	100.00	Dormant
<u>Subsidiary companies of Sunway Land Sdn Bhd:</u>				
- Sungei Way Resources Sdn Bhd **	Malaysia	100.00	100.00	Property investment
- Fortuna Gembira Enterpris Sdn Bhd **	Malaysia	100.00	100.00	Property investment and investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Reptolink Sdn Bhd</u>				
- Sunway Enterprise (1988) Sdn Bhd*	Malaysia	100.00	0.00	Trading and hiring of heavy machinery and spares
- Sunway Hydraulic Industries Sdn Bhd*	Malaysia	100.00	0.00	Manufacturing of couplings and assembly of hydraulic hoses
<u>Subsidiary companies of Sunway Holdings (Vietnam) Sdn Bhd:</u>				
- Sunway Hatay Construction & Building Materials JV Co. Ltd. *	Vietnam	86.00	86.00	Quarrying and manufacturing of ready-mixed concrete
- Hochimex Nominee Company Limited *	Hong Kong	100.00	100.00	Investment holding
- Sungei Way Ocean Joint Venture Ltd. *	Vietnam	70.00	70.00	Quarrying and production of building stones
- Realty Investments (HB) Inc. *	Panama	100.00	100.00	Investment holding
<u>Subsidiary company of Hochimex Nominee Company Limited:</u>				
- Sunway Hotel Hanoi Joint-Venture Company *	Vietnam	71.00	71.00	Hotel operations
<u>Subsidiary company of Realty Investments (HB) Inc.:</u>				
- Hang Bai Office Complex JVC *	Vietnam	74.00	74.00	Property investment
<u>Subsidiary company of Amalan Insaf (M) Sdn Bhd:</u>				
- Sunway Property Sdn Bhd *	Malaysia	82.50	82.50	Dormant

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary company of Sunway Keramo Sdn Bhd:</u>				
- Sunway Pipe Inspection and Repair Services Centre Sdn Bhd **	Malaysia	100.00	100.00	Dormant
<u>Subsidiary companies of Sun-Block Sdn Bhd:</u>				
- Sun-Block (Senai) Sdn Bhd	Malaysia	100.00	100.00	Manufacture and sale of roofing tiles
- Sun-Block (Beranang) Sdn Bhd	Malaysia	100.00	100.00	Property holding and rental of property
<u>Subsidiary of company Synergy Quarry & Asphalt Industries Sdn Bhd</u>				
- Synergy Quarry & Asphalt (Penang) Sdn Bhd*	Malaysia	70.00	0.00	Dormant
<u>Subsidiary company of ABS Land & Properties Berhad</u>				
- Coral-White Sdn Bhd*	Malaysia	100.00	100.00	Property investment and investment holding
<u>Subsidiary companies of Sunway Global Limited</u>				
- Sunway Building Materials (Shanghai) Co. Ltd.*	China	60.00	0.00	Manufacturing, sales and marketing of interlocking pavers
- Sunway Building Materials (Dongguan) Co. Ltd.*	China	60.00	0.00	Manufacturing, sales and marketing of interlocking pavers
- Sunway Hoston (Zhuhai) Spun Pile Co. Ltd.*	China	30.60	0.00	Design, manufacture and sale of pretensioned spun concrete piles
- Sunway GD Foundation Engineering Co. Ltd.*	Macau	36.00	0.00	To carry out foundation and construction works

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
<u>Subsidiary companies of Sunway Enterprise (1988) Sdn Bhd</u>				
- Heng Ngai Knitting Manufacturer Sdn Bhd *	Malaysia	100.00	0.00	Property rental
- SWE Rental Sdn Bhd * (In liquidation)	Malaysia	100.00	0.00	Dormant
- SWE Trading Sdn Bhd * (In liquidation)	Malaysia	100.00	0.00	Dormant
- Sungei Way Enterprise (1988) Singapore Pte. Ltd. *	Singapore	100.00	0.00	Sale of heavy machinery and machinery spare parts

* Not audited by PricewaterhouseCoopers, Malaysia.

** The auditors' reports on the financial statements of these subsidiary companies have drawn attention to the notes in the respective subsidiary companies' financial statements concerned as the continuation of these subsidiary companies as a going concern is dependent on the continuing financial support of the Company.

^ Myanmar Sungei Way Holdings Limited ("MSHL") has been placed under members' voluntary liquidation on 28 June 2001 by a special resolution passed at the Extraordinary General Meeting of MSHL held in June 2001. MSHL was incorporated in Myanmar to carry out general trading but has remained dormant since its inception. The voluntary liquidation of MSHL is undertaken as there is no immediate and foreseeable investment plans in Myanmar in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Quoted:				
Shares at cost	258,132	257,636	67,269	67,269
Warrants at cost	4,753	32,762	4,753	4,753
Share of post-acquisition losses	(61,205)	(20,066)	0	0
Share of non-distributable reserves	(829)	(829)	0	0
Elimination of unrealised profit on contract service rendered	(2,156)	(2,808)	0	0
	198,695	266,695	72,022	72,022
Less: Accumulated impairment losses				
- shares (Note 5)	(144,998)	(144,219)	(50,772)	0
- warrants (Note 5)	(4,753)	(26,530)	(4,753)	0
	48,944	95,946	16,497	72,022
Unquoted:				
Shares at cost	15,276	15,276	13,406	13,406
Share of post-acquisition profits	2,051	1,186	0	0
	17,327	16,462	13,406	13,406
Less: Accumulated impairment losses (Note 5)	(13,406)	(3,841)	(13,406)	(3,406)
	3,921	12,621	0	10,000
	52,865	108,567	16,497	82,022
Market value of quoted investments:				
- shares	29,826	61,851	10,415	42,960
- warrants	699	1,416	699	1,071
	30,525	63,267	11,114	44,031

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Represented by:		
Group's share of net assets other than goodwill of associated companies	53,005	96,864
Premium on acquisition	144,998	143,671
Reserve on acquisition	(140)	(140)
Less: Accumulated impairment losses		
- quoted	(144,998)	(144,219)
- unquoted	0	(3,841)
	52,865	92,335
Quoted investments:		
- warrants	4,753	32,762
Less: Accumulated impairment losses	(4,753)	(26,530)
	0	6,232
Unquoted investments:		
- redeemable preference shares	10,000	10,000
Less: Accumulated impairment losses	(10,000)	0
	0	10,000
	52,865	108,567

The Group's share in losses of certain associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM27,737,000 (2004: RM27,737,000) and RM Nil (2004: RM Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Details of the associated companies are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		30.6.2006 %	31.12.2004 %	
Sunway Infrastructure Berhad *	Malaysia	36.16	36.16	Investment holding
Sungei Way-Saigon-Pilecon Engineering Company *	Vietnam	42.30	42.30	Dormant
<u>Associated company of Fortuna Gembira Enterpris Sdn Bhd:</u>				
Gopeng Berhad *	Malaysia	19.33	19.33	Produce and process natural rubber, cultivation of palm oil and investment holding
<u>Associated company of Sunway Marketing (S) Pte Ltd:</u>				
Sunway Marketing (Thailand) Ltd. *	Thailand	47.00	47.00	Import, export and wholesale of building materials, heavy equipment and industrial hardware
<u>Associated company of Sunway Machineries Services Sdn Bhd</u>				
Suntech Industries Sdn Bhd (In liquidation)	Malaysia	30.00	30.00	Dormant
<u>Associated company of Sunway Juarasama Sdn Bhd:</u>				
Sungei Way Construction (S) Pte. Ltd. *	Singapore	50.00	50.00	Dormant
<u>Associated company of SunwayMas Sdn Bhd:</u>				
Varich Industries Sdn Bhd *	Malaysia	50.00	50.00	Dormant
<u>Associated company of Sunway Marketing Sdn Bhd:</u>				
Buildtrend B.S.G. (M) Sdn Bhd *	Malaysia	30.00	30.00	Distribution of architectural building products

* Not audited by PricewaterhouseCoopers, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

16 ABS NOTES AND OTHER INVESTMENTS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
At cost:				
ABS Notes (unquoted):				
- Senior Notes	0	0	2,035	3,003
Other investments:				
Unquoted investments	4,625	5,211	2,447	2,706
Quoted investments:				
- shares	0	7,359	0	0
- warrants	0	208	0	208
	4,625	12,778	2,447	2,914
Less: Accumulated impairment losses:				
- Unquoted investments (Note 5)	(2,393)	(2,968)	(2,253)	(2,253)
- Quoted investments (Note 5)	0	(296)	0	0
	2,232	9,514	194	661
	2,232	9,514	2,229	3,664
At market value:				
Quoted investments:				
- shares	0	7,771	0	0
- warrants	0	313	0	313
	0	8,084	0	313

Quoted warrants in Malaysia are in respect of warrants to subscribe for new ordinary shares in Dolomite Berhad.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

16 ABS NOTES AND OTHER INVESTMENTS (CONT'D)

On 2 April 2004, the Group completed an asset-backed securitisation exercise ("ABS exercise") involving the disposals of the entire equity interest in Coral-White Sdn Bhd, a wholly owned indirect subsidiary company of the Company and a portfolio of commercial and residential properties to ABS Land & Properties Berhad ("ALP") for a total sale consideration of RM230.252 million which was satisfied by RM93.651 million cash and the issuance of RM136.601 million nominal value of subordinated class asset-backed securitisation notes ("Subordinated Notes").

Pursuant to the ABS exercise, ALP also issued senior asset-backed securitisation notes ("Senior Notes") to investors in the domestic debt capital markets to finance the cash settlement of the abovementioned acquisitions.

On 4 October 2004, the Company announced that the sale of certain office lots located within Plaza Pantai ("Plaza Pantai"); and certain office units within Subang Square Corporate Tower, Subang Business Park and Subang Square Shopping Gallery ("Subang Offices") had not been completed. Accordingly, an amount of RM10.45 million Senior Notes issued by ALP for the ABS exercise was repaid to the holders of the Senior Notes. Additionally, an amount of RM15.33 million Subordinated Notes issued by ALP to part finance the acquisition of Plaza Pantai and Subang Offices was also cancelled.

The Subordinated Notes will mature in six years from the date of issue and bear a coupon rate of 12% per annum. The Subordinated Notes will be redeemed, upon maturity, at par plus an accrued interest of 12% per annum on each RM1.00 nominal value of the Subordinated Notes.

The carrying values of ABS Notes and unquoted investments approximated their fair values. The fair values of these ABS Notes and unquoted investments were calculated using the discounted cash flow method. The discount rate used was determined by reference to the weighted cost of funds of the respective assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

17 LONG TERM DEBTORS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Long term loan to a subsidiary company	0	0	12,188	0
Amount due from a company related by common directors:				
- trade	0	25,374	0	0
- non-trade	0	1,356	0	1,356
Finance lease debtors (Note 22)	7,472	9,111	0	0
Hire purchase debtors (Note 22)	2,894	2,632	0	0
	10,366	38,473	12,188	1,356

Long term loan which was granted to a subsidiary company during the financial period is unsecured, carries interest at 6% per annum and is repayable by 4 annual instalments commencing 31 December 2008.

Long term trade debtors due from a company related by common directors were unsecured and carried an interest rate of 7.0% per annum in the previous financial year.

Long term non-trade debtors due from a company related by common directors were unsecured and interest free in the previous financial year.

The fair values of long term debtors at balance sheet date were as follows:

	30.6.2006			
	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Long term loan to a subsidiary company	0	0	12,188	11,257
Amount due from a company related by common directors:				
- trade	0	0	0	0
- non-trade	0	0	0	0
Finance lease debtors	7,472	7,168	0	0
Hire purchase debtors	2,894	2,729	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

17 LONG TERM DEBTORS (CONT'D)

	31.12.2004			
	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Amount due from a company related by common directors:				
- trade	25,374	24,121	0	0
- non-trade	1,356	1,234	1,356	1,234
Finance lease debtors	9,111	6,678	0	0
Hire purchase debtors	2,632	2,131	0	0

The carrying amounts of long term debtors were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be repaid in full on the due date.

Long term debtors are denominated in Ringgit Malaysia.

18 PROPERTY DEVELOPMENT ACTIVITIES

(a) Land held for property development

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Freehold land, at cost	62,516	64,356
Leasehold land, at cost	4,272	2,587
Development expenditure	147	4,000
	66,935	70,943
At beginning of financial period/year	70,943	84,572
Development expenditure incurred during the financial period/year	12,455	4,392
Transfer to property development costs (Note 18(b))	(12,463)	(5,382)
Disposed during the financial period/year	(4,000)	(12,639)
At end of financial period/year	66,935	70,943

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

18 PROPERTY DEVELOPMENT ACTIVITIES (CONT'D)

(b) Property development costs

	Group			
	30.6.2006		31.12.2004	
	RM'000	RM'000	RM'000	RM'000
At beginning of financial period/year:				
- land	39,528		47,825	
- development costs	248,460		289,679	
- accumulated cost charged to income statement	(274,331)	13,657	(302,913)	34,591
Costs incurred during the financial period/year:				
- transfer from land held for property development (Note 18(a))	12,463		2,451	
- transfer of land from subsidiary company	0		2,931	
- acquisition of land held for property development	14,014		0	
- development costs	62,756	89,233	72,961	78,343
Costs charged to income statement		(84,879)		(99,277)
Reversal of completed projects:				
- land	(677)		(13,679)	
- development costs	(8,041)		(114,180)	
- accumulated cost charged to income statement	8,718	0	127,859	0
At end of financial period/year:				
- land	65,328		39,528	
- development costs	303,175		248,460	
- accumulated cost charged to income statement	(350,492)		(274,331)	
		18,011		13,657

Borrowing costs of RM2,966,000, arising from funds borrowed generally for property development activities, were capitalised in the previous financial year (Note 8). The weighted average interest rate that was effective as at balance sheet date was 5.18% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

19 GOODWILL

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
At beginning of the financial period/year	77,104	0
Acquisition of subsidiary companies (Note 33)	36,996	77,104
At end of the financial period/year	114,100	77,104

The Group's goodwill as at 30 June 2006, arises from the acquisition of additional shares in Sunway Construction Sdn Bhd, a 100% owned subsidiary company and the acquisition of business by Sunway Creative Stones Sdn Bhd, a 51% owned subsidiary company and the acquisition of 100% shares in Sunway Quarry Industries Sdn Bhd.

20 ASSETS HELD FOR RESALE

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
At cost:				
Properties	19,334	11,060	0	0
At net realisable value:				
Properties	0	7,976	320	0
Plant and machinery	2,001	2,501	0	0
	2,001	10,477	320	0
	21,335	21,537	320	0

Properties held for resale with carrying value of RM803,000 (2004: RM2,707,000) at end of financial period have been pledged as security for term loan facilities (Note 25).

Plant and machinery held for resale with carrying value of RM2,001,000 (2004: RM2,501,000) at end of financial period have been pledged as security for term loan facilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

21 INVENTORIES AND COMPLETED DEVELOPMENT PROPERTIES

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
At cost:		
Completed development properties	44,387	168,918
Raw materials	6,918	3,562
Spare parts	2,577	2,007
Finished goods	33,514	11,279
Work in progress	3,043	3,330
Trading inventories	38,378	24,960
	128,817	214,056
At net realisable value		
Completed development properties	136,026	19,290
Raw materials	575	3,272
Spare parts	7,172	1,979
Finished goods	20,527	24,087
Trading inventories	19,041	12,430
	183,341	61,058
	312,158	275,114

The Group's completed development properties comprise leasehold land of RM49,210,000 (2004: RM49,560,000) of which the land titles are yet to be transferred to the respective subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

22 DEBTORS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Trade debtors (net of allowance for doubtful debts of RM77,262,000 (2004: RM80,756,849) of the Group)	555,202	565,623	0	0
Retention sums (Note 30)	65,406	65,936	0	0
	620,608	631,559	0	0
Finance lease debtors	4,401	4,794	0	0
Hire purchase debtors	2,997	2,337	0	0
Amounts due from customers on contracts (Note 30)	122,165	77,951	0	0
Deposits	12,194	5,272	579	74
Other debtors	37,081	34,341	1,506	9,963
Deposit for land held for property development	0	4,000	0	0
Prepayments	12,449	8,001	4,346	1,549
Amounts due from subsidiary companies (non-trade) (net of allowance for doubtful debts of RM44,345,000 (2004: RM25,190,000) of the Company)	0	0	59,243	154,282
Amounts due from associated companies	5,102	8,205	83	0
	816,997	776,460	65,757	165,868
The currency exposure profile of trade debtors is as follows:				
- Ringgit Malaysia	508,630	539,465	0	0
- Singapore Dollar	11,192	11,724	0	0
- Vietnam Dong	17,684	10,813	0	0
- Indonesian Rupiah	6,360	2,385	0	0
- US Dollar	849	768	0	0
- Renminbi	312	447	0	0
- Euro	2	21	0	0
- Trinidad and Tobago Dollar	9,943	0	0	0
- Macau Pataca	230	0	0	0
	555,202	565,623	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

22 DEBTORS (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
The currency exposure profile of amounts due from customers on contracts is as follows:				
- Ringgit Malaysia	53,429	77,951	0	0
- Singapore Dollar	5,118	0	0	0
- India Rupees	49,002	0	0	0
- Trinidad and Tobago Dollar	14,616	0	0	0
	122,165	77,951	0	0
The currency exposure profile of deposits is as follows:				
- Ringgit Malaysia	9,382	4,475	579	74
- Singapore Dollar	432	774	0	0
- US Dollar	9	0	0	0
- Vietnam Dong	812	6	0	0
- Indonesian Rupiah	17	17	0	0
- India Rupees	2	0	0	0
- Trinidad and Tobago Dollar	1,128	0	0	0
- Renminbi	412	0	0	0
	12,194	5,272	579	74
The currency exposure profile of other debtors is as follows:				
- Ringgit Malaysia	19,009	30,520	1,506	9,963
- Singapore Dollar	2,087	226	0	0
- US Dollar	9,307	1,144	0	0
- Vietnam Dong	1,375	1,199	0	0
- Indonesian Rupiah	952	1,249	0	0
- India Rupees	4,014	0	0	0
- Trinidad and Tobago Dollar	129	0	0	0
- Renminbi	186	3	0	0
- Hong Kong Dollar	6	0	0	0
- Macau Pataca	16	0	0	0
	37,081	34,341	1,506	9,963

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

22 DEBTORS (CONT'D)

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Finance lease debtors:		
Not later than 1 year	5,093	5,925
Later than 1 year and not later than 5 years	8,438	10,322
	13,531	16,247
Less: Unearned interest	(1,658)	(2,342)
	11,873	13,905
Representing finance lease debtors:		
Not later than 1 year	4,401	4,794
Later than 1 year and not later than 5 years (Note 17)	7,472	9,111
	11,873	13,905
Hire purchase debtors:		
Not later than 1 year	3,307	2,626
Later than 1 year and not later than 5 years	3,170	2,981
	6,477	5,607
Less: Unearned interest	(586)	(638)
	5,891	4,969
Representing hire purchase debtors:		
Not later than 1 year	2,997	2,337
Later than 1 year and not later than 5 years (Note 17)	2,894	2,632
	5,891	4,969

Amounts due from subsidiary companies (non-trade) are denominated in Ringgit Malaysia, unsecured and have no fixed terms of repayment. The weighted average interest rate that was effective as at balance sheet date was 2.54% (2004: 1.96%) per annum.

Amounts due from associated companies (trade and non-trade) are denominated in Ringgit Malaysia, unsecured, have no fixed terms of repayment and bear no interest.

Credit terms of trade debtors range from 30 days to 120 days (2004: 30 days to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Deposits with:				
- licensed banks	58,865	35,712	9,562	0
- other licensed financial institutions	27,988	24,365	12,435	0
	86,853	60,077	21,997	0
Bank and cash balances	113,904	64,194	481	4,062
Deposits, bank and cash balances	200,757	124,271	22,478	4,062
Bank overdrafts (Note 25)	(17,301)	(22,154)	0	0
	183,456	102,117	22,478	4,062
Deposits pledged as security for ABS Senior Notes	(10,394)	(10,394)	0	0
	173,062	91,723	22,478	4,062

Deposits pledged as security for ABS Senior Notes represent proceeds deposited into a Liquidity Reserves Account as well as Expenses and Maintenance Reserves Account in accordance with the terms and conditions of the ABS Senior Notes.

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
The currency exposure profile of deposits, bank and cash balances and bank overdrafts are as follows:				
- Ringgit Malaysia	139,918	105,050	22,421	4,058
- Singapore Dollar	(5,229)	(10,596)	0	0
- US Dollar	14,379	3,660	48	4
- Indonesian Rupiah	4,594	1,731	0	0
- Vietnam Dong	3,564	1,621	0	0
- Renminbi	24,919	427	9	0
- Indian Rupee	2,414	171	0	0
- Euro	(21)	48	0	0
- Hong Kong Dollar	30	5	0	0
- Japanese Yen	(21)	0	0	0
- Trinidad and Tobago Dollar	(1,091)	0	0	0
	183,456	102,117	22,478	4,062

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

23 CASH AND CASH EQUIVALENTS (CONT'D)

The weighted average interest rates per annum of deposits and bank overdrafts that was effective as at balance sheet date were as follows:

	Group		Company	
	30.6.2006 %	31.12.2004 %	30.6.2006 %	31.12.2004 %
Deposits with licensed banks	3.04	3.00	2.80	N/A
Deposits with other licensed financial institutions	2.95	3.09	2.95	N/A
Bank overdrafts	7.03	6.81	N/A	N/A

Bank balances are deposits held at call with banks and are non-interest bearing.

Deposits, bank and cash balances of the Group at the balance sheet date include bank balances held under Housing Development Account (opened and maintained under Section 7A of the Housing Development (Control and Licensing) Act 1966) of RM24,553,000 (2004: RM6,125,000) that may only be used in accordance with the said Act.

Deposits of the Group have an average maturity of 39 days (2004: 30 days).

24 CREDITORS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Trade creditors	393,111	343,133	0	0
Accruals	74,576	33,397	6,213	2,178
Other creditors	66,193	64,932	108	4,031
Interim dividend payable	0	11,643	0	11,643
Amounts due to customers on contracts (Note 30)	103,767	121,466	0	0
Progress billings in respect of property development	2,029	1,422	0	0
Amounts due to:				
- subsidiary companies (non-trade)	0	0	79,132	131,316
- associated companies (trade)	3,997	12,456	0	0
Advance from shareholder of a subsidiary company	3,909	0	0	0
	647,582	588,449	85,453	149,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

24 CREDITORS (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
The currency exposure profile of trade creditors is as follows:				
- Ringgit Malaysia	324,469	317,755	0	0
- Singapore Dollar	9,615	13,600	0	0
- US Dollar	1,672	5,452	0	0
- Vietnam Dong	8,412	4,284	0	0
- Euro	145	899	0	0
- Indonesian Rupiah	1,289	898	0	0
- Sterling Pound	0	245	0	0
- Thai Baht	(1)	0	0	0
- Japanese Yen	126	0	0	0
- India Rupee	24,748	0	0	0
- Trinidad and Tobago Dollar	22,636	0	0	0
	393,111	343,133	0	0
The currency exposure profile of accruals is as follows:				
- Ringgit Malaysia	67,799	27,671	6,213	2,178
- Singapore Dollar	4,822	3,813	0	0
- Vietnam Dong	568	1,128	0	0
- Indonesian Rupiah	890	704	0	0
- Trinidad and Tobago Dollar	21	0	0	0
- Renminbi	0	81	0	0
- Hong Kong Dollar	476	0	0	0
	74,576	33,397	6,213	2,178

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

24 CREDITORS (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
The currency exposure profile for other creditors is as follows:				
- Ringgit Malaysia	15,761	59,226	108	4,031
- Singapore Dollar	2,204	3,113	0	0
- US Dollar	1,148	110	0	0
- Vietnam Dong	898	(314)	0	0
- Euro	8	0	0	0
- Indonesian Rupiah	9,938	3,137	0	0
- India Rupee	30,633	(340)	0	0
- Trinidad and Tobago Dollar	488	0	0	0
- Renminbi	(1,571)	0	0	0
- Hong Kong Dollar	6,686	0	0	0
	66,193	64,932	108	4,031

Amounts due to customers on contracts are denominated in Ringgit Malaysia.

Included in trade and other creditors of the Group are amounts due to companies connected to certain Directors amounting to RM1,218,000 (2004: RM2,686,000) and RM2,131,000 (2004: RM7,247,000) respectively.

Amounts due to subsidiary companies are denominated in Ringgit Malaysia, unsecured and have no fixed terms of repayment. The weighted average interest rate that was effective as at balance sheet date was 4.46% (2004: 4.83%) per annum.

Amounts due to associated companies are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

The shareholder advance from the Group's joint venture partner for Sunway GD Foundation Engineering Co. Ltd. which amounts to RM3,909,694 (2004: RM Nil) is denominated in Chinese Renminbi, unsecured, interest free and have no fixed terms of repayment.

Credit terms of trade creditors granted to the Group range from 30 days to 120 days (2004: 30 days to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
<u>Current</u>				
<u>Secured</u>				
Bank overdrafts (Note 23)	8,362	0	0	0
Term loans	5,275	26,999	0	12,500
Finance lease and hire purchase obligations	2,150	1,986	0	0
	15,787	28,985	0	12,500
<u>Unsecured</u>				
Bank overdrafts (Note 23)	8,939	22,154	0	0
Bridging loan	0	63,880	0	63,880
Term loans	60,402	65,880	57,600	63,880
Bankers' acceptances	55,065	41,938	0	0
Revolving credits	42,874	219,084	15,200	65,200
Block discount creditors	5,126	2,375	0	0
	172,406	415,311	72,800	192,960
	188,193	444,296	72,800	205,460
<u>Non-current</u>				
<u>Secured</u>				
Term loans	36,166	35,730	0	0
Finance lease and hire purchase obligations	1,437	2,682	0	0
	37,603	38,412	0	0
<u>Unsecured</u>				
Term loans	336,714	6,112	273,600	0
Block discount creditors	10,848	4,485	0	0
Revolving credits	22,799	0	22,800	0
	370,361	10,597	296,400	0
	407,964	49,009	296,400	0
Total borrowings	596,157	493,305	369,200	205,460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
<u>Current</u>				
Bank overdrafts (Note 23)	17,301	22,154	0	0
Term loans	65,677	92,879	57,600	76,380
Finance lease and hire purchase obligations	2,150	1,986	0	0
Bridging loan	0	63,880	0	63,880
Bankers' acceptances	55,065	41,938	0	0
Revolving credits	42,874	219,084	15,200	65,200
Block discount creditors	5,126	2,375	0	0
	188,193	444,296	72,800	205,460
<u>Non-current</u>				
Term loans	372,880	41,842	273,600	0
Finance lease and hire purchase obligations	1,437	2,682	0	0
Block discount creditors	10,848	4,485	0	0
Revolving credits	22,799	0	22,800	0
	407,964	49,009	296,400	0
<u>Total borrowings</u>				
Bank overdrafts (Note 23)	17,301	22,154	0	0
Term loans	438,557	134,721	331,200	76,380
Finance lease and hire purchase obligations	3,587	4,668	0	0
Bridging loan	0	63,880	0	63,880
Bankers' acceptances	55,065	41,938	0	0
Revolving credits	65,673	219,084	38,000	65,200
Block discount creditors	15,974	6,860	0	0
	596,157	493,305	369,200	205,460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Secured bank borrowings of the Group are secured by fixed and floating charges over unquoted shares of a subsidiary company (Note 14), freehold and leasehold land, buildings, plant and machinery (Note 12), and assets held for resale (Note 20) of the Group.

The RM360 million syndicated term loan of the Group and Company with an outstanding amount of RM331,200,000 (2004: RM Nil) at the balance sheet date contains covenants which require the Group and Company to maintain minimum net gearing ratio, net debt to earnings before interest, tax, depreciation and amortisation and debt service cover ratio. As a consequence of an early adoption of financial reporting guideline of IC 112 by the Group, which led to the consolidation of the results of ABS Land and Properties Berhad ("ALP") as disclosed in Note 35 to the financial statements, the financial ratios imposed on the syndicated term loan have been breached as at 30 June 2006 and as such, the lenders could declare all outstanding term loans under these facilities be immediately due and payable. Nevertheless, should the ALP's results be deconsolidated, the Group and the Company will still be within the permitted ratios.

The Group and the Company has sought agreement in principle from the lenders of the syndicated term loan for the Group and the Company to deconsolidate ALP's results for the purpose of calculating the financial ratios for the current financial period and future financial years.

As ALP is currently in the process of disposing one of the main assets in which the proceeds will reduce substantially the outstanding liabilities of ALP and thus enhance the security position of the lenders, the Directors therefore do not foresee any difficulty in obtaining such agreement. Accordingly, no reclassification has been made to reflect the outstanding amount as current liability.

The weighted average interest rates per annum of borrowings that was effective as at balance sheet date were as follows:

	Group		Company	
	30.6.2006 %	31.12.2004 %	30.6.2006 %	31.12.2004 %
Bridging loan	N/A	4.85	N/A	4.85
Term loans	6.01	5.38	5.67	5.16
Finance lease and hire purchase obligations	3.64	3.71	N/A	N/A
Revolving credits	5.85	5.04	5.74	4.85
Bankers' acceptances	4.69	3.69	N/A	N/A
Block discount creditors	6.55	8.93	N/A	N/A

The Company has entered into interest swap contracts to hedge the floating rate interest payable on its long term borrowings. The contracts entitle the Company to pay interest at fixed rates on notional principal amounts and oblige it to receive interest at floating rates on the same amounts. Under the swaps, the Company agrees with the other parties to exchange, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

The floating rates of the Company's interest rate swap contracts are linked to the Kuala Lumpur Inter Bank Offer Rate ("KLIBOR"). The weighted average effective interest rate of the Company floating rate borrowings during the period is 5.23% (2004: Nil) per annum. After the interest rate swaps, the Company's weighted average effective rate during the period is 5.71% (2004: Nil) per annum.

The remaining terms, notional principal amounts and fair value of the outstanding interest rate swap contracts of the Company at the balance sheet date, which are denominated in Ringgit Malaysia, were as follows:

Duration	Floating rate	Fixed rate	Amount RM'000	Fair value loss RM'000
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.80%	18,400	3
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.70%	18,400	2
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.60%	18,400	2
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.65%	27,600	3
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.79%	27,600	4
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	5.90%	27,600	5
11.04.06 – 10.07.06	3 month KLIBOR + 1.75%	6.00%	36,800	8
				27

Fair value losses are computed using the difference between the floating rates and fixed rates applied to the principal amounts over the duration of swap expiring subsequent to year end.

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
The currency exposure profile of borrowings is as follows:				
- Ringgit Malaysia	487,672	473,874	369,200	205,460
- Singapore Dollar	9,150	18,074	0	0
- Vietnam Dong	2,074	1,348	0	0
- Indonesian Rupiah	74	9	0	0
- Renminbi	22,941	0	0	0
- Japanese Yen	225	0	0	0
- US Dollar	44,123	0	0	0
- Indian Rupee	26,293	0	0	0
- Euro	1,232	0	0	0
- Trinidad and Tobago Dollar	2,373	0	0	0
	596,157	493,305	369,200	205,460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

The carrying amounts of borrowings of the Group and Company at the balance sheet date approximated their fair values except as set out below:

	30.6.2006		31.12.2004	
	Group		Group	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease and hire purchase obligations	3,587	3,770	4,668	4,287
Block discount creditors	15,974	16,478	6,860	4,079

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Finance lease and hire purchase obligations are repayable in the following periods:		
- Not later than 1 year	2,316	2,208
- Later than 1 year and not later than 5 years	1,539	2,821
	3,855	5,029
Less: Future finance charges	(268)	(361)
	3,587	4,668
Representing finance lease and hire purchase obligations:		
- Not later than 1 year	2,150	1,986
- Later than 1 year and not later than 5 years	1,437	2,682
	3,587	4,668

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

The net exposure of the borrowings of the Group and Company to interest rate cash flow risk (after taking into account the effects of interest rate swaps described above) and the period in which the borrowings mature or reprice (whichever is earlier) are as follows:

Group

At 30 June 2006

Functional currency	Effective interest rate as at 30 June 2006 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
Secured								
Term loans:								
RM	7.50	6,700	1,675	5,025	0	0	0	0
RM	6.75	11,800	3,600	8,200	0	0	0	0
RMB	4.00	10,943	0	0	0	0	0	10,943
RMB	6.00	11,998	0	0	0	0	8,399	3,599
		41,441	5,275	13,225	0	0	8,399	14,542
Bank overdrafts:								
SGD	6.00	2,146	2,146	0	0	0	0	0
SGD	6.25	2,061	2,061	0	0	0	0	0
SGD	6.50	1,782	1,782	0	0	0	0	0
TT\$	10.50	2,373	2,373	0	0	0	0	0
		8,362	8,362	0	0	0	0	0
Finance lease and hire purchase obligations:								
RM	2.30 – 4.61	3,452	0	0	0	2,073	1,379	0
SGD	3.00 – 4.25	61	0	0	0	35	26	0
IDR	8.26	74	0	0	0	42	32	0
		3,587	0	0	0	2,150	1,437	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Group

At 30 June 2006

Functional currency	Effective interest rate as at 30 June 2006 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
<u>Unsecured</u>								
Term loans:								
RM	5.59	46,000	8,000	38,000	0	0	0	0
RM	5.51	161,000	28,000	133,000	0	0	0	0
RM	6.25	13,800	2,400	11,400	0	0	0	0
RM	5.97	36,800	6,400	30,400	0	0	0	0
RM	5.70	18,400	3,200	15,200	0	0	0	0
RM	5.36	9,200	1,600	7,600	0	0	0	0
RM	6.44	46,000	0	0	0	8,000	38,000	0
RM	8.35	1,954	0	0	0	1,954	0	0
RM	6.75	799	0	0	0	799	0	0
SGD	3.00	49	49	0	0	0	0	0
USD	7.10	36,821		36,821	0	0	0	0
IDR	8.30	26,293	0	0	0	0	26,293	0
		397,116	49,649	272,421	0	10,753	64,293	0
Bank overdrafts:								
RM	8.30	141	141	0	0	0	0	0
RM	8.80	2,557	2,557	0	0	0	0	0
RM	8.25	2,029	2,029	0	0	0	0	0
RM	6.38	97	97	0	0	0	0	0
RM	8.75	290	290	0	0	0	0	0
RM	8.00	297	297	0	0	0	0	0
RM	8.50	500	500	0	0	0	0	0
RM	8.25	833	833	0	0	0	0	0
RM	8.50	1,238	1,238	0	0	0	0	0
SGD	6.00	957	957	0	0	0	0	0
		8,939	8,939	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Group

At 30 June 2006

Functional currency	Effective interest rate as at 30 June 2006 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
Unsecured								
Revolving credits:								
RM	5.74	37,999	15,200	22,799	0	0	0	0
RM	5.76	9,800	9,800	0	0	0	0	0
RM	5.50	2,000	2,000	0	0	0	0	0
RM	5.49	1,300	1,300	0	0	0	0	0
RM	5.75	2,500	0	0	0	2,500	0	0
RM	5.50	10,000	0	0	0	10,000	0	0
VND	11.00	2,074	2,074	0	0	0	0	0
		65,673	30,374	22,799	0	12,500	0	0
Bankers' acceptance:								
RM	4.27 – 6.50	44,212	44,212	0	0	0	0	0
SGD	6.50	2,094	2,094	0	0	0	0	0
USD	6.25	7,302	7,302	0	0	0	0	0
EUR	6.25	1,232	1,232	0	0	0	0	0
YEN	4.73	225	225	0	0	0	0	0
		55,065	55,065	0	0	0	0	0
Block discount creditors:								
RM	6.55	15,974	5,126	10,848	0	0	0	0
		15,974	5,126	10,848	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Group

At 31 December 2004

Functional currency	Effective interest rate as at 31 December 2004 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
Secured								
Term loans:								
RM	8.00	593	0	0	0	517	76	0
RM	6.75	12,500	12,500	0	0	0	0	0
RM	7.75	5,932	5,932	0	0	0	0	0
RM	7.30	28,304	0	0	0	6,250	22,054	0
RM	6.10	15,400	1,800	13,600	0	0	0	0
		62,729	20,232	13,600	0	6,767	22,130	0
Finance lease and hire purchase obligations:								
RM	3.02 – 4.08	4,277	0	0	0	1,740	2,537	0
SGD	3.00 – 4.26	382	0	0	0	237	145	0
IDR	8.26	9	0	0	0	9	0	0
		4,668	0	0	0	1,986	2,682	0
Unsecured								
Term loans:								
RM	4.85	63,880	63,880	0	0	0	0	0
RM	7.75	8,112	2,000	6,112	0	0	0	0
		71,992	65,880	6,112	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Group

At 31 December 2004

Functional currency	Effective interest rate as at 31 December 2004 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
<u>Unsecured</u>								
Bank overdraft:								
RM	7.25	3,213	3,213	0	0	0	0	0
RM	7.50	3,836	3,836	0	0	0	0	0
RM	8.00	4,460	4,460	0	0	0	0	0
SGD	6.00	9,870	9,870	0	0	0	0	0
SGD	6.25	775	775	0	0	0	0	0
		22,154	22,154	0	0	0	0	0
Revolving credits:								
RM	4.85	65,200	65,200	0	0	0	0	0
RM	5.10	2,200	2,200	0	0	0	0	0
RM	5.05	11,600	11,600	0	0	0	0	0
RM	4.85	43,400	43,400	0	0	0	0	0
RM	5.25	55,000	55,000	0	0	0	0	0
RM	5.60	13,000	13,000	0	0	0	0	0
RM	7.15	2,336	2,336	0	0	0	0	0
RM	4.85	14,000	14,000	0	0	0	0	0
RM	4.60	2,000	2,000	0	0	0	0	0
RM	5.80	1,000	1,000	0	0	0	0	0
RM	4.90	3,800	3,800	0	0	0	0	0
RM	4.60	4,200		0	0	4,200	0	0
VND	10.90	1,348	1,348	0	0	0	0	0
		219,084	214,884	0	0	4,200	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Group

At 31 December 2004

Functional currency	Effective interest rate as at 31 December 2004 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
<u>Unsecured</u>								
Bridging loan:								
RM	4.85	63,880	63,880	0	0	0	0	0
Bankers' acceptance:								
RM	2.07 – 3.69	34,891	34,891	0	0	0	0	0
SGD	6.18	7,047	7,047	0	0	0	0	0
		41,938	41,938	0	0	0	0	0
Block discount creditors:								
RM	8.93	6,860	2,375	4,485	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Company

At 30 June 2006

Functional currency	Effective interest rate as at 30 June 2006 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
<u>Unsecured</u>								
Term loans:								
RM	5.59	46,000	8,000	38,000	0	0	0	0
RM	5.51	161,000	28,000	133,000	0	0	0	0
RM	6.25	13,800	2,400	11,400	0	0	0	0
RM	5.97	36,800	6,400	30,400	0	0	0	0
RM	5.70	18,400	3,200	15,200	0	0	0	0
RM	5.36	9,200	1,600	7,600	0	0	0	0
RM	6.44	46,000	0	0	0	8,000	38,000	0
		331,200	49,600	235,600	0	8,000	38,000	0
Revolving credits:								
RM	5.74	38,000	15,200	22,800	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

25 BORROWINGS (CONT'D)

Company

At 31 December 2004

Functional currency	Effective interest rate as at 31 December 2004 % p.a.	Total carrying amount RM'000	Floating interest rate			Fixed interest rate		
			< 1 year RM'000	1-5 years RM'000	> 5 years RM'000	< 1 year RM'000	1-5 years RM'000	> 5 years RM'000
<u>Secured</u>								
Term loans:								
RM	6.75	12,500	12,500	0	0	0	0	0
<u>Unsecured</u>								
Bridging loan:								
RM	4.85	63,880	63,880	0	0	0	0	0
Term loan:								
RM	4.85	63,880	63,880	0	0	0	0	0
Revolving credits:								
RM	4.85	65,200	65,200	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

26 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Deferred tax assets	12,600	11,010	0	0
Deferred tax liabilities	(17,546)	(15,074)	0	0
	(4,946)	(4,064)	0	0
The movement in deferred tax is shown as follows:				
At beginning of the financial period/year	(4,064)	(12,235)	0	0
Credited/(charged) to income statement (Note 9):				
- property, plant and equipment	1,119	3,086	0	0
- debtors and inventories	27	757	0	0
- lease rental receivables	(586)	0	0	0
- tax losses	(99)	3,337	0	0
- others	777	991	0	0
	1,238	8,171	0	0
Acquisition of subsidiary companies	(2,120)	0	0	0
At end of the financial period/year	(4,946)	(4,064)	0	0
Subject to income tax:				
<u>Deferred tax assets</u>				
Property, plant and equipment	5,654	9,145	0	0
Debtors and inventories	4,180	3,742	0	0
Tax losses	4,965	5,320	0	0
Others	1,927	1,536	0	0
Deferred tax assets (before offsetting)	16,726	19,743	0	0
Offsetting	(4,126)	(8,733)	0	0
Deferred tax assets (after offsetting)	12,600	11,010	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

26 DEFERRED TAX (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(8,096)	(20,297)	0	0
Lease rental receivables	(3,889)	(3,303)	0	0
Others	(9,687)	(207)	0	0
Deferred tax liabilities (before offsetting)	(21,672)	(23,807)	0	0
Offsetting	4,126	8,733	0	0
Deferred tax liabilities (after offsetting)	(17,546)	(15,074)	0	0

Deferred tax assets arising from temporary differences (which have no expiry date) and unused tax losses (expiry date as disclosed) not recognised in the balance sheets are as follows:

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Deductible temporary differences	57,412	51,342	0	0
Tax losses				
- No expiry date	249,388	190,591	13,578	13,578
- expiring in 2006	0	10,616	0	0
- expiring in 2007	17,519	17,347	0	0
- expiring in 2008	6,265	6,204	0	0
- expiring in 2009	4,414	4,308	0	0
- expiring in 2010	5,059	0	0	0
Tax losses	282,645	229,066	13,578	13,578

As at 30 June 2006, the temporary differences associated with unremitted earnings of subsidiary companies for which deferred tax liabilities have not been recognised amounted to approximately RM36,000,000 (2004: RM33,000,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

27 ABS SENIOR NOTES

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Secured Class A Senior Notes	47,210	49,702
Secured Class B Senior Notes	21,688	21,688
Secured Class C Senior Notes	20,433	20,434
Secured Class D Senior Notes	4,189	3,223
	93,520	95,047
Unamortised discount (Note a)	(3,647)	(5,242)
	89,873	89,805
<u>Maturity of the Notes</u>		
Within 2 to 5 years	93,520	95,047
Fair value	94,420	98,048

Discount pertaining to Senior Notes is amortised on a straight line basis over the tenure of the Senior Notes of 6 years.

The terms of the Senior Notes are as follows:

- All outstanding Senior Notes will be mandatorily redeemed in full, together with all accrued and unpaid interest by ABS Land and Properties Berhad, who is a subsidiary company and the Notes issuer, on 4 April 2010.
- The Senior Notes bear the following interest rate per annum payable half-yearly in arrears on 4 April and 4 October each year:

	Interest rate per annum %
Secured Class A Senior Notes	4.75
Secured Class B Senior Notes	5.50
Secured Class C Senior Notes	7.00
Secured Class D Senior Notes	7.50

- The Senior Notes are secured over certain inventories of the Group.
- The Senior Notes may be repaid before its maturity if the secured inventories are disposed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

28 SHARE CAPITAL

	Group/Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Authorised: Ordinary shares of RM1.00 each		
At beginning and end of the financial period/year	1,000,000	1,000,000
Issued and fully paid: Ordinary shares of RM1.00 each		
At beginning of financial period/year	539,029	410,812
Issued during the financial period/year		
- exercise of options over ordinary shares	1,338	6,001
- private placement	0	41,229
- acquisition of a subsidiary company (Note 33)	0	80,987
	1,338	128,217
At end of financial period/year	540,367	539,029

(i) During the financial period, the issued and paid up ordinary share capital of the Company was increased from RM539,029,000 to RM540,367,000 by way of the issuance of 1,333,000 and 5,000 new ordinary shares of RM1.00 for cash by virtue of the exercise of options over ordinary shares pursuant to the Company's Employees' Share Option Scheme at exercise prices of RM1.00 per share and RM1.21 per share respectively.

(ii) Treasury shares

During the financial period, the Company repurchased 100,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad for RM54,501 at an average price of RM0.54 per share. None of the treasury shares repurchased has been sold as at 30 June 2006. At the balance sheet date, the number of outstanding shares in issue after setting treasury shares off against equity is 540,267,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

28 SHARE CAPITAL (CONT'D)

(iii) Employees' Share Option Scheme ("ESOS")

On 7 November 2002, the Company implemented an ESOS to the eligible employees (including Executive Directors) of the Company and subsidiary companies. The ESOS is governed by the bylaws which were approved by the shareholders on 3 October 2002.

The main features of the ESOS are:

- (a) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point in time during the duration of the ESOS;
- (b) Eligible employees are those who have been in the service of the Group on a full time basis for a continuous period of at least one year (including any full time executive director of any company in the Group) or such categories and of such criteria that the ESOS Committee may from time to time decide;
- (c) The ESOS shall continue to be in force for a period of ten years from 7 November 2002;
- (d) The options over ordinary shares can be exercised by notice in writing on any working day for the duration of the option period;
- (e) The price at which the employees are entitled to take up shares under the ESOS shall be the higher of:
 - (i) the five (5) day weighted average market price of the underlying shares at the time of the option is granted, with a discount of not more than ten percent (10%) if deemed appropriate; or
 - (ii) the par value of the shares;
- (f) The persons to whom the options over ordinary shares have been granted have no right to participate by virtue of the options over ordinary shares in any share issue of any other Company within the Group; and
- (g) Options over ordinary shares granted under the ESOS carry no dividend or voting rights. Upon exercise of the options over ordinary shares, shares issued rank *pari passu* in all respects with existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

28 SHARE CAPITAL (CONT'D)

(iii) Employees' Share Option Scheme ("ESOS") (cont'd)

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price RM/share	Number of options over ordinary shares				At end of financial period '000
			At start of financial period '000	Granted '000	Exercised '000	Cancelled '000	
30.6.2006							
7.11.2002	6.11.2012	1.00	23,270	0	(1,333)	(359)	21,578
9.9.2004	6.11.2012	1.21	4,244	0	(5)	(403)	3,836
31.1.2004	6.11.2012	1.58	1,230	0	0	(5)	1,225
13.3.2004	6.11.2012	1.75	3,228	0	0	(518)	2,710
7.10.2005	6.11.2012	1.00	0	3,459	0	0	3,459
			31,972	3,459	(1,338)	(1,285)	32,808
31.12.2004							
7.11.2002	6.11.2012	1.00	29,643	0	(5,998)	(375)	23,270
9.9.2004	6.11.2012	1.21	0	4,247	(3)	0	4,244
31.1.2004	6.11.2012	1.58	0	1,230	0	0	1,230
13.3.2004	6.11.2012	1.75	0	3,413	0	(185)	3,228
			29,643	8,890	(6,001)	(560)	31,972
						30.6.2006 '000	31.12.2004 '000
						32,808	31,972

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

28 SHARE CAPITAL (CONT'D)

(iii) Employees' Share Option Scheme (ESOS") (cont'd)

Details relating to options over ordinary shares exercised during the financial period are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of options over ordinary shares issued	
			30.6.2006 '000	31.12.2004 '000
02.01.2004	1.69	1.00	0	161
06.01.2004	1.70	1.00	0	138
16.01.2004	1.65	1.00	0	281
03.02.2004	1.65	1.00	0	107
06.02.2004	1.65	1.00	0	88
10.02.2004	1.73	1.00	0	92
16.02.2004	1.73	1.00	0	202
24.02.2004	1.89	1.00	0	413
02.03.2004	1.79	1.00	0	684
08.03.2004	1.75	1.00	0	425
12.03.2004	1.76	1.00	0	136
22.03.2004	1.82	1.00	0	213
01.04.2004	1.82	1.00	0	70
02.04.2004	1.88	1.00	0	669
09.04.2004	1.99	1.00	0	207
16.04.2004	1.86	1.00	0	449
23.04.2004	1.89	1.00	0	109
30.04.2004	1.77	1.00	0	320
14.05.2004	1.56	1.00	0	110
20.05.2004	1.54	1.00	0	20
01.06.2004	1.61	1.00	0	10
07.06.2004	1.55	1.00	0	90
15.06.2004	1.58	1.00	0	20
01.07.2004	1.55	1.00	0	15
14.07.2004	1.48	1.00	0	1
17.07.2004	1.50	1.00	0	32
26.07.2004	1.36	1.00	0	35
29.07.2004	1.32	1.00	0	4
03.08.2004	1.28	1.00	0	5
11.08.2004	1.36	1.00	0	35
16.08.2004	1.30	1.00	0	2
20.09.2004	1.23	1.00	0	15
22.09.2004	1.22	1.00	0	50
20.10.2004	1.22	1.00	0	25
02.11.2004	1.25	1.00	0	20
05.11.2004	1.21	1.00	0	58
19.11.2004	1.26	1.00	0	27
01.12.2004	1.29	1.00	0	275
01.12.2004	1.29	1.21	0	3
06.12.2004	1.33	1.00	0	200
Balance carried forward			0	5,816

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

28 SHARE CAPITAL (CONT'D)

(iii) Employees' Share Option Scheme ("ESOS") (cont'd)

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of options over ordinary shares issued	
			30.6.2006 '000	31.12.2004 '000
Balance brought forward			0	5,816
10.12.2004	1.33	1.00	0	170
20.12.2004	1.32	1.00	0	5
27.12.2004	1.37	1.00	0	10
03.01.2005	1.39	1.00	175	0
08.01.2005	1.39	1.00	5	0
08.01.2005	1.39	1.21	5	0
14.01.2005	1.42	1.00	42	0
01.02.2005	1.40	1.00	45	0
03.02.2005	1.40	1.00	195	0
07.02.2005	1.39	1.00	12	0
21.02.2005	1.45	1.00	204	0
01.03.2005	1.46	1.00	30	0
07.03.2005	1.39	1.00	33	0
14.03.2005	1.43	1.00	82	0
18.03.2005	1.40	1.00	12	0
25.03.2005	1.40	1.00	150	0
15.04.2005	1.33	1.00	7	0
25.04.2005	1.24	1.00	34	0
03.05.2005	1.22	1.00	20	0
14.05.2005	1.12	1.00	270	0
20.05.2005	1.14	1.00	10	0
06.06.2005	0.90	1.00	7	0
Total			1,338	6,001

	30.6.2006 RM'000	31.12.2004 RM'000
Ordinary share capital – at par	1,338	6,001
Share premium	1	1
Proceeds received on exercise of options over ordinary shares	1,339	6,002
Fair value at exercise date of shares issued	1,795	10,228

The fair value of shares issued on the exercise of options over ordinary shares is the closing market price at which the Company's share were traded on the Bursa Malaysia Securities Berhad ("Bursa Malaysia") on the day the options over ordinary shares were exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

29 WARRANTS

Issue date	Expiry date	Exercise price RM/warrant	Number of warrants 2004/2008			
			At start of financial period '000	Issued '000	Exercised '000	At end of financial period '000
30.6.2006						
18.10.2004	17.10.2008	1.30	196,989	0	0	196,989

	Group and Company	
	30.6.2006 RM'000	31.12.2004 RM'000
At beginning of financial period/year	8,791	0
Issued during the financial period/year:		
- rights issue	0	9,354
- renounceable rights issue	0	495
	0	9,849
Less: Warrants issue cost	(14)	(1,058)
At end of financial period/year	8,777	8,791

The new warrants are transferable and listed on Bursa Malaysia. Each new warrant entitles its registered holder, at any time from the date of its issue up to and including 18 October 2008, to subscribe for one new ordinary share of RM1.00 each in the Company at an exercise price of RM1.30 per share which is subject to adjustments under the terms set out in the Deed Poll.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

30 CONSTRUCTION CONTRACTS

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Costs incurred to date	6,463,508	5,503,145
Accrued profits to date	776,295	621,121
Recognised losses to date	(7,505)	(7,506)
Total costs and accrued profits (less losses) to date	7,232,298	6,116,760
Progress billings to date	(7,213,900)	(6,160,275)
	18,398	(43,515)
Amounts due from customers on contracts (Note 22)	(122,165)	(77,951)
Amounts due to customers on contracts (Note 24)	103,767	121,466
	0	0
Advances received on contracts (included in amounts due to associated companies (Note 24))	1,380	4,664
Retention sums (Note 22)	65,406	65,936

31 CAPITAL COMMITMENTS

Capital expenditure authorised by Directors but not provided for in the financial statements are as follows:

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
In respect of property, plant and equipment:		
Contracted	2,177	796
Not contracted	9,320	10,104
	11,497	10,900

32 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Not later than 1 year	1,412	2,841	63	10
Later than 1 year and not later than 5 years	382	1,779	0	0
	1,794	4,620	63	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

33 ACQUISITION OF SUBSIDIARY COMPANIES

The Company had, during the financial period, acquired:

- (a) the entire equity interest in Sunway Quarry Industries Sdn Bhd ("SQI") (formerly known as Setia Juta Quarry Industries Sdn Bhd) comprising 9,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM55.115 million, on 24 February 2005,
- (b) the entire equity interest in Sunway Enterprise Sdn Bhd ("SWE") comprising 4,038,000 ordinary shares of RM1.00 each for a total cash consideration of RM0.716 million, on 24 March 2006,
- (c) the entire equity interest in Sunway Hydraulic Industries Sdn Bhd ("SHI") comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM0.245 million, on 22 February 2006, and
- (d) 70% equity in Synergy Quarry and Asphalt Industries Sdn Bhd ("SQAI") comprising 350,000 ordinary shares of RM1.00 each for a total cash consideration of RM0.194 million, on 25 July 2005.

The effect of the acquisitions on net profit of the Group was as follows:

	18 months ended 30.6.2006 RM'000
Revenue	118,478
Cost of sales	(103,657)
Gross profit	14,821
Other operating income	5,666
Distribution expenses	(3,256)
Administrative expenses	(6,244)
Other operating expenses	(766)
Finance costs	(2,233)
Profit from ordinary activities before tax	7,988
Tax expense	(1,381)
Profit from ordinary activities after tax	6,607
Minority interest	4
Net profit for the financial period	6,611

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

33 ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)

The effect of the acquisitions on the financial position of the Group was as follows:

	At 30.6.2006 RM'000
Goodwill	36,996
Property, plant and equipment	29,861
Quarry development expenditure	1,165
Other Investments	11
Non-current assets	68,033
Inventories	33,440
Debtors	47,336
Tax recoverable	286
Cash and bank balances	1,866
Deposits	1,000
Current assets	83,928
Creditors	(55,451)
Current tax liabilities	0
Bank borrowings	(8,929)
Current liabilities	(64,380)
Long term borrowings	(12,366)
Deferred tax liabilities	(3,257)
Total liabilities	(80,003)
Net assets	71,958

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

33 ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)

Details of net assets and cash flow arising from the acquisitions were as follows:

	At date of acquisitions 30.6.2006 RM'000
Property, plant and equipment	28,426
Other Investments	11
Quarry development expenditure	704
Inventories	27,265
Receivables, deposits and prepayments	38,763
Cash and bank balances	8,887
Creditors	(47,432)
Current tax liabilities	0
Deferred tax liabilities	(2,120)
Long term creditors	(18,221)
Bank borrowings - others	(4,683)
Bank borrowings – bank overdrafts	(879)
Minority interest	(79)
Fair value of net assets arising from the acquisitions of SQI, SWE and SHI	30,642
Fair value of net assets arising from the acquisition of Sun-Block (Berang) Sdn Bhd, Sun-Block (Senai) Sdn Bhd and businesses of Creative Stone Sdn Bhd and Creative Stone Marketing Sdn Bhd	0
Fair value of net assets arising from the acquisition of SunCon	0
Total fair value of net assets acquired	30,642
Goodwill (Note 19)	36,996
Negative goodwill (Note 6)	(3,120)
Cost of acquisitions	64,518
Total purchase consideration	64,518
Less: Purchase consideration discharged by shares issued	0
Less: Purchase consideration yet to be paid	(8,244)
Less: Cash and cash equivalents of subsidiary acquired	(8,008)
Net cash outflow of the Group on acquisitions	48,266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING

The Group is organised into six main business segments:

- (a) Construction - Construction of building and civil works and provision of mechanical, electrical and piling works.
- (b) Property development - Development of housing and commercial properties.
- (c) Trading and manufacturing - Trading and manufacturing of construction and industrial products and building materials.
- (d) Building materials - Manufacturing of vitrified clay pipes, concrete pipes, interlocking pavers, pretensioned spun concrete piles, precast micro injection piles, reinforced concrete piles, eurotiles, blocks and concrete products.
- (e) Quarry - Quarrying, manufacturing and supplying of premix, manufacturing of ready-mixed concrete and production of building stones.
- (f) Financial services - Lease and hire purchase financing.
- (g) Investment holding - Investment in properties, management and letting of properties and hotel operator as well as holding of investment in the shares of subsidiary companies, associated companies and other investments.
- (h) Others - Provision of secretarial and share registration services, provision of management services, underwriting of insurance, tolling operations and implementation of securitisation transaction.

Other operations of the Group mainly comprise general insurance underwriting, share registration and provision of secretarial services, tolling operations and implementation of securitisation transaction none of which are of a sufficient size to be reported separately.

Intersegment revenue comprise rendering of construction, mechanical and electrical works, trading of building materials, provision of secretarial and share registration services, provision of management services, underwriting of insurance and implementation of securitisation transaction. These transactions are conducted on an arms-length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

During the financial year, segment presentation of certain subsidiary companies has been included in the "quarry" segment to better reflect the nature of the business operation. In the previous financial year, the segment presentation of these subsidiary companies was included in the "building materials" segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING (CONT'D)

(a) Primary reporting format – business segment

	Construction RM'000	Property development RM'000	Trading and manufacturing RM'000	Building materials RM'000	Quarry RM'000	Financial services RM'000	Investment holding RM'000	Others RM'000	Group RM'000
30.6.2006									
Revenue									
Total revenue	1,271,184	162,963	372,270	109,198	163,017	5,469	30,601	39,430	2,154,132
Intersegment revenue	0	0	(60,135)	(6,516)	(3,324)	(1,699)	(14,504)	(10,688)	(96,866)
External revenue	1,271,184	162,963	312,135	102,682	159,693	3,770	16,097	28,742	2,057,266
Results									
Profit from operations	62,842	36,406	20,660	2,290	4,722	(2,358)	(14,553)	13,304	123,313
Finance cost									(54,228)
Share of results of associated companies	0	0	1,320	0	0	0	0	(41,158)	(39,838)
Profit from ordinary activities before tax									29,247
Tax expense									(30,040)
Loss after tax									(793)
Minority interest									(10,477)
Net loss for the financial period									(11,270)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING (CONT'D)

(a) Primary reporting format – business segment (cont'd)

	Construction RM'000	Property development RM'000	Trading and manufacturing RM'000	Building materials RM'000	Quarry RM'000	Financial services RM'000	Investment holding RM'000	Others RM'000	Group RM'000
30.6.2006									
Net assets									
Segment assets	779,744	276,748	161,305	170,961	97,659	29,162	253,568	67,098	1,836,245
Associated companies	0	0	3,912	0	0	0	0	48,953	52,865
Unallocated assets									26,602
Total assets									1,915,712
Segment liabilities	514,359	48,650	124,679	30,306	56,734	18,666	435,854	104,364	1,333,612
Unallocated liabilities									33,924
Total liabilities									1,367,536
Other information									
Capital expenditure	41,330	79	14,432	26,324	28,575	5	99	3,010	113,854
Depreciation and amortisation	16,450	563	2,663	12,445	9,599	97	2,463	4,504	48,784
Impairment	0	0	0	1,840	0	0	0	0	1,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING (CONT'D)

(a) Primary reporting format – business segment (cont'd)

31.12.2004	Construction RM'000	Property development RM'000	Trading and manufacturing RM'000	Building materials RM'000	Financial services RM'000	Investment holding RM'000	Others RM'000	Group RM'000
Revenue								
Total revenue	1,087,615	149,949	212,708	94,028	5,098	20,111	(377)	1,569,132
Intersegment revenue	(32,298)	0	(18,755)	(5,700)	(54)	(11,166)	(3,640)	(71,613)
External revenue	1,055,317	149,949	193,953	88,328	5,044	8,945	(4,017)	1,497,519
Results								
Profit from operations	82,283	18,524	9,051	13,665	1,257	5,447	(31,436)	98,791
Finance cost								(26,968)
Share of results of associated companies	0	0	624	(3,733)	0	0	(12,865)	(15,974)
Profit from ordinary activities before tax								55,849
Tax expense								1,874
Profit after tax								57,723
Minority interest								(18,424)
Net profit for the financial year								39,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING (CONT'D)

(a) Primary reporting format – business segment (cont'd)

31.12.2004	Construction RM'000	Property development RM'000	Trading and manufacturing RM'000	Building materials RM'000	Financial services RM'000	Investment holding RM'000	Others RM'000	Group RM'000
Net assets								
Segment assets	830,205	252,603	107,555	169,114	53,674	142,652	67,887	1,623,690
Associated companies	0	0	2,613	33,324	0	0	72,630	108,567
Unallocated assets								24,862
Total assets								1,757,119
Segment liabilities	516,510	175,491	89,830	39,836	19,820	225,104	104,968	1,171,559
Unallocated liabilities								26,532
Total liabilities								1,198,091
Other information								
Capital expenditure	4,684	124	1,146	29,902	31	35	7,012	42,934
Depreciation and amortisation	9,798	401	1,150	12,701	81	1,706	1,954	27,791

Segment assets consist primarily of property, plant and equipment, other investments, assets held for resale, inventories and completed development properties, property development costs, operating receivables and cash, and mainly exclude current and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as current and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

34 SEGMENT REPORTING (CONT'D)

(b) Secondary reporting format – geographical segments

The Group operates in these main geographical areas:

- Malaysia - construction, property development, trading and manufacturing, building materials, quarry, financial services, investment holdings and tolling operations
- Singapore - trading and manufacturing and building materials
- Vietnam - building materials, quarry and investment holding
- Other countries - investment holding, trading and manufacturing, construction

	Revenue		Total assets		Capital expenditure	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Malaysia	1,761,856	1,346,171	1,610,099	1,496,199	89,040	40,927
Singapore	158,385	85,855	66,288	71,323	584	359
Vietnam	67,993	35,889	72,546	30,673	2,033	888
Other countries	69,032	29,604	113,914	50,357	22,197	760
	2,057,266	1,497,519	1,862,847	1,648,552	113,854	42,934
Associated companies			52,865	108,567		
Total assets			1,915,712	1,757,119		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

35 CHANGE IN ACCOUNTING POLICY

On 2 April 2004, the Group completed an asset-backed securitisation exercise ("ABS exercise") involving the disposals of the entire equity interest in Coral White Sdn Bhd, a wholly owned indirect subsidiary of the Company and a portfolio of commercial and residential properties to ABS Land and Properties Berhad ("ALP") for a total sale consideration of RM214.92 million which was satisfied by RM93.65 million cash and the issuance of RM121.271 million nominal value of subordinated class asset-backed securitisation notes ("Subordinated Notes").

In accordance with IC Interpretation 112, which is effective for annual period beginning on or after 1 January 2006, ALP has been consolidated with the Group since the substance of the relationship between the Group and ALP indicates that ALP is controlled by the Group.

The early adoption of IC 112 has the effect of increasing the Group's net loss for the 18 months ended 30 June 2006 by RM712,000. The other effects of the change on the Group's financial statements are as follows:

	As previously reported RM'000	Prior year adjustments RM'000	As restated RM'000
<u>As At 31 December 2003</u>			
Accumulated losses	(316,230)	(184)	(316,414)
<u>As At 31 December 2004</u>			
<u>Non-current assets</u>			
Property, plant and equipment	218,755	7	218,762
ABS notes and other investments	131,661	(122,147)	9,514
<u>Current assets</u>			
Inventories and completed development properties	108,205	166,909	275,114
Tax recoverable	13,759	93	13,852
Debtors	776,094	366	776,460
Deposits, bank and cash balances	113,340	10,931	124,271
<u>Current liabilities</u>			
Creditors	630,830	5,721	636,551
<u>Non-current liabilities</u>			
ABS Senior Notes	0	89,805	89,805
Accumulated losses	(236,779)	(39,367)	(276,146)
Net profit for the financial year	78,482	(39,183)	39,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

36 CONTINGENT LIABILITIES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Guarantees given to bankers for facilities obtained and utilised by:				
- subsidiary companies	0	0	217,139	204,585
Guarantees given to third parties in respect of contracts and trade performance of:				
- Group	901,624	799,230	0	0
- subsidiary companies	0	0	818,690	730,764
	901,624	799,230	1,035,829	935,349

(a) Provision of funds to Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("SILK")

Pursuant to the concession agreement entered into between SILK, a wholly-owned subsidiary of SunInfra, which in turn is an associated company of the Company, and the Government of Malaysia on 8 October 1997 as amended by a supplemental concession agreement dated 1 August 2001, the Government of Malaysia has awarded to SILK the design, construction, operation and maintenance of the Kajang traffic dispersal ring road including the related toll equipment and ancillary facilities.

For the purposes of part-financing the Project by SunInfra, SILK had entered into an arrangement pursuant to the financing procedures in accordance with the Syariah principle of Al-Bai Bithaman Ajil in relation to which, the Company had undertaken to ensure that SILK maintains the required Annual Debt Service Cover ("DSCR") Ratio and the required minimum balances in the Debt Service Reserve Account ("DSRA"). The provision of any funds to make up the above DSCR and DSRA, should the needs arise, would constitute a related party transaction which requires the approval of the minority shareholders of the Company.

(b) Financial support to subsidiary companies

As disclosed in Note 14 to the financial statements, the Company has indicated its present intention to continue to provide the necessary financial support to enable certain subsidiary companies within the Group to meet their liabilities as they fall due and to continue their businesses without any significant curtailment of operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

36 CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

(c) Material outstanding litigations

- (i) A claim was brought by Proselesa Sdn Bhd ("Proselesa") against the Company and its subsidiary companies, SWL Factoring Sdn Bhd ("SWLF") and Sunway Credit & Leasing Sdn Bhd for damages and specific performance in respect of an alleged breach/wrongful termination of a sale and purchase agreement. In the event the specific performance of the said agreement is granted by the Court, the subsidiary company will be liable to pay the sum of RM77,766,000 on the execution of the sale and purchase agreement or to pay general damages of a sum that the Court may order. On 30 June 2004, the court dismissed both the Plaintiff's and the Defendant's application for costs, of which all the parties have filed in notices of appeal against the decision. After the hearing of the appeals on 2 September 2004, the Judge held on 15 September 2004 that the Defendant's appeal be allowed with costs and that the Plaintiffs are to pay the security into Court. The Court has fixed trial dates on the 6 April 2005 (vacated) and 29 April 2005 for the Plaintiff's case and the Defendant's case on the 7, 8 and 21 July 2005.

The said suit was partly heard on 7 October 2005 with the latest hearing dates fixed on 12, 13 and 15 September 2006, which have been adjourned pending payment of the security costs by Proselesa. On 29 September 2006, the Judge has fixed a new mention date for the above matter on 16 November 2006.

The Directors of SWLF had been advised by the case lawyer that there was no unlawful termination of the said sale and purchase agreement or any breach of the same as alleged by Proselesa.

- (ii) A claim was brought by Boon Wah Engineering ("Boon Wah") against the Company and its subsidiary, Sunway Construction Sdn Bhd ("SunCon") for the sum of RM2,070,969 being the outstanding payment for the commissioning of air conditioning and ventilation system for the Plaza Pantai project.

Boon Wah obtained a judgement vide Order 14 of the Rules of the High Court. SunCon filed an appeal against this judgement. The said appeal came up for hearing on 21 August 2006 but the same was adjourned to 13 September 2006 and is now fixed for Mention on 17 November 2006.

Whilst the appeal against the Order 14 Judgement is pending, Boon Wah commenced Winding Up proceedings against SunCon. The hearing of the Winding Up Petition is fixed on 21 September 2006, and subsequently adjourned to 13 February 2007. In the interim, SunCon has filed an application to strike off the said petition on the grounds that the said petition is filed on frivolous grounds and the same is an abuse of the court's process.

- (iii) On 9 January 1999, L' Grande Development Sdn Bhd ("L' Grande") had appointed Sunway PMI-Pile Construction Sdn Bhd ("SPMI") to perform work and supply of labour, materials, plants and equipments from the pile design for the construction of 331 units of double store terrace houses. A legal suit was filed by L' Grande against Bukit Cerakah Development Sdn Bhd ("BC") for the sum of RM5,862,612 due under the interim certificates. BC has filed a counterclaim against the plaintiff for damages suffered by them in the sum of RM46,210,925 for demolishing, rebuilding and carrying out rectifying works to the double storey houses that were structurally damaged and ancillary losses due to failure to complete the piling works in accordance with specifications and drawings. L' Grande has issued third party notice on 26 May 2004 against SPMI for indemnity against the failure of the piling works that was carried out. L' Grande has filed and served the Statement of Claim against SPMI. SPMI has accordingly filed the Statement of Defence against L' Grande's statement of claim. The case was fixed for case management on 3 March 2005 and further case management on 5 December 2005 and subsequently to 18 April 2006. The Learned Judge gave directions to the parties to file their Agreed and Non-Agreed Bundles, before the next case management on 14 August 2006. The Learned Judge had also set the trial dates as 25 to 29 January 2010 and 8 to 12 February 2010.

SPMI's solicitors had put in place a defence, which in the solicitors' opinion covered and explained all aspect of SPMI's contractual obligations and mitigating liability. Although the counterclaim against the Plaintiff was RM46,210,924.68, it was unlikely that the final judgement would be for this sum as the claimant had the onerous task of proving his claim. In the solicitors' opinion, the defence suffices and was more than adequate and should justice prevail, the solicitors were confident that this matter should be dismissed.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

37 SIGNIFICANT RELATED PARTY DISCLOSURES

Sistem Lingkaran-Lebuh raya Kajang Sdn Bhd, Sunway City Berhad and its subsidiary companies are deemed to be related to the Company by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling being the common director of the related parties and the Company as well as by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's mutual interest in both the related parties and the Company.

In previous financial year, Sunway Hydraulic Industries Sdn Bhd, a subsidiary newly acquired in the current financial period, was deemed to be related to the Company or its subsidiary companies by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's mutual interest in both the related parties and the Company.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions negotiated among the parties.

	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
(a) Contract revenue from:		
Subsidiary company of an associated company:		
- Sistem Lingkaran-Lebuh raya Kajang Sdn Bhd	18,003	134,580
Companies connected to a major shareholder/common directors (Sunway City Berhad and its subsidiary companies):		
- Sunway City Berhad	79,712	24,545
- Sunway City (Ipoh) Sdn Bhd	18,091	996
- Sunway D'Mont Kiara Sdn Bhd	80,735	20,240
- Sunway Semenyih Sdn Bhd	281	1,616
- Sunway Damansara Sdn Bhd	1,841	16,645
- Sunway Kinrara Sdn Bhd	2,356	6,395
- Sunway Pyramid Sdn Bhd	112,605	38,357
- Sunway Tunas Sdn Bhd	3,004	593
- Sunway City (Penang) Sdn Bhd	21,131	0
- Sunway City Properties Sdn Bhd	2,803	0
- Sunway Bukit Gambier Sdn Bhd	3,642	0
(b) Sales of goods to:		
Associated company:		
- Sunway Marketing (Thailand) Ltd	3,999	4,507

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

	18 months ended 30.6.2006 RM'000	Year ended 31.12.2004 RM'000
(c) Purchase of goods and services from:		
Company connected to a major shareholder:		
- Sunway Hydraulic Industries Sdn Bhd	0	3,931
(d) Rental of office space:		
Company connected to a major shareholder/ common directors (Sunway City Berhad and its subsidiary companies) :		
- Menara Sunway Sdn Bhd	4,913	2,549
(e) Interest income:		
Companies connected to a major shareholder/ common directors (Sunway City Berhad and its subsidiary companies) :		
- Sunway City Berhad	1,524	888
- Sunway Pyramid Sdn Bhd	1,190	1,520
- Sunway Resort Hotel Sdn Bhd	2,536	6,900

38 FINANCIAL INSTRUMENTS

There were no open and outstanding forward foreign currency contracts entered by the Group at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2006 (CONT'D)

39 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The Group had on 14 August 2006, entered into a Joint Venture Agreement (“JVA”) with Wuhu Xin Long Machinery Co. Ltd. (“Wuhu Xin Long”) to set up a joint venture company known as Sunway Xin Long (Anhui) Hydraulic Co. Ltd. (“Sunway Xin Long”).

The total planned investment and registered capital of Sunway Xin Long were RMB41.000 million (equivalent to RM18.880 million) and RMB27.000 million (equivalent to RM12.430 million) respectively. The Group will hold 78% equity interest in Sunway Xin Long via capital injection amounting to RMB21.060 million (RM9.700 million).

The Group will fund its share of equity participation in Sunway Xin Long through internally generated funds and borrowing. The capital will be injected in the following manner:

- (i) first installment of RMB4.539 million (equivalent to RM2.090 million) will be paid within 30 days from issuance of business license of Sunway Xin Long;
- (ii) second installment of RMB9.358 million (equivalent to RM4.310 million) will be paid within 60 days from issuance of business license of Sunway Xin Long; and
- (iii) third installment of RMB7.162 million (equivalent to RM3.298 million) will be paid within 60 days from issuance of business license of Sunway Xin Long.

Sunway Xin Long had on 14 August 2006, entered into an agreement with Wuhu Xin Long to purchase certain identified equipment and assets at the relevant specified purchase consideration after the issuance of business license to Sunway Xin Long.

The Proposed JVA does not require approval from the shareholders of the Company but is subject to approval of the relevant authorities in China. Sunway Xin Long had obtained the business license for the commencement of business operations on 23 August 2006 from the relevant authority in China.

The Group had on 7 April 2006, entered into a Share Sale Agreement with Tan Kim Heng, Tan Kim Tai, Tan Kim Whatt and Tan Soo Bing @ Tan Thiam Swee (“the Vendors”) for the acquisition of 120,000 ordinary shares of RM1.00 each representing the entire equity interest in Kualiti Klasik Sdn Bhd (“KK”) from the Vendors for a total cash consideration of RM3.80 million.

KK was incorporated on 24 July 1991 and has an authorised and paid-up share capital of RM500,000 and RM120,000 respectively. KK is currently dormant but its intended principal activity is to operate quarries in Kuala Kangsar, Perak. The acquisition has been completed on 3 October 2006 upon payment of the balance purchase consideration of RM3.42 million to the Vendors.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 19 October 2006.

41 COMPARATIVES

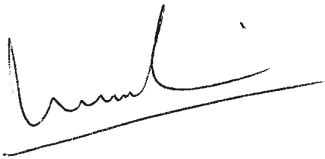
Certain comparative figures have been adjusted and restated to conform to the changes in the presentation and to take into account the effect of the change in accounting policy as disclosed in Note 35 to the financial statements.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15)
OF THE COMPANIES ACT 1965

We, Dato' Chew Chee Kin and Mark Victor Rozario, two of the Directors of Sunway Holdings Incorporated Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 79 to 181 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2006 and of the results and cash flows of the Group and Company for the 18 months ended on that date in accordance with the provisions of the Companies Act 1965 and the MASB approved accounting standards in Malaysia.

In accordance with a resolution of the Board of Directors dated 19 October 2006.



DATO' CHEW CHEE KIN
PRESIDENT



MARK VICTOR ROZARIO
FINANCE DIRECTOR

Petaling Jaya

STATUTORY DECLARATION

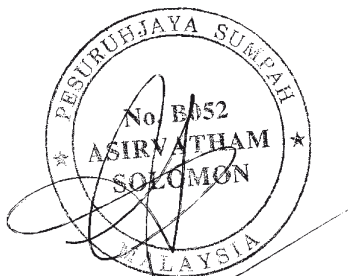
PURSUANT TO SECTION 169(16)
OF THE COMPANIES ACT 1965

I, Mark Victor Rozario, the Director primarily responsible for the financial management of Sunway Holdings Incorporated Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 181 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



MARK VICTOR ROZARIO

Subscribed and solemnly declared by the abovenamed Mark Victor Rozario at Petaling Jaya in the State of Selangor Darul Ehsan on 19 October 2006, before me.



COMMISSIONER FOR OATHS
Tingkat Dua, 26-B Jalan ASB 1/1
Subang Jaya, 47500 Petaling Jaya

REPORT OF THE AUDITORS

TO THE MEMBERS OF

SUNWAY HOLDINGS INCORPORATED BERHAD (COMPANY NO. 37465 A)

We have audited the financial statements set out on pages 79 to 181. 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 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 Company as at 30 June 2006 and of the results and cash flows of the Group and Company for the financial period ended on that date;

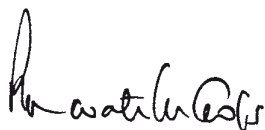
and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the 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 14 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' 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 auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



PRICEWATERHOUSECOOPERS
(No. AF: 1146) (No. 1517/06/08 (J))
Chartered Accountants



ERIC OOI LIP AUN
Partner of the firm

Kuala Lumpur
19 October 2006