



SANBUMI HOLDINGS BERHAD (8386 P)
(formerly known as EMC LOGISTIC BERHAD)

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of **Sanbumi Holdings Berhad** (formerly known as EMC Logistics Berhad) will be held at the Conference Room, Second Floor, Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang on Friday, 28 June 2002 at 10.00 a.m. for the following purposes:-

BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2001 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve the Directors' fees for the financial year ended 31 December 2001. (Resolution 2)
3. (i) To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:
Dato' Noorazman bin Adnan (Resolution 3)
Encik Zainurin bin Karman (Resolution 4)
- (ii) To re-elect Mr Boey Tak Kong who retires in accordance with Article 100 of the Company's Articles of Association. (Resolution 5)
4. To re-appoint Messrs Horwath Mok & Poon as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications the following Ordinary Resolutions:-

Authority to allot shares

(Resolution 7)

"THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue."

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(Resolution 8)

- (i) "THAT approval be and is hereby given to the Company's subsidiaries to renew the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature entered or to be entered into and to give effect to the specified Recurrent Related Party Transactions, details of which are set out in the Circular to Shareholders dated 6 June 2002, provided that such transactions are:-
 - (a) Recurrent transactions of a revenue or trading nature;
 - (b) Necessary for the day-to-day operations; and
 - (c) Carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority stockholders ("the Mandate").

Notice Of Annual General Meeting (Cont'd)

- (ii) THAT the Mandate is subject to annual renewal and such approval shall only continue to be in force until:-
 - (a) The conclusion of the next annual general meeting of the Company following this annual general meeting, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) The expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
 - (c) Revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.
 - (iii) THAT the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Mandate Renewal."
6. To transact any other business of which due notice shall have been received.

By Order of the Board
MOLLY GUNN CHIT GEOK (MAICSA 0673097)
Company Secretary

Penang
Date: 6 June 2002

NOTES:-

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 7 - Authority pursuant to Section 132D of the Companies Act 1965**

The proposed Ordinary Resolution, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

2. **Resolution 8 - Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature**

Please refer to the enclosed Circular to Shareholders.

Statement Accompanying Notice Of Annual General Meeting

(Pursuant To Paragraph 8.28(2) of the KLSE Listing Requirements)

1. Directors standing for re-election

- Dato' Noorazman bin Adnan - Article 93
- Encik Zainurin bin Karman - Article 93
- Mr Boey Tak Kong - Article 100

2. Details of attendance of Directors at Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2001. Details of attendance of Directors at the Board Meetings are as follows:-

| Board of Directors' Meeting | | Feb 01 | Mar 01 | May 01 | Aug 01 | Nov 01 | | | |
|--|--------------------|------------|--------|--------|--------|--------|-------|-----|--|
| Directors | Position | Attendance | | | | | Total | % | |
| Dato' Noorazman Bin Adnan | Chairman | ✓ | ✗ | ✓ | ✓ | ✓ | 4/5 | 80 | |
| Chua Tiong Moon (Appointed w.e.f. 23/02/01) | Managing Director | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Datuk Chai Kin Kong (Appointed w.e.f. 23/02/01) | Executive Director | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Chai Kim Chong (Appointed w.e.f. 23/02/01) | Executive Director | - | ✗ | ✓ | ✓ | ✓ | 3/4 | 75 | |
| Rahadian Mahmud bin Mohammad Khalil (Appointed w.e.f. 23/02/01) | Director | - | ✓ | ✓ | ✗ | ✓ | 3/4 | 75 | |
| Zainurin bin Karman (Appointed w.e.f. 23/02/01) | Director | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Lee Gee Huy @ Lee Kong Fee (Appointed w.e.f. 23/02/01) | Director | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Boey Tak Kong (Appointed w.e.f. 13/12/01) | Director | N/A | | | | | | | |
| Yeo Seow Lin (Resigned w.e.f. 23/02/01) | Executive Director | ✓ | N/A | | | | | | |
| Heng Chye Lye (Resigned w.e.f. 23/02/01) | Director | ✗ | N/A | | | | | | |
| Lim Chong Seong (Resigned w.e.f. 23/02/01) | Executive Director | ✓ | N/A | | | | | | |
| Chuang Shi-Chung (Resigned w.e.f. 23/02/01) | Director | ✗ | N/A | | | | | | |

Total number of meetings held:

5

Statement Accompanying Notice Of Annual General Meeting (Cont'd)

(Pursuant To Paragraph 8.28(2) of the KLSE Listing Requirements)

3. The place, date and time of the Annual General Meeting:-

Conference Room, Second Floor, Wisma EMC
972 Jalan Baru, 13700 Prai, Penang.
On Friday, 28 June 2002 at 10.00 a.m.

4. Further details of Directors who are standing for re-election

The profile of the Directors who are standing for re-election are set out in pages 12 to 13 of the Annual Report.

Corporate Information

BOARD OF DIRECTORS

CHAIRMAN / NON-EXECUTIVE DIRECTOR

- DATO' NOORAZMAN BIN ADNAN
Appointed 20/05/1999

MANAGING DIRECTOR

- CHUA TIONG MOON
Appointed 23/02/2001

EXECUTIVE DIRECTORS

- DATUK CHAI KIN KONG
Appointed 23/02/2001
- CHAI KIM CHONG
Appointed 23/02/2001

INDEPENDENT NON-EXECUTIVE DIRECTORS

- LEE GEE HUY @ LEE KONG FEE
Appointed 23/02/2001
- ZAINURIN BIN KARMAN
Appointed 23/02/2001
- BOEY TAK KONG
Appointed 13/12/2001

NON-EXECUTIVE DIRECTOR

- RAHADIAN MAHMUD BIN
MOHAMMAD KHALIL
Appointed 23/02/2001

AUDIT COMMITTEE

CHAIRMAN

- LEE GEE HUY @ LEE KONG FEE

MEMBERS

- CHUA TIONG MOON
- ZAINURIN BIN KARMAN
- BOEY TAK KONG

NOMINATION COMMITTEE

CHAIRMAN

- LEE GEE HUY @ LEE KONG FEE

MEMBERS

- ZAINURIN BIN KARMAN
- BOEY TAK KONG

REMUNERATION COMMITTEE

CHAIRMAN

- DATO' NOORAZMAN BIN ADNAN

MEMBERS

- LEE GEE HUY @ LEE KONG FEE
- ZAINURIN BIN KARMAN

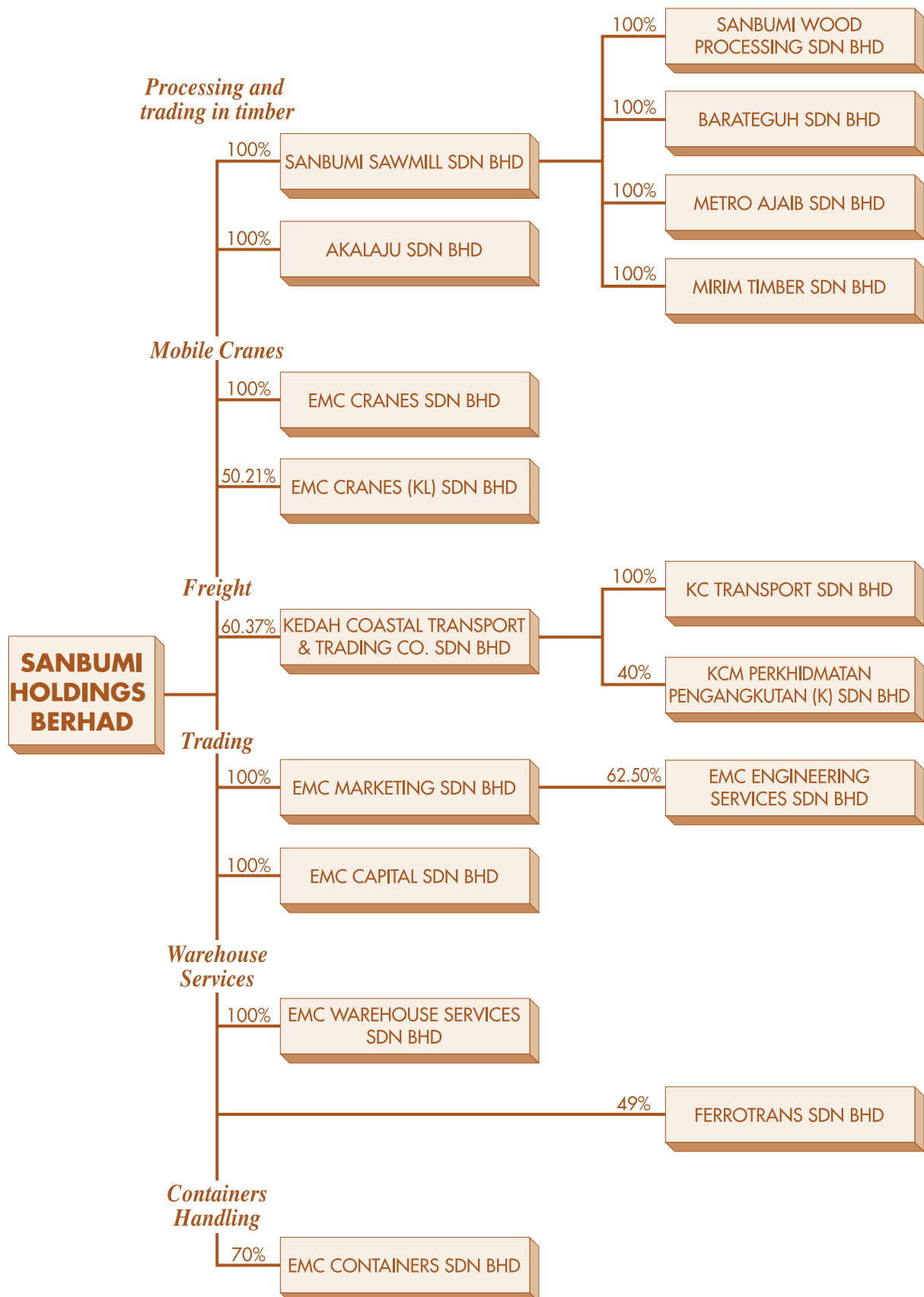
COMPANY SECRETARY

- MOLLY GUNN CHIT GEOK
(MAICSA 0673097)

Corporate Information (Cont'd)

| | |
|-------------------------------|--|
| REGISTERED OFFICE | - WISMA EMC 972 JALAN BARU 13700 PRAI, PENANG TEL: 604- 398 4878 / 390 3699 FAX: 604- 397 9311 / 390 3636 |
| SHARE REGISTRAR | - TENAGA KOPERAT SDN BHD 20 TH FLOOR, PLAZA PERMATA JALAN KAMPAR OFF JALAN TUN RAZAK 50400 KUALA LUMPUR TEL: 603- 4041 6522 FAX: 603- 4043 9233 |
| AUDITORS | - HORWATH MOK & POON (Chartered Accountants) LEVEL 16, TOWER C MEGAN PHILEO AVENUE 12 JALAN YAP KWAN SENG 50450 KUALA LUMPUR |
| PRINCIPAL BANKERS | - MALAYAN BANKING BERHAD - HONG LEONG BANK BERHAD - UNITED OVERSEAS BANK (MALAYSIA) BERHAD |
| STOCK EXCHANGE LISTING | - MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE • STOCK NAME : SANBUMI • STOCK CODE : 9113 |

Corporate Structure



Calendar Of Significant Events

8 January 2001

The Company completed the acquisitions of the entire issued and paid-up ordinary share capital of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd for a total consideration of RM250,152,100 which was satisfied by the issuance of 127,628,623 new ordinary shares of RM1.00 in the Company at an issue price of RM1.96 per share. This resulted in a reverse take-over of the Company by the new shareholders.

23 February 2001

The appointment of five new members to the Board of Directors followed by the resignation of four previous members of the Board. The newly appointed directors are:

Mr Chua Tiong Moon – Managing Director
Datuk Chai Kin Kong – Executive Director
Mr Chai Kim Chong – Executive Director
Mr Lee Gee Huy @ Lee Kong Fee – Independent Non-Executive Director
En Zainurin bin Karman – Independent Non-Executive Director
En Rahadian Mahmud bin Mohammad Khalil – Non-Executive Director

11 June 2001

The Kuala Lumpur Stock Exchange (“KLSE”) reclassified the Company from the “Trading/Services” sector to “Industrial Products” sector to best reflect the change following the conclusion of the reverse take-over and in consideration of the contributions from the new assets.

25 October 2001

The Rights Issue of 29,039,725 new ordinary shares of RM1.00 each at an issue price of RM1.35 per share on a basis of one (1) new ordinary share for every five (5) existing ordinary shares held was completed.

2 November 2001

The KLSE granted the listing and quotation of the entire 156,668,348 new ordinary shares of RM1.00 each in the Company, issued in consideration for the acquisitions on 8 January 2001 and pursuant to the Rights Issue on 25 October 2001.

25 January 2002

The shareholders of the Company approved the proposed change of Company name from EMC LOGISTICS BERHAD to SANBUMI HOLDINGS BERHAD.

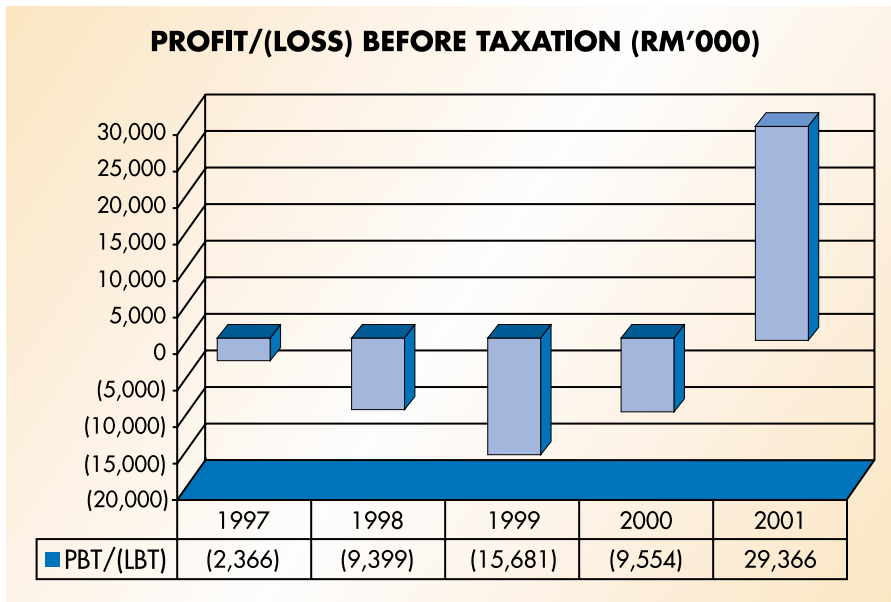
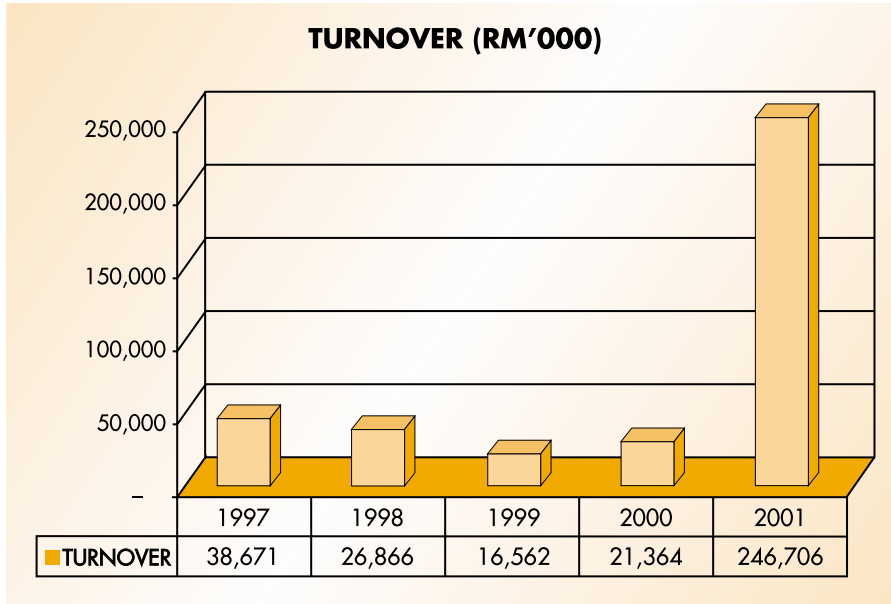
28 January 2002

The KLSE officially transferred the listing and quotation of the entire issued and paid-up share capital of the Company comprising 174,238,348 ordinary shares of RM1.00 each to the Main Board of the KLSE.

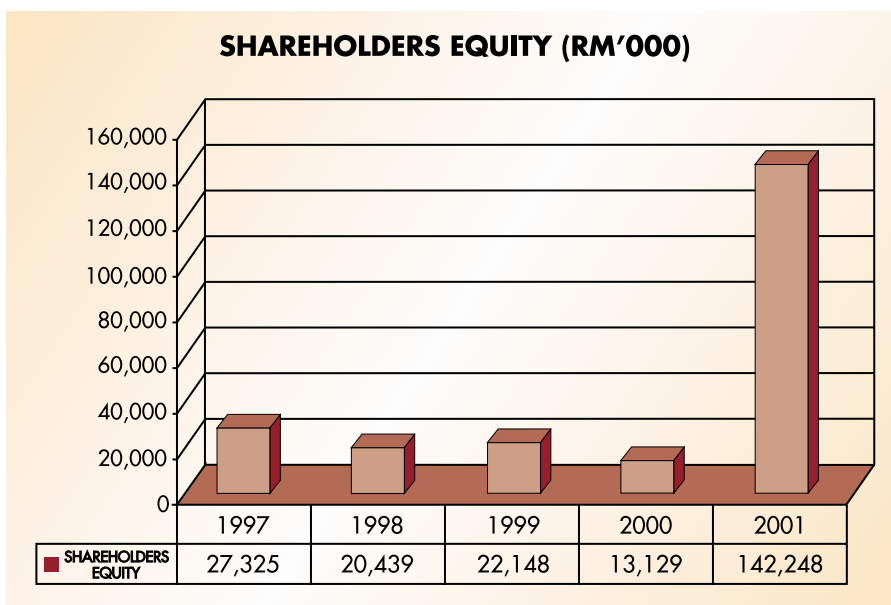
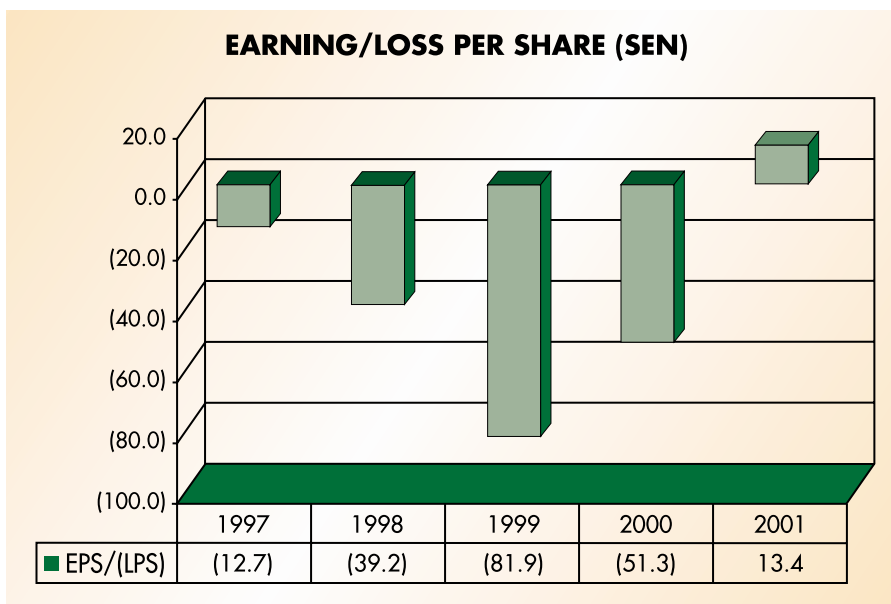
18 February 2002

The Company name was officially changed to SANBUMI HOLDINGS BERHAD.

Financial Highlights



Financial Highlights (Cont'd)



Directors' Profile

DATO' NOORAZMAN BIN ADNAN

Chairman

- **Age : 45**
- **Nationality : Malaysian**

Dato' Noorazman bin Adnan is a businessman. He holds a Diploma in Police Science and was formerly attached with the Royal Malaysian Police Force. He currently has interest in several businesses and holds directorship in several private limited companies.

Dato' Noorazman bin Adnan does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

CHUA TIONG MOON

Managing Director

- **Age : 43**
- **Nationality : Malaysian**

Chua Tiong Moon is a businessman and has been involved in the timber industry for over 24 years and has vast experience in logging extraction operations and from sawmilling to plywood operations. He has also vast experience in property development, manufacturing as well as the quarry business. He has been the Chairman of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 1995.

Chua Tiong Moon does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

DATUK CHAI KIN KONG

Executive Director

- **Age : 43**
- **Nationality : Malaysian**

Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 29 years and has wide experience and knowledge of the industry. He started his career with Sin Cheong Heng Sawmill as a supervisor and later a Manager before venturing into timber extraction and sale of round logs on his own by setting up a small family company in Kelantan and later in Pahang. He later expanded his business into Sabah. He has been the Managing Director of Akalaju Sdn Bhd and Sanbumi Sawmill Sdn Bhd since 1994 and 1995 respectively.

Datuk Chai Kin Kong does not hold any directorship in other public companies, has no conflict of interest with the Company and has no record of convictions for offences within the past ten years.

Datuk Chai Kin Kong is the brother of Chai Kim Chong, an Executive Director of the Company and Chai Kin Loong, a substantial shareholder of the Company.

CHAI KIM CHONG

Executive Director

- **Age : 40**
- **Nationality : Malaysian**

Chai Kim Chong has 22 years experience in the timber industry, working in logging extraction and trading. He has been the Executive Director of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 2000.

Chai Kim Chong does not hold any directorship in other public companies, has no conflict of interest with the Company and has no record of convictions for offences within the past ten years.

Chai Kim Chong is the brother of Datuk Chai Kin Kong, an Executive Director of the Company and Chai Kin Loong, a substantial shareholder of the Company.

Directors' Profile (Cont'd)

LEE GEE HUY @ LEE KONG FEE

Director

- **Age : 54**
- **Nationality : Malaysian**

Lee Gee Huy @ Lee Kong Fee is a Barrister. He obtained his Licence-In-Law from Buckingham University, United Kingdom and Barrister-At-Law at Lincoln's Inn, London. He has 18 years experience practicing as an Advocate & Solicitor.

Lee Gee Huy @ Lee Kong Fee has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the board of Fajar Baru Capital Berhad.

ZAINURIN BIN KARMAN

Director

- **Age : 37**
- **Nationality : Malaysian**

Zainurin bin Karman is an Engineering Consultant. He holds a Bachelor Science (BSc)-Civil Engineering from NYUSA and is a Member of the Institute of Engineers Malaysia (MIEM). He started his career as a Project Manager with Faraza Holdings Berhad and later joined Engineering & Environmental Consultant Sdn Bhd as a Senior Engineer before moving on to Indah Water Konsortium Sdn Bhd as Manager. He is currently a Director of RE Consultant Sdn Bhd.

Zainurin bin Karman does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Director

- **Age : 28**
- **Nationality : Malaysian**

Rahadian Mahmud bin Mohammad Khalil is a businessman. He started his career with Innovest Berhad as a Property Executive. He is currently the Managing Director of E G Dot Com Sdn Bhd (formerly known as I.T. Marvel Sdn Bhd.). He is also a Director of several other private limited companies.

Rahadian Mahmud bin Mohammad Khalil has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of EG.COM Berhad, North Borneo Corporation Berhad and Kinsteel Berhad.

BOEY TAK KONG

Director

- **Age : 48**
- **Nationality : Malaysian**

Boey Tak Kong is a Management Consultant. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, an Associate of the Institute of Chartered Secretaries & Administrators, United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants and an Associate of the Institute of Marketing Malaysia.

Boey Tak Kong has more than 23 years of working experience with six public listed companies in Malaysia and has served on the Board of a company listed on the New Zealand Stock Exchange. He is presently the Managing Director of Terus Mesra Sdn Bhd, a company involved in the provision of management consulting, strategic business training and corporate advisory services since early 1998.

Boey Tak Kong has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of Econstates Berhad and Dutch Lady Milk Industries Berhad.

Corporate Governance Statement

The Board of Directors of Sanbumi Holdings Berhad (formerly known as EMC Logistics Berhad) fully supports the recommendations of the Malaysian Code on Corporate Governance (“the Code”). The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Company.

The Board is currently moving towards ensuring full application of all the Principles in Part 1 of the Code and is also committed to ensuring compliance with the Best Practices as recommended in Part 2 of the Code.

THE BOARD OF DIRECTORS

The Board

Sanbumi Holdings Berhad (formerly known as EMC Logistics Berhad) is led and managed by an experienced Board comprising members with a wide range of experience in fields such as accounting, marketing, engineering, legal, corporate planning and public service. Together, the Directors bring a broad range of skills, experience and knowledge required to successfully direct and supervise the investment activities of the Company.

The Board has set up three committees, namely, the Audit, Nomination and Remuneration Committees, all of which have terms of reference to govern their responsibilities. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

(a) Composition

The Board of Directors consists of a Non-Independent Non-Executive Chairman, three (3) Executive Directors and four (4) Non-Executive Directors, three (3) of whom are independent.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. There is also proper balance in the Board because of the presence of Independent Non-Executive Directors of the calibre and experience necessary to carry sufficient weight in Board decisions. Although all Directors have an equal responsibility for the Group’s operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts its business.

(b) Board Meetings

The Board held five meetings during the financial year to control and monitor the development of the Group. Besides Board meetings, the Board also exercises control on matters that require Board’s approval through Directors’ Circular Resolutions.

(c) Supply of Information

All Directors are supplied with board papers pertaining to agenda items prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

In addition, there is a schedule of matters reserved specifically for the Board’s decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

Corporate Governance Statement (Cont'd)

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary. If necessary, the Directors can seek professional opinion and advice from external consultants including merchant bankers, valuers, solicitors, financial advisers, etc.

(d) Appointments to the Board

As recommended by the Code, a Nomination Committee was established on 29 November 2001, comprising three (3) Non-Executive Directors all of whom are independent directors. The initial members are Mr Lee Gee Huy @ Lee Kong Fee (as Chairman) and Encik Zainurin bin Karman. Mr Boey Tak Kong was appointed as a member of the Nomination Committee on 13 December 2001.

The Nomination Committee is empowered under its Terms of Reference to assist the Board, amongst others, in the following functions:-

- recommendation to the Board, all directorships to be filled by the shareholders or the Board;
- annual review of the required mix of skills, experience and other qualities of the Directors.
- recommendation on the re-election of Directors due for retirement under the Articles of Association of the Company, taking into account the Directors' contribution.
- determination of the expertise and experience of the prospective candidates for directorship.

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group.

Decisions on appointments are made by the Board after considering the recommendations made by the Nomination Committee. The Nomination Committee held one meeting on 21 February 2002 which was attended by all members of the Committee.

The Nomination Committee reviews annually the mix of skills and experience the Non-Executive Directors should bring to the Board.

(e) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. Provided always that all Directors shall retire from office once at least in each three years but shall be eligible for re-election.

(f) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Kuala Lumpur Stock Exchange.

DIRECTORS' REMUNERATION

(a) Remuneration Policy

The remuneration of the Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Directors concerned.

Corporate Governance Statement (Cont'd)

(b) Remuneration Procedure

The Remuneration Committee which was established on 29 November 2001 comprises three (3) Non-Executive Directors, namely Dato' Noorazman bin Adnan (as Chairman), Mr Lee Gee Huy @ Lee Kong Fee and Encik Zainurin bin Karman, two (2) of whom are Independent Directors.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole, subject to approval of shareholders at the Annual General Meeting.

(c) Remuneration Package

The details of the remuneration of the Directors on Group basis for the financial year ended 31 December 2001 are as follows:-

| (All figures in RM'000) | Executive Directors | Non-Executive Directors |
|-------------------------|---------------------|-------------------------|
| Salary | 658,632 | - |
| Fees | 100,608 | 127,608 |
| Bonus | 1,000 | - |
| Benefits-in kind # | 32,667 | - |
| Total | 792,907 | 127,608 |

The Executive Directors are entitled to other benefits-in-kind i.e. life insurance coverage, club memberships and annual leave passage. However, the Executive Directors did not utilise these entitlements as at the end of the financial year.

The number of Directors whose remuneration falls into the following bands of RM50,000 is shown below :-

| | Executive Directors | Non-Executive Directors |
|-----------------------|---------------------|-------------------------|
| Less than RM50,000 | 2 | 4 |
| RM150,001 - RM200,000 | 1 | - |
| RM250,001 - RM300,000 | 2 | - |
| Total | 5 | 4 |

RELATIONS WITH SHAREHOLDERS

(a) Dialogue with Investors

The Board is committed to ensure that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:-

- (i) monthly announcements on timber production figures;
- (ii) the various disclosures and announcements made to the Kuala Lumpur Stock Exchange including the Quarterly Results and Annual Results;
- (iii) circular to shareholders; and
- (iv) copies of the Annual Reports supplied to shareholders and to members of the public upon request.

Corporate Governance Statement (Cont'd)

Mr Lee Gee Huy @ Lee Kong Fee has been appointed by the Board as the Senior Independent Non-Executive Director of the Board to whom any concerns may be conveyed. Queries and concerns regarding the Group may be conveyed to him at:-

Telephone number : 06-762 9770
Facsimile number : 06-763 2286

Shareholders and members of the public are invited to access the KLSE website at www.klse.com.my to obtain the latest information on the Group.

(b) General Meetings

The Annual General Meeting (“AGM”) of the Company provides a principal forum for dialogue and interaction with shareholders. Notice of the AGM and Annual Reports are sent to shareholders at least 21 days before the date of the meeting. The Notice of the AGM is also published in major newspapers and released to the Kuala Lumpur Stock Exchange for public dissemination. Members of the Board as well as the Auditors of the Company are present at the AGM to answer questions raised at the meeting.

For re-election of Directors, the Board ensures that full information on the Directors concerned is disclosed in the Annual Report.

Extraordinary General Meetings (EGMs) are held as and when required.

Each item of special business included in the notice of meeting will be accompanied by an explanatory statement to explain the effects of a proposed resolution. This is to facilitate a better understanding and evaluation of the issues involved.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Directors are responsible in ensuring that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy and adequacy of all annual and quarterly reports, audited or unaudited, and approved by the Board of Directors before releasing to the KLSE.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 27 of this Annual Report.

(b) Statement on Internal Controls

The Board acknowledges its responsibility for establishing an efficient and effective system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders’ investment and the Group’s assets. Internal control monitoring will be carried out all year round by the Company’s Internal Audit Department.

(c) Relationship with the External Auditors

The external auditors were invited to brief the Audit Committee on specific issues. The Group maintains a transparent relationship with the external auditors and seeks their advice in ensuring due compliance with the approved accounting standards.

Audit Committee Report

MEMBERS OF THE COMMITTEE

| | | |
|-----------|---|---|
| Chairman | : | Lee Gee Huy @ Lee Kong Fee |
| Members | : | Chua Tiong Moon Zainurin bin Karman Boey Tak Kong |
| Secretary | : | Molly Gunn Chit Geok |

TERMS OF REFERENCE

Membership

1. The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:-
 - (a) the Committee must be composed of no fewer than 3 members;
 - (b) a majority of the Committee must be independent directors; and
 - (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
2. No alternate director should be appointed as a member of the Committee.
3. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.
4. The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Chairman

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

Secretary

The Company Secretary or if more than one, any one of them, shall be the Secretary of the Committee.

Audit Committee Report (Cont'd)

Meetings

- 1) Meetings shall be held not less than four times a year.
- 2) The Head of Finance, the Head of Internal Audit (where such a function exists) and a representative of the external auditor shall normally attend meetings.
- 3) Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 4) Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
- 5) The Committee shall regulate its own procedure, in particular:-
 - (a) the calling of meetings;
 - (b) the notice to be given of such meetings;
 - (c) the voting and proceedings of such meetings;
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
- 6) At least once a year the Committee shall meet with the external auditors without executive Board members present.

Quorum

A quorum shall be at least two (2) members with majority present being independent directors.

Rights and Authority

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any relevant information, records and documents pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Audit Committee Report (Cont'd)

Functions and Duties

The Committee shall, amongst others, discharge the following functions and duties:

- 1) to review:
 - i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
 - ii) with the external auditor, his evaluation of the system of internal controls;
 - iii) with the external auditor, his audit report, his management letter and the management's response;
 - iv) the assistance given by the Company's employees to the external auditor;
 - v) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - vi) the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - vii) to review any appraisal or assessment of the performance of members of the internal audit function;
 - viii) to approve any appointment or termination of senior staff members of the internal audit function;
 - ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - x) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant and unusual events;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements;
 - xi) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity;
 - xii) to review whether there is reason (supported by ground) to believe that the external auditor is not suitable for reappointment;
 - xiii) to consider the nomination of a person or persons as external auditors and the audit fee; and
 - xiv) to consider any questions of resignation or dismissal of external auditors.
- 2) to recommend the nomination of a person or persons as external auditors
- 3) to promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements
- 4) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary) to carry out such other functions as may be agreed to by the Committee and the Board of Directors.

Audit Committee Report (Cont'd)

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2001, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:

| Audit Committee Meeting | | Feb 01 | Mar 01 | May 01 | Aug 01 | Nov 01 | | | |
|--|----------|------------|--------|--------|--------|--------|-------|-----|--|
| Committee Members | Position | Attendance | | | | | Total | % | |
| Lee Gee Huy @ Lee Kong Fee <i>(Appointed w.e.f. 23/02/01)</i> | Chairman | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Chua Tiong Moon <i>(Appointed w.e.f. 23/02/01)</i> | Member | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Zainurin bin Karman <i>(Appointed w.e.f. 23/02/01)</i> | Member | - | ✓ | ✓ | ✓ | ✓ | 4/4 | 100 | |
| Boey Tak Kong <i>(Appointed w.e.f. 13/12/01)</i> | Member | N/A | | | | | | | |
| Dato' Noorazman bin Adnan <i>(Resigned w.e.f. 23/02/01)</i> | Chairman | ✓ | N/A | | | | | | |
| Lim Chong Seong <i>(Resigned w.e.f. 23/02/01)</i> | Member | ✓ | N/A | | | | | | |
| Heng Chye Lye <i>(Resigned w.e.f. 23/02/01)</i> | Member | * | N/A | | | | | | |

Total number of meetings held:

5

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2001:-

- (i) Reviewed the external auditors' management letter;
- (ii) Reviewed the quarterly reports, external auditors' report and financial statements of the Company and its subsidiaries.

INTERNAL AUDIT FUNCTION

An Internal Audit Department is being established to report to the Audit Committee the internal audit findings, its recommendations and the corrective action, if any, to be taken by the management.

Pending the setting up of the Internal Audit Department, the Audit Committee has relied on discussions with and reports from the management and Executive Directors to discharge its functions.

Chairman's Statement

It gives me great pleasure to present, on behalf of the Board of Directors of Sanbumi Holdings Berhad (formerly known as EMC Logistics Berhad), the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2001.

General Overview

Year 2001 was an eventful and interesting year in the history of the Group since its listing and quotation on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") in 1994. The Group witnessed the implementation, in stages, of the restructuring and fund raising exercise as approved by the Securities Commission.

The Group saw the completion of the acquisitions of two new subsidiary companies, Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd by way of a share-swap exercise in January 2001 which effectively brought about the reverse take-over of the Group by new shareholders. The Group has thus diversified into the more profitable export orientated timber related business which consequently shifted its traditional core business providing mobile crane services to manufacturing and trading of sawn and moulded timber as well as trading in timber logs. This was followed by the reclassification of the stock counter by KLSE in June 2001 from the "Trading/Services" to the "Industrial Products" sector of the Second Board to best reflect the changes in direction and the contribution of the new assets. In October 2001 the Group successfully completed the Rights Issue of 29,039,725 ordinary shares of RM1.00 each which were fully subscribed.

The most significant and historical moment for the Company in particular, and the Group in general, came about in late January 2002 when the entire issued and paid-up share capital of the Company comprising 174,238,348 ordinary shares of RM1.00 each was officially transferred and traded on the Main Board of the KLSE. This was followed by the change of the Company's name to Sanbumi Holdings Berhad on 18 February 2002.

Overview of Financial Performance

The performance of the Malaysian economy in the year 2001 remained dull with the, greater than expected, sluggish world economy led by the US economy and the continuing weak performances of the Japanese and European economies being the main contributing factors. This situation was further worsened by the impact of September 2001 terrorist attack on the US. The Group was faced with an uphill task to provide its shareholders value for investment in this challenging environment.

The injection of the new assets during the financial year changed the business direction of the Group and brought about the much needed boost to the Group's financial performance which directly attributed to the significant improvement in the financial results of the Group for the financial year under review. The Group's venture into the more profitable export orientated timber related business which shifted the traditional core business of providing mobile crane services to manufacturing and trading of sawn and moulded timber as well as trading in timber logs proved fruitful.

With the shift in the core business, the Group's consolidated financial results for the financial year ended 31 December 2001 showed a notable turnaround when it returned to the black to register a net profit of RM21.12 Million as opposed to the net losses in the past five consecutive years. However, this result fell short of the forecasted net profit of RM33.23 Million that was released pursuant to the corporate exercise.



• **Dato' Noorazman bin Adnan**
Chairman

Chairman's Statement (Cont'd)

Operations Review

- **Timber related business activities**

The greater than expected sluggish world economy and the continuing weak performances of the Japanese and European economies, which are the traditional markets of our timber related business activities, brought adverse impact to the export market in general, thus influencing our prospects for the financial year under review. This was further worsened by the impact of world events in and after September 2001 that resulted in an immediate and dramatic decline on our exports, far short of our expectations. Though the timber related business activities were affected by the economic slowdown, these activities significantly assisted the Group in returning to the black with contributions of RM30.79 Million to the Group's pre-tax profits.

- **Logistics related business activities**

The revival of several infrastructure projects by the government as well as the private sectors helped increase the demand for mobile crane services during the financial year under review, This resulted in a 11.6% increase in revenue from mobile crane services. The revenue from freight services remained fairly consistent whereas the effects of the continuing slowdown in global economy provided some adverse effect to the warehousing business. Though in general the logistics related business activity showed improvements, this was not sufficient to sustain the high finance cost due to the large borrowings resulting in an unavoidable losses recorded. However, the pre-tax losses from these business activities for financial year under review of approximately RM1.4 Million was much lower than the loss of RM9.55 Million recorded in 2000.

Corporate development

The Group completed a significant portion of its proposed and approved corporate restructuring and fund raising exercise. As mentioned earlier, the acquisitions, rights issue, the listing and quotation of all new shares issued and the transfer of the entire share capital to the Main Board of the Kuala Lumpur Stock Exchange have been completed as at the date of this report. However, the proposed Special Issue to bumiputera investors and the private placement of shares is still pending and is expected to be completed by 29 June 2002.

Outlook

The outlook for 2002 remains uncertain and highly dependent on external factors. Nevertheless, the Board will embark on a critical assessment of the Group's operations to ensure that it will be prepared to cope with the possible prolonged effects of the slowdown in the global economy and also to seize the opportunities that may arise should the economy rebound strongly.

Appreciation

On behalf of the Board, I wish to express my sincere gratitude to the management team and all employees of the Group for their commitment and dedication in performing their duties.

I would also wish to thank our shareholders, bankers, customers and business associates for all the support and cooperation extended throughout the year 2001 and we look forward to their continued support in the future.

Dato' Noorazman bin Adnan
Chairman

Status Of Utilisation Of Proceeds From Corporate Proposals

The status of utilisation of proceeds from the corporate proposal as at the date of this report is as follows:

| | Approved Utilisation | | Actual Utilisation | |
|--|----------------------|-------|--------------------|-------|
| | RM'000 | Ratio | RM'000 | Ratio |
| Proceeds from: | | | | |
| Rights Issue | 39,204 | 66% | 39,204 | 100% |
| Special Issue | 20,250 | 34% | - | - |
| | 59,454 | 100% | 39,204 | 100% |
| Utilised for: | | | | |
| Repayments to financial institutions | 48,720 | 82% | 32,267 | 82% |
| Payments of expenses in relation to the Corporate Proposals | 2,500 | 4% | 1,449 | 4% |
| Working capital requirements | 8,234 | 14% | 5,488 | 14% |
| | 59,454 | 100% | 39,204 | 100% |

As at the date of this report, the Company has yet to complete its proposed Special Issue of shares to Bumiputera investors. The Securities Commission has given an extension to 29 June 2002 for the Company to complete this exercise.

Variance In Results From Profit Forecast Announced

The variance in results for the financial year from the profit forecast announced pursuant to the corporate exercise is as follows:

| | Year ended 31/12/01 RM'000 |
|---|---|
| Forecast profit after taxation and minority interests (as disclosed in the Circular to Shareholders dated 20 November 2000) | 33,235 |
| Audited profit after taxation and minority interests | 21,122 |
| Shortfall | 12,113 |
| Percentage of shortfall | 36.45% |

The shortfall in the actual Profit After Taxation (PAT) as compared to the forecast PAT is attributed to the following:

- i) Change in sales mix.
 - There was a change in the sales mix of sawn timber and timber logs which led to an erosion of margin.
- ii) Unfavourable market conditions
 - The September terrorist attacks coupled with the sluggish economy worldwide contributed significantly to the drop in demand, mainly in the sawn timber export market. This was further dampened by the erosion in selling price as a result of an over supply of this product in the international market.
- iii) Delay in conclusion of the fund raising exercise.
 - It was forecast that the fund raising exercise will be concluded in February 2001 where all repayments for borrowings from financial institutions was due to be made. However, due to unforeseen circumstances there had been a delay in the completion of the exercise that resulted in an accumulation of interests on outstanding borrowings, thus affecting as well as contributing to the shortfall in PAT.

Additional Compliance Information

a) Share buybacks

The Company has not purchased any of its own shares during the financial year ended 31 December 2001. Thus, there is no treasury share maintained by the Company.

b) Options, warrants or convertible securities exercised

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2001.

c) American Depository Receipts (ADR) or Global Depository Receipts (GDR) programme sponsored

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2001.

d) Particulars of material contracts involving Directors' and major shareholders'

Save as disclosed below, there are no contracts of the Company or its subsidiary companies, which are or may be material, involving Directors' and major shareholders' still subsisting as at the end of the financial year ended 31 December 2001:

- i) Service Agreement dated 1 May 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chai Kin Kong whereby Sanbumi agreed to employ Chai Kin Kong as the Managing Director of Sanbumi for a term of 5 years with effect from 1 May 2001. The remuneration of the Managing Director shall be a fixed salary of RM20,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.
- ii) Service Agreement dated 1 July 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chua Tiong Moon whereby Sanbumi agreed to employ Chua Tiong Moon as the Executive Chairman of Sanbumi for a term of 3 years with effect from 1 July 2001. The remuneration of the Executive Chairman shall be a fixed salary of RM20,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.
- iii) Service Agreement dated 1 July 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chai Kim Chong whereby Sanbumi agreed to employ Chai Kim Chong as the Executive Director of Sanbumi for a term of 3 years with effect from 1 July 2001. The remuneration of the Executive Director shall be a fixed salary of RM15,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.

e) Sanctions and/or penalties imposed

On 6 July 2001, the Company was imposed the following penalties:

- A private reprimand for breach of Clause 5.4 of the Second Board Listing Requirements ("SBLR") (prior to the amendment of the SBLR on 2 July 1998) for failure to make immediate announcement when the Company entered into two Sale & Purchase Agreements on 30 November 1997 where the consideration of the transactions exceeded 5% of the Group's Net Tangible Asset.
- A public reprimand for breach of Clause 5.4 and 5.8(1) of the SBLR (after the amendment of the SBLR on 2 July 1998) for failure to make immediate announcement when the Company entered into a Deed of Settlement on 27 July 1998 where the transaction exceeded the percentage ratio of 5%, involved the interest of a related party respectively.

Additional Compliance Information (Cont'd)

- A public reprimand for breach of Clause 5.8(6)(a) & (b) of the SBLR (after the amendment of the SBLR on 2 July 1998) for failure to appoint main corporate advisor before terms of the settlement transaction were agreed upon and for failure to appoint an independent corporate advisor before the announcement of the settlement transaction respectively
- A public reprimand and fine of RM100,000 for breach of Clause 5.8(2) of the SBLR (after the amendment of the SBLR on 2 July 1998) for failure to issue a circular and obtain shareholders' approval in a general meeting within a reasonable time.

As required the Company paid the fine and convened an Extraordinary General Meeting on 30 November 2001 for the ratification of the said transaction by the Company's shareholders.

f) Non-audit fees paid/payable to external auditors

The amount of fees paid/payable to external auditors for non-audit services provided in respect of the financial year ended 31 December 2001 are as follows:

| <i>Fees paid/payable by:</i> | RM |
|------------------------------|-----------|
| The Company | – |
| Subsidiary companies | 4,465 |
| | 4,465 |

g) Comparison of profit achieved with the profit guarantee

The Company has not issued any profit guarantees during the financial year ended 31 December 2001

h) Recurrent related party transactions

Details of the aggregate value of recurrent transactions entered into by the subsidiary companies with related parties pursuant to the mandate given by the shareholders' of the Company at the Extraordinary General Meeting held on 25 January 2002 up to 20 May 2002 (being the cut-off date prior to the printing of this report) are as follows:

| Company | Related party | Nature of transaction | Amount RM'000 |
|---|-----------------------------------|--|------------------|
| Sanbumi Sawmill Sdn Bhd ("Sanbumi") | Rintisan Bumi (M) Sdn Bhd ("RBM") | Purchase of timber logs by Sanbumi from RBM | 16,276 |
| Sanbumi | RBM | Rental payable to RBM by Sanbumi for office space rented | 10 |
| Sanbumi | Sabavital Sdn Bhd ("SSB") | Road/site maintenance fee payable by SSB to Sanbumi | 514 |
| Sanbumi | Totalink Holdings Sdn Bhd ("TH") | Rental payable to TH by Sanbumi | 15 |
| EMC Engineering Services Sdn Bhd ("EMCE") | Kian Hon Tyres Sdn Bhd ("KHT") | Purchase of tyres by EMCE from KHT | 49 |
| EMCE | KHT | Sales of tyres by EMCE to KHT | 30 |

Additional Compliance Information (Cont'd)

h) Recurrent related party transactions (Cont'd)

| Company | Related party | Nature of transaction | Amount RM'000 |
|--|--------------------------------------|---|------------------|
| Kedah Coastal Transport & Trading Co. Sdn Bhd ("KCTT") | Syeng Shin Enterprise ("SSE") | Purchase of lorry transport services by KCTT from SSE | 2 |
| KCTT | Mindai Auto Parts Sdn Bhd ("MAP") | Purchase of tools and spare-parts by KCTT from MAP | 33 |
| EMC Cranes (KL) Sdn Bhd ("EMCCKL") | UCT Trading Sdn Bhd ("UCTT") | Purchase of lorry transport services by EMCCKL from UCTT | 116 |
| EMCCKL | Tat Hong Plant Hire Sdn Bhd ("THPH") | Provision of crane services by EMCCKL to THPH | 81 |
| EMCCKL | THPH | Purchase of crane services by EMCCKL from THPH | 9 |
| EMCCKL | THPH | Purchase of spare-parts by EMCCKL from THPH | 9 |
| EMC Cranes Sdn Bhd ("EMCC") | THPH | Provision of crane and transport services by EMCC to THPH | 67 |
| EMCC | THPH | Purchase of spare-parts by EMCC from THPH | 8 |

Directors' Responsibility Statement

(Pursuant To Paragraph 15.27(a) of the KLSE Listing Requirements)

We, the Directors of Sanbumi Holdings Berhad (formerly known as EMC Logistics Berhad), hereby acknowledge that the preparation of the annual financial statements of the Group and Company is the responsibility of the Board of Directors.

On behalf of the Board

DATO' NOORAZMAN BIN ADNAN
Chairman

CHUA TIONG MOON
Managing Director

Directors' Report

The directors submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, rendering tanker delivery services and sales of diesel. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the acquisition of subsidiaries as disclosed in Note 6 to the financial statements.

CHANGE OF NAME

The Company changed its name from EMC Logistics Berhad to Sanbumi Holdings Berhad on 18 February 2002.

RESULTS

| | Group RM | Company RM |
|---|-------------|---------------|
| Profit/(Loss) attributable to shareholders of the Company | 21,121,775 | (815,602) |

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 24 to the financial statements.

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM17,570,000 to RM174,238,348 by way of:-
 - (i) the issuance of 127,628,623 new ordinary shares of RM1.00 each at an issue price of RM1.96 per share as purchase consideration for the acquisitions of the entire issued and paid-up share capital of Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd.; and
 - (ii) the rights issue of 29,039,725 new ordinary shares of RM1.00 each on the basis of one new ordinary share for every five existing ordinary shares held after the above acquisitions at an issue price of RM1.35 per share.

Directors' Report (Cont'd)

The new shares issued rank pari passu in all respects with the existing shares of the Company; and

(c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS

The directors in office since the date of the last report are:-

Dato' Noorazman Bin Adnan
 Chua Tiong Moon (*Appointed On 23.2.2001*)
 Datuk Chai Kin Kong (*Appointed On 23.2.2001*)
 Chai Kim Chong (*Appointed On 23.2.2001*)
 Rahadian Mahmud Bin Mohammad Khalil (*Appointed On 23.2.2001*)
 Zainurin Bin Karman (*Appointed On 23.2.2001*)
 Lee Gee Huy @ Lee Kong Fee (*Appointed On 23.2.2001*)
 Boey Tak Kong (*Appointed On 13.12.2001*)
 Yeo Seow Lin (*Resigned On 23.2.2001*)
 Chuang Shi-Chung (*Resigned On 23.2.2001*)
 Heng Chye Lye (*Resigned On 23.2.2001*)
 Lim Chong Seong (*Resigned On 23.2.2001*)

Pursuant to Article 93 of the Articles of Association of the Company, Datuk Noorazman Bin Adnan and Zainurin Bin Karman retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 100 of the Articles of Association of the Company, Boey Tak Kong who was appointed since the last annual general meeting, retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

| | Number Of Ordinary Shares Of RM1.00 Each | | | |
|---------------------------|--|----------------------|--------------|---------------|
| | At 1.1.2001/ Date Of Appointment | Allotment/ Bought | Sold | At 31.12.2001 |
| Direct Interests | | | | |
| Dato' Noorazman Bin Adnan | 5,000 | 1,000 | - | 6,000 |
| Chua Tiong Moon | 20,739,651 | 4,147,930 | (13,600,000) | 11,287,581 |
| Datuk Chai Kin Kong | 16,591,721 | 3,318,344 | (6,700,000) | 13,210,065 |
| Chai Kim Chong | 7,657,717 | 1,531,543 | (2,400,000) | 6,789,260 |
| Indirect Interests | | | | |
| Chua Tiong Moon | 63,814,313 | 12,762,862 | - | 76,577,175 |
| Datuk Chai Kin Kong | 79,129,747 | 15,825,948 | (4,800,000) | 90,155,695 |
| Chai Kim Chong | 88,063,751 | 17,612,749 | (9,100,000) | 96,576,500 |

Directors' Report (Cont'd)

By virtue of their interests in shares in the Company, Chua Tiong Moon, Datuk Chai Kin Kong and Chai Kim Chong are deemed to have interests in shares in all the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a person connected to certain directors has substantial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts or additional provision for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' Report (Cont'd)

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 34 to the financial statements. In the interval between the end of the financial year and the date of this report, there does not exist:-

- (i) any charge which has arisen on the assets of the Group and of the Company which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen in the Group and in the Company.

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

CHANGE OF CIRCUMSTANCES

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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year.

SIGNIFICANT EVENTS

The significant events involving the Group and the Company during the current financial year are disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENTS

The significant subsequent events of the Group and the Company are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath Mok & Poon, have expressed their willingness to continue in office.

Signed In Accordance With A Resolution Of The Directors

DATO' NOORAZMAN BIN ADNAN
Director

CHUA TIONG MOON
Director

Kuala Lumpur
Date: 29 April 2002

Statement By Directors

We, **Dato' Noorazman Bin Adnan** and **Chua Tiong Moon**, being two of the directors of **Sanbumi Holdings Berhad** (formerly known as *EMC Logistics Berhad*), state that, in the opinion of the directors, the financial statements set out on pages 36 to 65 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2001 and of their results and cash flows for the financial year ended on that date.

DATO' NOORAZMAN BIN ADNAN
Director

CHUA TIONG MOON
Director

Date: 29 April 2002

Statutory Declaration

I, **Chua Tiong Moon**, I/C No. 590831-05-5639, being the director primarily responsible for the financial management of **Sanbumi Holdings Berhad** (formerly known as *EMC Logistics Berhad*), do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 65 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Chua Tiong Moon, I/C No. 590831-05-5639,
at Kuala Lumpur in the Federal Territory
on this

CHUA TIONG MOON
Before me

Commissioner for Oaths
HARON HASHIM (W128)
Kuala Lumpur

Auditors' Report

To The Members Of **SANBUMI HOLDINGS BERHAD**
(formerly known as EMC Logistics Berhad)
(Company No.: 8386-P)

We have audited the financial statements set out on pages 36 to 65. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2001 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification except as disclosed in Note 6 to the financial statements and did not include any comment made under Sub-section 3 of Section 174 of the Companies Act, 1965.

HORWATH MOK & POON
Firm No: AF 0995
Chartered Accountants

Kuala Lumpur
Date: 29 April 2002

ONN KIEN HOE
Approval No: 1772/11/02 (J)
Partner of Firm

Balance Sheets

As At 31 December 2001

| | Note | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|--|------|---------------------|---------------------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| Property, plant and equipment | 5 | 80,407,212 | 87,535,010 | 43,653,977 | 44,232,605 |
| Investment in subsidiaries | 6 | - | - | 131,203,814 | 3,575,191 |
| Investment in associates | 7 | 180,228 | 379,053 | - | - |
| Other investment | 8 | 150,000 | 150,000 | 150,000 | 150,000 |
| | | 80,737,440 | 88,064,063 | 175,007,791 | 47,957,796 |
| CURRENT ASSETS | | | | | |
| Inventories | 9 | 23,535,448 | 20,869,383 | - | - |
| Trade debtors | 10 | 38,496,448 | 33,760,216 | 10,435 | 41,015 |
| Other debtors, deposits and prepayments | 11 | 48,097,484 | 30,358,998 | 460,395 | 1,309,011 |
| Amount owing by subsidiaries | 12 | - | - | 12,520,269 | 365,557 |
| Amount owing by associates | 13 | 301,847 | 312,147 | 119,556 | 110,328 |
| Tax refundable | | 66,975 | 89,260 | - | - |
| Fixed deposits with licensed banks | 14 | 668,583 | 642,756 | - | - |
| Cash and bank balances | | 22,718,177 | 4,310,866 | 10,291,839 | 715 |
| | | 133,884,962 | 90,343,626 | 23,402,494 | 1,826,626 |
| LESS: CURRENT LIABILITIES | | | | | |
| Trade creditors | | 13,628,768 | 9,923,130 | - | 43,200 |
| Other creditors and accruals | | 7,861,625 | 7,755,950 | 1,804,809 | 2,171,584 |
| Amount owing to directors | 15 | 193,033 | - | - | - |
| Amount owing to subsidiaries | 12 | - | - | 294,640 | 136,629 |
| Amount owing to associates | 13 | 96,000 | 96,000 | 96,000 | 96,000 |
| Hire purchase creditors | 16 | 2,399,891 | 2,078,585 | - | - |
| Provision for taxation | | 17,375,238 | 13,319,489 | 46,757 | 46,757 |
| Short term borrowings | 17 | 27,101,695 | 56,446,581 | 10,683,606 | 26,227,129 |
| | | 68,656,250 | 89,619,735 | 12,925,812 | 28,721,299 |
| NET CURRENT ASSETS/ (LIABILITIES) | | 65,228,712 | 723,891 | 10,476,682 | (26,894,673) |
| | | 145,966,152 | 88,787,954 | 185,484,473 | 21,063,123 |
| FINANCED BY:- | | | | | |
| Share capital | 18 | 174,238,348 | 145,198,623 | 174,238,348 | 17,570,000 |
| Retained profits/ (Accumulated losses) | 19 | 46,913,406 | 25,791,631 | (15,818,722) | (15,003,120) |
| Other reserves | 20 | 29,725,403 | 21,156,799 | 27,064,847 | 18,496,243 |
| Merger deficit | 21 | (109,628,623) | (109,628,623) | - | - |
| SHAREHOLDERS' EQUITY | | 141,248,534 | 82,518,430 | 185,484,473 | 21,063,123 |
| MINORITY INTERESTS | | 2,506,142 | 3,167,263 | - | - |
| LONG TERM LIABILITIES | | | | | |
| Hire purchase creditors | 16 | 648,476 | 1,427,098 | - | - |
| Deferred taxation | 22 | 1,563,000 | 1,675,163 | - | - |
| | | 145,966,152 | 88,787,954 | 185,484,473 | 21,063,123 |
| NET TANGIBLE ASSETS PER SHARE | | 0.81 | 0.57 | | |

The annexed notes form an integral part of these financial statements.

Income Statements

For The Financial Year Ended 31 December 2001

| | | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|---|----|---------------------|---------------------------------|-----------------------|-----------------------|
| TURNOVER | 23 | 246,705,759 | 220,232,602 | 1,606,654 | 2,156,883 |
| COST OF SALES | | (203,142,574) | (165,560,155) | (81,757) | (497,064) |
| GROSS PROFIT | | 43,563,185 | 54,672,447 | 1,524,897 | 1,659,819 |
| OTHER OPERATING INCOME | 24 | 6,937,474 | 3,926,729 | 1,090,794 | 201,036 |
| | | 50,500,659 | 58,599,176 | 2,615,691 | 1,860,855 |
| DISTRIBUTION COSTS | | (6,120,087) | (7,139,736) | (14,605) | (13,157) |
| ADMINISTRATIVE EXPENSES | | (9,235,470) | (8,323,459) | (1,549,961) | (1,258,851) |
| OTHER OPERATING EXPENSES | 25 | (710,573) | (4,655,832) | - | (7,595,504) |
| | | (16,066,130) | (20,119,027) | (1,564,566) | (8,867,512) |
| PROFIT/(LOSS) FROM OPERATIONS | | 34,434,529 | 38,480,149 | 1,051,125 | (7,006,657) |
| FINANCE COSTS | | (4,870,002) | (5,601,868) | (1,963,401) | (2,366,492) |
| SHARE OF LOSS OF ASSOCIATES | | (198,825) | (116,922) | - | - |
| PROFIT/(LOSS) BEFORE TAXATION | 26 | 29,365,702 | 32,761,359 | (912,276) | (9,373,149) |
| TAXATION | 27 | (8,905,048) | (11,530,684) | 96,674 | - |
| PROFIT/(LOSS) AFTER TAXATION | | 20,460,654 | 21,230,675 | (815,602) | (9,373,149) |
| MINORITY INTERESTS | | 661,121 | 452,330 | - | - |
| PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | | 21,121,775 | 21,683,005 | (815,602) | (9,373,149) |
| EARNINGS PER SHARE (SEN) - BASIC | 28 | 13.4 | 14.9 | | |
| DIVIDEND PER ORDINARY SHARE (SEN) | | - | - | | |

The annexed notes form an integral part of these financial statements.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2001

| Group/Proforma Group | Share Capital RM | Share Premium RM | Capital Reserve RM | Revaluation Reserve RM | Reserve on Consolidation RM | Merger Deficit RM | Retained Profits RM | Total RM |
|--|---------------------|---------------------|-----------------------|---------------------------|--------------------------------|----------------------|------------------------|-------------|
| Balance at 1.1.2000 | 145,198,623 | 1,852,604 | 2,436,626 | 16,262,780 | 604,789 | (109,628,623) | 4,108,626 | 60,835,425 |
| Profit attributable to shareholders for the financial year | - | - | - | - | - | - | 21,683,005 | 21,683,005 |
| Balance at 31.12.2000/ 1.1.2001 | 145,198,623 | 1,852,604 | 2,436,626 | 16,262,780 | 604,789 | (109,628,623) | 25,791,631 | 82,518,430 |
| Profit attributable to shareholders for the financial year | - | - | - | - | - | - | 21,121,775 | 21,121,775 |
| Rights issue | 29,039,725 | 10,163,904 | - | - | - | - | - | 39,203,629 |
| Rights issue expenses | - | (1,595,300) | - | - | - | - | - | (1,595,300) |
| Balance at 31.12.2001 | 174,238,348 | 10,421,208 | 2,436,626 | 16,262,780 | 604,789 | (109,628,623) | 46,913,406 | 141,248,534 |

| Company | Share Capital RM | Share Premium RM | Revaluation Reserve RM | Accumulated Losses RM | Total RM |
|---|---------------------|---------------------|---------------------------|--------------------------|-------------|
| Balance at 1.1.2000 | 17,570,000 | 1,852,604 | 17,384,273 | (5,629,971) | 31,176,906 |
| Set-off against provision for diminution in value of subsidiary | - | - | (740,634) | - | (740,634) |
| Loss attributable to shareholders for the financial year | - | - | - | (9,373,149) | (9,373,149) |
| Balance at 31.12.2000/1.1.2001 | 17,570,000 | 1,852,604 | 16,643,639 | (15,003,120) | 21,063,123 |
| Loss attributable to shareholders for the financial year | - | - | - | (815,602) | (815,602) |
| Issue of share capital: | | | | | |
| - Acquisitions of subsidiaries | 127,628,623 | - | - | - | 127,628,623 |
| - Rights issue | 29,039,725 | 10,163,904 | - | - | 39,203,629 |
| Rights issue expenses | - | (1,595,300) | - | - | (1,595,300) |
| Balance at 31.12.2001 | 174,238,348 | 10,421,208 | 16,643,639 | (15,818,722) | 185,484,473 |

The retained profits of the Group are attributable to/(absorbed by):-

| | 2001 RM | 2000 RM |
|--------------|--------------|--------------|
| Company | (15,818,722) | (15,003,120) |
| Subsidiaries | 63,308,900 | 41,172,698 |
| Associates | (576,772) | (377,947) |
| | 46,913,406 | 25,791,631 |

The annexed notes form an integral part of these financial statements.

Cash Flow Statements

For The Financial Year Ended 31 December 2001

| Note | Group | Proforma | Company | |
|--|--------------------------|----------------------|------------------|------------------|
| | 2001 RM | Group 2000 RM | 2001 RM | 2000 RM |
| CASH FLOWS FROM/(FOR) | | | | |
| OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before taxation | 29,365,702 | 32,761,359 | (912,276) | (9,373,149) |
| Adjustments for:- | | | | |
| Bad debts written off | 7,638 | 119,086 | - | - |
| Depreciation of property, plant and equipment | 7,677,823 | 7,818,143 | 563,204 | 543,510 |
| Deficit from revaluation of properties | - | 1,866,588 | - | - |
| Interest expense | 4,853,653 | 5,823,767 | 1,962,625 | 2,371,545 |
| Loss on liquidation of a subsidiary | - | 1,841 | - | 16,409 |
| Loss on disposal of an associate | - | 121,517 | - | - |
| Provision for diminution in value of subsidiaries | - | - | - | 4,483,785 |
| Plant and equipment written off | 9,656 | 1,369 | - | - |
| Provision for doubtful debts (Overprovision)/Provision for import tax duties | 1,013,244 (1,052,076) | 510,353 1,068,592 | - - | - - |
| Share of loss in associates | 198,825 | 116,922 | - | - |
| Write-down of plant and equipment (Gain)/Loss on disposal of property, plant and equipment | 75,000 (21,897) | - 207,699 | - (105,276) | - (8,338) |
| Interest income | (572,309) | (31,473) | (779,221) | (187,896) |
| Reversal of provision for doubtful debts | (110,004) | - | (2,097) | - |
| Write-back of provision for penalty | (200,000) | - | (200,000) | - |
| Waiver of bank interests | (696,155) | - | - | - |
| Operating profit before working capital changes | 40,549,100 | 50,385,763 | 526,959 | 641,176 |
| (Increase)/Decrease in inventories | (2,666,065) | 9,794,999 | - | 3,483 |
| (Increase)/Decrease in trade and other receivables | (23,359,319) | (35,914,509) | 563,945 | (968,612) |
| Increase/(Decrease) in trade and other payables | 5,759,544 | (15,568,086) | (213,084) | 1,629,309 |
| Increase in amount owing to directors | 193,033 | - | - | - |
| CASH FROM/(FOR) OPERATIONS | 20,476,293 | 8,698,167 | 877,820 | 1,305,356 |
| Income tax (paid)/refunded | (4,939,177) | (4,189,440) | 96,674 | - |
| Interest paid | (4,853,653) | (5,640,179) | (1,973,432) | (2,326,928) |
| Interest received | 572,309 | 354,934 | 779,221 | 187,896 |
| NET CASH FROM/(FOR) | | | | |
| OPERATING ACTIVITIES | | | | |
| CARRIED FORWARD | 11,255,772 | (776,518) | (219,717) | (833,676) |

Cash Flow Statements (Cont'd)

For The Financial Year Ended 31 December 2001

| | | Group | Proforma | Company | |
|---|-------------|--------------|-----------------|----------------|--------------|
| | Note | 2001 | Group | 2001 | 2000 |
| | | RM | 2000 | RM | RM |
| | | | RM | | |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD | | | | | |
| | | 11,255,772 | (776,518) | (219,717) | (833,676) |
| CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | 29 | (797,027) | (2,064,393) | (34,300) | (175,410) |
| Proceeds from disposal of property, plant and equipment | | 609,243 | 1,277,596 | 155,000 | 50,000 |
| Proceeds from disposal of an associate | | - | 209,625 | - | - |
| Proceeds from disposal of a subsidiary | | - | (135,843) | - | 136,591 |
| Purchase of shares in a subsidiary | | - | - | - | (2) |
| Advances to associates | | (15,977) | - | (15,977) | (15,076) |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| | | (203,761) | (713,015) | 104,723 | (3,897) |
| CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES | | | | | |
| Net advance to subsidiaries | | - | - | (11,669,495) | (266,893) |
| Repayment of term loans | | (5,660,473) | (330,951) | (5,589,666) | - |
| Repayment of hire purchase creditors | | (882,316) | (549,402) | - | (83,348) |
| Proceeds from issuance of shares | | 39,203,629 | - | 39,203,629 | - |
| Repayment of bankers' acceptances | | (3,103,555) | 1,217,000 | - | - |
| Payment of rights issue expenses | | (1,595,300) | - | (1,595,300) | - |
| Dividends paid | | - | (5,557) | - | (5,557) |
| NET CASH FROM/(FOR) FINANCING ACTIVITIES | | | | | |
| | | 27,961,985 | 331,090 | 20,349,168 | (355,798) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| | | 39,013,996 | (1,158,443) | 20,234,174 | (1,193,371) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | | | | |
| | | (30,889,375) | (29,730,932) | (18,693,677) | (17,500,306) |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | | | | | |
| | 30 | 8,124,621 | (30,889,375) | 1,540,497 | (18,693,677) |

The annexed notes form an integral part of these financial statements.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2001

1. GENERAL INFORMATION

The Company was incorporated on 11 February 1969 as a private company limited by shares under the Companies Act, 1965.

On 28 June 1993, the Company was converted into a public company. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business is at Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, rendering tanker delivery services and sales of diesel. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the acquisition of subsidiaries as disclosed in Note 6 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention, modified to include other bases of valuation as disclosed in other sections under significant accounting policies and in compliance with applicable approved accounting standards in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2001.

Subsidiaries are those companies in which the Group has the power to exercise control over the financial and operating policies of the companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for Sanbumi Sawmill Sdn. Bhd., Akalaju Sdn. Bhd., Sanbumi Wood Processing Sdn. Bhd., Metro Ajaib Sdn. Bhd., Barateguh Sdn. Bhd. and Mirim Timber Sdn. Bhd., which are consolidated using the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. The difference between the consideration paid for the investment in the subsidiaries and the fair value of attributable net assets acquired is reflected as goodwill or reserve on consolidation as appropriate. Goodwill or reserve arising on consolidation is not amortised.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Consolidation (Cont'd)

Under the merger method of accounting, the results of subsidiaries are included as if the merger had been effected throughout the current and previous financial years. The cost of investment in the Company's book is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of the shares acquired is taken to merger deficit or merger reserve as appropriate.

All significant intragroup transactions, balances and unrealised profits are eliminated on consolidation.

(b) Subsidiaries

Investments in subsidiaries are stated at cost or valuation, less any provision for diminution in the value of the investments. Provision for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(c) Associates

An associate is defined as a company, not being a subsidiary, in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not control over those policies. The Group's share of the results of the associates is included in the consolidated income statement and the Group's interest in the associates is stated at cost less provision for diminution in value plus the Group's share of post-acquisition reserves of the associates.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in that associate.

The investment in associates in the financial statements of the Company is stated at cost or revalued amount. Provision for diminution in value is made when the directors are of the opinion that there is a permanent decline in the value.

(d) Other Investments

Other investments are stated at cost and held on a long-term basis. Provision for diminution in value is only made in the event of a permanent decline in their value.

(e) Property, Plant and Equipment

Freehold land is stated at cost or revalued amount and not depreciated. Leasehold land and buildings are amortised in equal instalments over the period of the respective leases that range from 13 years to 99 years. Other property, plant and equipment are stated at cost or revalued amount less accumulated depreciation.

Depreciation of other property, plant and equipment is calculated under the straight-line method to write off the cost or revalued amount of those assets over their estimated useful lives. The principal annual rates used for this purpose are:-

| | |
|--|-----------|
| Freehold buildings | 2% - 10% |
| Mobile cranes and heavy vehicles | 5% - 10% |
| Plant, machinery, tools and equipment | 8% - 20% |
| Barges, motor vehicles and forklifts | 10% - 20% |
| Office equipment, furniture and fittings | 10% - 15% |
| Containers | 10% |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, Plant and Equipment (Cont'd)

Construction work-in-progress is not depreciated. Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties are revalued periodically, at least once in every five years. The net increase arising from the revaluation of the properties, if adjusted, is credited to the revaluation reserve. The net decrease, to the extent that it is not supported by any previous revaluation, is charged to the income statement.

(f) Finance Leases

Plant and equipment acquired under finance lease are capitalised as long term assets based on the lower of the fair value of the leased property or present value of the minimum lease payments at the inception of the lease.

Outstanding obligations due under the finance lease terms after deducting finance charges are included as liabilities in the financial statements. The finance charges are allocated to periods under the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for obsolete, slow-moving and defective inventories.

The cost of timber logs is computed using the specific identification method and includes all attributable overheads in bringing the logs to their present location and condition.

The cost of work-in-progress and finished goods of timber products is computed using the weighted average method and comprises raw materials, direct labour and attributable production overheads in bringing such items to their present location and condition.

The cost of consumable stores and trading goods is determined on the first-in, first-out basis and comprises the purchase price and incidentals incurred in bringing such items to their present location and condition.

(h) Debtors

Debtors are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and 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.

(j) Deferred Taxation

Deferred taxation is provided using the liability method on all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefit is only recognised when there is reasonable expectation of realisation in the foreseeable future.

(k) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the approximate rates ruling as of that date. All exchange differences are taken to the income statement.

(l) Revenue Recognition

(i) Revenue from Sales of Goods

Sales are recognised upon delivery of goods and customers' acceptance, and where applicable, net of returns and trade discounts.

(ii) Revenue from Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(iii) Rental and Interest Income

Rental and interest income are recognised on an accrual basis.

(iv) Dividend Income

Dividends from investment in subsidiaries are accounted for on an accrual basis.

(v) Management Fee

Management fee is recognised on an accrual basis.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings RM | Leasehold land and buildings RM | Mobile cranes and heavy vehicles RM | Plant, machinery, tools and equipment RM | Barges, motor vehicles and forklifts RM | Office equipment, furniture and fittings RM | Containers RM | Construction work-in-progress RM | Total RM |
|---|-----------------------------------|------------------------------------|--|---|--|--|------------------|-------------------------------------|--------------|
| Net book value as at 1.1.2001 | 40,127,285 | 15,588,234 | 10,820,843 | 14,257,781 | 4,971,752 | 1,436,491 | 9,817 | 322,807 | 87,535,010 |
| Additions | - | - | 212,294 | 43,800 | 824,800 | 84,017 | - | 57,116 | 1,222,027 |
| Transfers | 64,270 | 129,529 | - | - | - | 127,300 | - | (321,099) | - |
| Disposals | - | - | (40,000) | (407,679) | (80,843) | - | - | (58,824) | (587,346) |
| Write-down/write-off | - | - | (75,000) | (1,962) | - | (7,694) | - | - | (84,656) |
| Depreciation charge | (291,074) | (1,188,745) | (2,482,152) | (2,202,545) | (1,238,656) | (272,151) | (2,500) | - | (7,677,823) |
| Net book value as at 31.12.2001 | 39,900,481 | 14,529,018 | 8,435,985 | 11,689,395 | 4,477,053 | 1,367,963 | 7,317 | - | 80,407,212 |
| As at 31.12.2001 | | | | | | | | | |
| At cost | 261,392 | 19,435,892 | 25,731,187 | 27,197,566 | 12,848,504 | 2,978,963 | 25,000 | - | 88,478,504 |
| At valuation - 2000 | 2,540,000 | - | - | - | - | - | - | - | 2,540,000 |
| At valuation - 1999 | 37,821,000 | 1,050,000 | - | - | - | - | - | - | 38,871,000 |
| Accumulated depreciation | (721,911) | (5,956,874) | (17,295,202) | (15,508,171) | (8,371,451) | (1,611,000) | (17,683) | - | (49,482,292) |
| Net book value | 39,900,481 | 14,529,018 | 8,435,985 | 11,689,395 | 4,477,053 | 1,367,963 | 7,317 | - | 80,407,212 |
| As at 31.12.2000 | | | | | | | | | |
| At cost | 197,122 | 19,306,363 | 25,349,002 | 28,017,418 | 12,655,902 | 2,782,554 | 25,000 | 322,807 | 88,656,168 |
| At valuation - 2000 | 2,540,000 | - | - | - | - | - | - | - | 2,540,000 |
| At valuation - 1999 | 37,821,000 | 1,050,000 | - | - | - | - | - | - | 38,871,000 |
| Accumulated depreciation | (430,837) | (4,768,129) | (14,528,159) | (13,759,637) | (7,684,150) | (1,346,063) | (15,183) | - | (42,532,158) |
| Net book value | 40,127,285 | 15,588,234 | 10,820,843 | 14,257,781 | 4,971,752 | 1,436,491 | 9,817 | 322,807 | 87,535,010 |
| Carrying value, had the assets been carried at cost less accumulated depreciation, at | | | | | | | | | |
| - 31.12.2001 | 23,344,218 | 13,722,992 | 8,435,985 | 11,689,395 | 4,477,053 | 1,367,963 | 7,317 | - | 63,044,923 |
| - 31.12.2000 | 23,719,284 | 14,898,755 | 10,820,843 | 14,257,781 | 4,971,752 | 1,436,491 | 9,817 | 322,807 | 70,437,530 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Company | Freehold land and buildings RM | Leasehold land and buildings RM | Motor vehicles RM | Office equipment, furniture and fittings RM | Construction work-in-progress RM | Total RM |
|---|-----------------------------------|------------------------------------|----------------------|--|-------------------------------------|-------------|
| Net book value as at 1.1.2001 | 37,587,285 | 5,960,787 | 114,074 | 378,889 | 191,570 | 44,232,605 |
| Additions | - | - | - | 34,300 | - | 34,300 |
| Transfers | 64,270 | - | - | 127,300 | (191,570) | - |
| Disposal/Write-down | - | - | (49,724) | - | - | (49,724) |
| Depreciation charge | (291,074) | (126,984) | (64,350) | (80,796) | - | (563,204) |
| Net book value as at 31.12.2001 | 37,360,481 | 5,833,803 | - | 459,693 | - | 43,653,977 |
| As at 31.12.2001 | | | | | | |
| At cost | 261,392 | 5,191,270 | 368,970 | 978,093 | - | 6,799,725 |
| At valuation - 1999 | 37,821,000 | 850,000 | - | - | - | 38,671,000 |
| Accumulated depreciation | (721,911) | (207,467) | (368,970) | (518,400) | - | (1,816,748) |
| Net book value | 37,360,481 | 5,833,803 | - | 459,693 | - | 43,653,977 |
| As at 31.12.2000 | | | | | | |
| At cost | 197,122 | 5,191,270 | 719,966 | 816,493 | 191,570 | 7,116,421 |
| At valuation - 1999 | 37,821,000 | 850,000 | - | - | - | 38,671,000 |
| Accumulated depreciation | (430,837) | (80,483) | (605,892) | (437,604) | - | (1,554,816) |
| Net book value | 37,587,285 | 5,960,787 | 114,074 | 378,889 | 191,570 | 44,232,605 |
| Carrying value, had the assets been carried at cost less accumulated depreciation, at | | | | | | |
| - 31.12.2001 | 19,085,892 | 5,219,173 | - | 459,693 | - | 24,764,758 |
| - 31.12.2000 | 19,312,696 | 5,346,157 | 114,074 | 378,889 | 191,570 | 25,343,386 |

The leasehold land and buildings comprise the following:-

| Group | Long leasehold land and buildings RM | Short leasehold land and buildings RM | Total RM |
|---------------------------------|---|--|-------------|
| Net book value as at 1.1.2001 | 13,911,087 | 1,677,147 | 15,588,234 |
| Transfer | 129,529 | - | 129,529 |
| Depreciation charge | (1,048,779) | (139,966) | (1,188,745) |
| Net book value as at 31.12.2001 | 12,991,837 | 1,537,181 | 14,529,018 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Group | Long leasehold land and buildings RM | Short leasehold land and buildings RM | Total RM |
|---------------------------------|--|---|-------------|
| As at 31.12.2001 | | | |
| At cost | 18,457,252 | 978,640 | 19,435,892 |
| At valuation - 1999 | 200,000 | 850,000 | 1,050,000 |
| Accumulated depreciation | (5,665,415) | (291,459) | (5,956,874) |
| Net book value | 12,991,837 | 1,537,181 | 14,529,018 |
| As at 31.12.2000 | | | |
| At cost | 18,327,723 | 978,640 | 19,306,363 |
| At valuation | 200,000 | 850,000 | 1,050,000 |
| Accumulated depreciation | (4,616,636) | (151,493) | (4,768,129) |
| Net book value | 13,911,087 | 1,677,147 | 15,588,234 |
| Company | | | |
| Net book value as at 1.1.2001 | 4,391,270 | 1,569,517 | 5,960,787 |
| Depreciation charge | (45,024) | (81,960) | (126,984) |
| Net book value as at 31.12.2001 | 4,346,246 | 1,487,557 | 5,833,803 |
| As at 31.12.2001 | | | |
| At cost | 4,391,270 | 800,000 | 5,191,270 |
| At valuation | - | 850,000 | 850,000 |
| Accumulated depreciation | (45,024) | (162,443) | (207,467) |
| Net book value | 4,346,246 | 1,487,557 | 5,833,803 |
| As at 31.12.2000 | | | |
| At cost | 4,391,270 | 800,000 | 5,191,270 |
| At valuation | - | 850,000 | 850,000 |
| Accumulated depreciation | - | (80,483) | (80,483) |
| Net book value | 4,391,270 | 1,569,517 | 5,960,787 |

The directors revalued the landed properties using the open market value basis based on valuations carried out by firms of independent valuers. The excess of the directors' valuation of the properties over the net book value has been credited to a revaluation reserve. The tax effect relating to the revaluation has not been disclosed as there is no intention by the Group to dispose of its revalued properties in the foreseeable future.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The net book value of assets pledged as security for bank borrowings (Note 17) are as follows:-

| | Group 2001 RM | Proforma Group 2000 RM | Company | |
|------------------------------|------------------------------|---|--------------------|--------------------|
| | | | 2001 RM | 2000 RM |
| Freehold land and buildings | 39,900,481 | 40,127,285 | 37,360,481 | 37,587,285 |
| Leasehold land and buildings | 13,820,681 | 14,950,805 | 5,125,466 | 5,193,830 |
| | 53,721,162 | 55,078,090 | 42,485,947 | 42,781,115 |

Included in the net book value of property, plant and equipment at the balance sheet date are the following property, plant and equipment acquired under hire purchase terms:-

| | Group 2001 | Proforma Group 2000 | Company | |
|----------------------------------|-----------------------|------------------------------------|----------------|-------------|
| | | | 2001 | 2000 |
| Mobile cranes and heavy vehicles | 3,363,497 | 4,812,403 | - | - |
| Motor vehicles | 1,392,500 | 2,120,299 | - | - |
| | 4,755,997 | 6,932,702 | - | - |

6. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-----------------------------------|--------------------|--------------------|
| | 2001 RM | 2000 RM |
| Unquoted shares | | |
| - at cost | 127,948,627 | 320,004 |
| - at valuation | 8,479,606 | 8,479,606 |
| | 136,428,233 | 8,799,610 |
| Provision for diminution in value | (5,224,419) | (5,224,419) |
| | 131,203,814 | 3,575,191 |

The investments in subsidiaries stated at valuation were revalued by the directors based on the net tangible asset value of the subsidiaries at 31 December 1992 and as modified by the valuation approved by the Securities Commission in 1994.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

6. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

| Name of Company | Effective equity interest | | Principal activities |
|---|---------------------------|-----------|---|
| | 2001 % | 2000 % | |
| # Sanbumi Sawmill Sdn. Bhd. | 100 | - | Sawmillers and timber log traders |
| # Akalaju Sdn. Bhd. | 100 | - | Sawmillers and timber log traders |
| # Sanbumi Wood Processing Sdn. Bhd.* | 100 | - | Manufacturer of downstream wood products |
| # Barateguh Sdn. Bhd.* | 100 | - | Trading of sawn timber products and timber logs |
| # Metro Ajaib Sdn. Bhd.* | 100 | - | Trading of timber logs |
| # Mirim Timber Sdn. Bhd.* | 100 | - | Trading of timber logs |
| EMC Cranes Sdn. Bhd. | 100 | 100 | Rendering of mobile crane services |
| EMC Cranes (K.L.) Sdn. Bhd. | 50.20 | 50.20 | Rendering of mobile crane services |
| EMC Capital Sdn. Bhd. | 100 | 100 | Insurance agent |
| EMC Containers Sdn. Bhd. | 70 | 70 | Hiring of vehicle |
| EMC Warehouse Services Sdn. Bhd. | 100 | 100 | Rendering of warehouse services |
| EMC Marketing Sdn. Bhd. | 100 | 100 | Trading in heavy machineries, industrial equipment, supplies and lubricants |
| EMC Engineering Services Sdn. Bhd.** | 62.50 | 62.50 | Sales of vehicle accessories and rendering of vehicle engineering services |
| Kedah Coastal Transport & Trading Company Sdn. Berhad | 60.37 | 60.37 | Rendering of lorry transport services |
| # KC Transport Sdn. Bhd.*** | 60.37 | 60.37 | Rendering of lorry transport services |

* Interest held by Sanbumi Sawmill Sdn. Bhd.

** Interest held by EMC Marketing Sdn. Bhd.

*** Interest held by Kedah Coastal Transport & Trading Company Sdn. Berhad

Not audited by Horwath Mok & Poon

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

6. INVESTMENT IN SUBSIDIARIES (Cont'd)

The audit reports on the following subsidiaries were qualified on the applicability of preparing the financial statements on a going concern basis:-

(i) EMC Cranes Sdn. Bhd.

EMC Cranes Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM9,627,103 and RM15,787,902 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from the financial institutional lenders, creditors or shareholders, and whether future operating results will improve.

(ii) EMC Containers Sdn. Bhd.

EMC Containers Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM760,483 and RM818,987 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from the financial institutional lenders, creditors or shareholders, and whether future operating results will improve.

(iii) EMC Warehouse Services Sdn. Bhd.

EMC Warehouse Services Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM260,493 and RM373,066 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from the creditors or shareholders, and whether future operating results will improve.

7. INVESTMENT IN ASSOCIATES

| | Group | Proforma | Company | |
|--|--------------|-----------------|----------------|-------------|
| | 2001 | Group | 2001 | 2000 |
| | RM | 2000 | RM | RM |
| | | RM | | |
| Unquoted shares | | | | |
| - at cost | 1,394,000 | 1,394,000 | 294,001 | 294,001 |
| - at valuation | - | - | 342,999 | 342,999 |
| | 1,394,000 | 1,394,000 | 637,000 | 637,000 |
| Provision for diminution in value of shares | (637,000) | (637,000) | (637,000) | (637,000) |
| | 757,000 | 757,000 | - | - |
| Share of post-acquisition accumulated losses | (576,772) | (377,947) | - | - |
| | 180,228 | 379,053 | - | - |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

7. INVESTMENT IN ASSOCIATES (Cont'd)

The Group's interest in associates is as follows:-

| | Group 2001 RM | Proforma Group 2000 RM |
|-----------------------------------|---------------------|---------------------------------|
| Share of net liabilities | (614,033) | (415,208) |
| Premium arising on acquisition | 1,431,261 | 1,431,261 |
| Provision for diminution in value | (637,000) | (637,000) |
| | 180,228 | 379,053 |

Details of the associates, all of which are incorporated in Malaysia, are as follows:-

| | Effective equity interest | | |
|--|------------------------------|-------|--|
| | 2001 | 2000 | |
| Ferrotrans Sdn. Bhd. | 49 | 49 | Rendering of forwarding and warehouse services and sales of diesel |
| K.C.M Perkhidmatan Pengangkutan (Kedah) Sdn. Bhd.* | 24.15 | 24.15 | Provision of haulage and delivery services |

* Interest held by Kedah Coastal Transport & Trading Company Sdn. Berhad

The investment in Ferrotrans Sdn. Bhd. was revalued by the directors based on the net tangible asset value of the associate at 31 December 1992 and as modified by the valuation approved by the Securities Commission in 1994.

8. OTHER INVESTMENT

| | Group 2001 RM | Proforma Group 2000 RM | Company | |
|--------------------------|---------------------|---------------------------------|------------|------------|
| | | | 2001 RM | 2000 RM |
| Unquoted shares, at cost | 150,000 | 150,000 | 150,000 | 150,000 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

9. INVENTORIES

| | Group 2001 RM | Proforma Group 2000 RM |
|-------------------------|------------------------------|---|
| At Cost | | |
| Raw materials | 3,065,765 | 3,651,445 |
| Work-in-progress | 9,781,878 | 7,267,655 |
| Finished goods | 9,738,634 | 8,767,470 |
| Consumable stores | 759,750 | 879,559 |
| | 23,346,027 | 20,566,129 |
| At Net Realisable Value | | |
| Finished goods | 182,611 | 79,080 |
| Work-in-progress | 6,810 | 224,174 |
| | 189,421 | 303,254 |
| | 23,535,448 | 20,869,383 |

10. TRADE DEBTORS

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | 2000 RM |
|--|------------------------------|---|--------------------------------|--------------------|
| Trade debtors | 44,747,852 | 39,328,031 | 54,067 | 86,647 |
| Provision for doubtful debts | | | | |
| At 1 January | (5,567,815) | (5,568,739) | (45,632) | (88,108) |
| Provision for the financial year | (1,011,194) | (293,102) | - | - |
| Reversal of provision no longer required | 110,004 | - | 2,000 | 42,476 |
| Written off | 217,601 | 294,026 | - | - |
| At 31 December | (6,251,404) | (5,567,815) | (43,632) | (45,632) |
| | 38,496,448 | 33,760,216 | 10,435 | 41,015 |

11. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | 2000 RM |
|---|------------------------------|---|--------------------------------|--------------------|
| Other debtors, deposits and prepayments | 57,595,793 | 39,855,257 | 886,795 | 1,735,411 |
| Provision for doubtful debts | | | | |
| At 1 January | (9,496,259) | (9,294,257) | (426,400) | (326,400) |
| Provision for the financial year | (2,050) | (202,002) | - | (100,000) |
| At 31 December | (9,498,309) | (9,496,259) | (426,400) | (426,400) |
| | 48,097,484 | 30,358,998 | 460,395 | 1,309,011 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

11. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

Included in other debtors, deposits and prepayments of the Group are log purchase advances amounting to RM44,694,117 (2000 - RM26,254,044).

Log purchase advances amounting to RM35,123,402 (2000 - RM10,277,228) were made by the subsidiaries to Rintisan Bumi Sdn. Bhd., a company in which a person connected to certain directors of the Company has a substantial financial interest. Further details are shown in Note 33 to the financial statements.

12. AMOUNT OWING BY/TO SUBSIDIARIES

| | Company | |
|--|-------------|-------------|
| | 2001 RM | 2000 RM |
| Amount owing by subsidiaries | 15,242,709 | 3,088,094 |
| Provision for doubtful debts | (2,722,440) | (2,722,537) |
| | <hr/> | <hr/> |
| | 12,520,269 | 365,557 |
| | <hr/> | <hr/> |
| Amounts owing to subsidiaries | 294,640 | 136,629 |
| | <hr/> | <hr/> |
| The amounts owing comprise the following:- | | |
| Amount owing by subsidiaries | | |
| Trade | 1,816,102 | 1,492,102 |
| Non-trade | 13,426,607 | 1,595,992 |
| | <hr/> | <hr/> |
| | 15,242,709 | 3,088,094 |
| Amount owing to subsidiaries | | |
| Trade | - | 3,109 |
| Non-trade | 294,640 | 133,520 |
| | <hr/> | <hr/> |
| | 294,640 | 136,629 |
| | <hr/> | <hr/> |

The non-trade amount owing by subsidiaries includes RM1,576,067 (2000 - RM1,123,799) which bears interest at 2% per annum above the bank's base lending rate (2000 - 15% per annum). The remaining balance is free of interest. The non-trade amount is not subject to fixed terms of repayment.

The amount owing to subsidiaries is unsecured, interest-free and not subject to fixed terms of repayment.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

13. AMOUNT OWING BY/TO ASSOCIATES

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|---|---------------------|---------------------------------|-----------------------|-----------------------|
| Amount owing by associates | 1,248,716 | 1,259,016 | 1,066,425 | 1,057,197 |
| Provision for doubtful debts | (946,869) | (946,869) | (946,869) | (946,869) |
| | 301,847 | 312,147 | 119,556 | 110,328 |
| Amount owing to associates - Non-trade | 96,000 | 96,000 | 96,000 | 96,000 |
| Amount owing by associates comprises:- | | | | |
| Trade | 1,160,832 | 1,187,109 | 978,541 | 985,290 |
| Non-trade | 87,884 | 71,907 | 87,884 | 71,907 |
| | 1,248,716 | 1,259,016 | 1,066,425 | 1,057,197 |

The non-trade amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits are placed under lien in favour of the banks as security for banking facilities granted to certain subsidiaries.

15. AMOUNT OWING TO DIRECTORS

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

16. HIRE PURCHASE CREDITORS

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|---|------------------------|---------------------------------|-----------------------|-----------------------|
| The gross hire purchase creditors are repayable as follows:- | | | | |
| Not later than one year | 2,845,376 | 2,513,008 | - | - |
| Later than one year and not later than five years | 856,303 | 1,818,947 | - | - |
| Interest-in-suspense | 3,701,679 (653,312) | 4,331,955 (826,272) | - | - |
| Net hire purchase creditors | 3,048,367 | 3,505,683 | - | - |
| The net hire purchase creditors are repayable as follows:- | | | | |
| Not later than one year | 2,399,891 | 2,078,585 | - | - |
| Later than one year and not later than five years | 648,476 | 1,427,098 | - | - |
| | 3,048,367 | 3,505,683 | - | - |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

17. SHORT TERM BORROWINGS

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|----------------------|---------------------|---------------------------------|-----------------------|-----------------------|
| Bank overdrafts | 15,262,139 | 35,842,997 | 8,751,342 | 18,694,392 |
| Bankers' acceptances | 9,907,292 | 13,010,847 | - | - |
| Term loans | 1,932,264 | 7,592,737 | 1,932,264 | 7,532,737 |
| | 27,101,695 | 56,446,581 | 10,683,606 | 26,227,129 |

The bank overdrafts bear interest at rates ranging between 1.5% to 4% (2000 - 1.5% to 4%) per annum above the banks' base lending rates. Bankers' acceptances are discounted at the prevailing market rate on the day of discount.

The bank overdrafts and bankers' acceptances of the subsidiaries are secured as follows:-

- (i) by legal charges over the landed properties of the subsidiaries and the Company;
- (ii) by fixed and floating charges over the assets of certain subsidiaries;
- (iii) by joint and several guarantees by certain directors and former directors of the subsidiaries; and
- (iv) by corporate guarantees by the Company.

The bank overdrafts of the Company are secured by legal charges over the freehold and leasehold properties of the Company.

The term loan bears interest at 2% (2000 - 2%) per annum above a licensed bank's base lending rate and is secured by a legal charge over two parcels of freehold land of the Company.

18. SHARE CAPITAL

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|--|---------------------|---------------------------------|-----------------------|-----------------------|
| Ordinary Shares Of RM1.00 Each:- | | | | |
| Authorised | | | | |
| At 1 January | 250,000,000 | 20,000,000 | 250,000,000 | 20,000,000 |
| Increase during the financial year | - | 230,000,000 | - | 230,000,000 |
| At 31 December | 250,000,000 | 250,000,000 | 250,000,000 | 250,000,000 |
| Issued And Fully Paid-Up | | | | |
| At 1 January | 145,198,623 | *145,198,623 | 17,570,000 | 17,570,000 |
| Issue for acquisitions of subsidiaries | - | - | 127,628,623 | - |
| Rights issue | 29,039,725 | - | 29,039,725 | - |
| At 31 December | 174,238,348 | 145,198,623 | 174,238,348 | 17,570,000 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

18. SHARE CAPITAL (Cont'd)

* - the 127,628,623 ordinary shares of RM1.00 each are deemed to have been issued as of 1 January 2000 for the purposes of presenting the Proforma Group consolidated financial statements for the comparatives.

Pursuant to the Shareholders' Resolution dated 12 December 2000, the issued and paid-up capital of the Company was increased from RM17,570,000 to RM174,238,348 by the allotment of 156,668,348 new ordinary shares of RM1.00 each as follows:-

| Allotment Date | Number of Shares Issued | Issue Price RM | Consideration RM | Purposes |
|-----------------|-------------------------|----------------|------------------|--|
| 8 January 2001 | 117,081,684 | 1.96 | 229,480,100 | Acquisition of the entire issued and paid-up ordinary share capital of Sanbumi Sawmill Sdn. Bhd. |
| 8 January 2001 | 10,546,939 | 1.96 | 20,672,000 | Acquisition of the entire issued and paid-up ordinary share capital of Akalaju Sdn. Bhd. |
| 25 October 2001 | 29,039,725 | 1.35 | 39,203,629 | Rights issue on the basis of one new ordinary share for every five existing ordinary shares held after the above acquisitions. |
| | 156,668,348 | | | |

19. RETAINED PROFITS/(ACCUMULATED LOSSES)

| | Retained profits/ (accumulated losses) brought forward RM | Current year Group profit/ (loss) RM | Total RM |
|---|---|--------------------------------------|--------------|
| Distributable | | | |
| Pre-Merger Profit/(Loss) | | | |
| - The Company and its subsidiaries accounted under acquisition method of accounting | (25,597,454) | (12,795) | (25,610,249) |
| - Subsidiaries accounted under merger accounting | 51,389,085 | 417,870 | 51,806,955 |
| | 25,791,631 | 405,075 | 26,196,706 |
| Post-Merger Profit | - | 20,716,700 | 20,716,700 |
| | 25,791,631 | 21,121,775 | 46,913,406 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

20. OTHER RESERVES

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | 2000 RM |
|---|---------------------|---------------------------------|-----------------------|-------------------|
| Share Premium | | | | |
| At 1 January | 1,852,604 | 1,852,604 | 1,852,604 | 1,852,604 |
| Surplus arising from rights issue | 10,163,904 | - | 10,163,904 | - |
| Set-off against rights issue expenses | (1,595,300) | - | (1,595,300) | - |
| At 31 December | 10,421,208 | 1,852,604 | 10,421,208 | 1,852,604 |
| Revaluation Reserve | | | | |
| At 1 January | 16,262,780 | 16,262,780 | 16,643,639 | 17,384,273 |
| Set-off against provision for diminution in value of investments | - | - | - | (740,634) |
| At 31 December | 16,262,780 | 16,262,780 | 16,643,639 | 16,643,639 |
| Capital Reserve | 2,436,626 | 2,436,626 | - | - |
| Reserve On Consolidation | 604,789 | 604,789 | - | - |
| | <u>29,725,403</u> | <u>21,156,799</u> | <u>27,064,847</u> | <u>18,496,243</u> |
| The Revaluation Reserve comprises:- | | | | |
| Surplus on revaluation of properties | 16,262,780 | 16,262,780 | 16,207,385 | 16,207,385 |
| Surplus on revaluation of investments | - | - | 436,254 | 436,254 |
| | <u>16,262,780</u> | <u>16,262,780</u> | <u>16,643,639</u> | <u>16,643,639</u> |

The capital reserve represents post-acquisition profits in subsidiaries utilised for the issue of bonus shares by the subsidiaries.

The other reserves are non-distributable reserves for the purpose of declaring dividends.

21. MERGER DEFICIT

| | Group 2001 RM | Proforma Group 2000 RM |
|--|----------------------|---------------------------------|
| Non-Distributable Arising from merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd. | (109,628,623) | (109,628,623) |
| | <u>(109,628,623)</u> | <u>(109,628,623)</u> |

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of the subsidiaries of RM127,628,623 and the nominal value of the shares acquired of RM18,000,000.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

22. DEFERRED TAXATION

| | Group 2001 RM | Proforma Group 2000 RM |
|--|------------------------------|---|
| At 1 January | 1,675,163 | 2,053,399 |
| Transfer to income statement (Note 27) | (112,163) | (378,236) |
| At 31 December | <u>1,563,000</u> | <u>1,675,163</u> |

The potential deferred taxation benefits, arising from timing differences, that have not been accounted for in the financial statements are as follows:-

| Group | Unutilised tax losses RM | Others RM | Total RM |
|--|---|----------------------|---------------------|
| Balance at 1.1.2000 | 4,306,000 | (355,320) | 3,950,680 |
| Arising during the financial year | 1,056,840 | 757,440 | 1,814,280 |
| Balance at 31.12.2000/1.1.2001 | 5,362,840 | 402,120 | 5,764,960 |
| Arising during the financial year | 113,160 | 298,880 | 412,040 |
| Balance at 31.12.2001 | <u>5,476,000</u> | <u>701,000</u> | <u>6,177,000</u> |
| Company | | | |
| Balance at 1.1.2000 | 552,000 | 346,000 | 898,000 |
| Arising/(Utilised) during the financial year | 626,000 | (24,000) | 602,000 |
| Balance at 31.12.2000/1.1.2001 | 1,178,000 | 322,000 | 1,500,000 |
| Arising during the financial year | 62,000 | 123,000 | 185,000 |
| Balance at 31.12.2001 | <u>1,240,000</u> | <u>445,000</u> | <u>1,685,000</u> |

23. TURNOVER

Turnover of the Group represents the invoiced value of goods sold, services rendered and rental charges net of discounts.

Turnover of the Company represents the invoiced value of goods sold, services rendered, rental charges and management fee income.

24. OTHER OPERATING INCOME

Included in other operating income is the following exceptional item:-

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | 2000 RM |
|--|------------------------------|---|--------------------------------|--------------------|
| Reversal of overprovision for import tax duties in previous year | 1,052,076 | - | - | - |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

25. OTHER OPERATING EXPENSES

Included in other operating expenses are the following exceptional items:-

| | Group | Proforma | Company | |
|---|--------------|-----------------|----------------|-------------|
| | 2001 | Group | 2001 | 2000 |
| | RM | 2000 | RM | RM |
| | | RM | | |
| Deficit arising from revaluation of properties | - | (1,866,588) | - | - |
| Loss on disposal of an associate | - | (121,517) | - | - |
| Provision for doubtful debts | - | - | - | (2,722,537) |
| Provision for import tax duties | - | (1,068,592) | - | - |
| Provision for diminution in value of subsidiaries | - | - | - | (4,483,785) |

26. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at after charging/(crediting):-

| | Group | Proforma | Company | |
|---|--------------|-----------------|----------------|-------------|
| | 2001 | Group | 2001 | 2000 |
| | RM | 2000 | RM | RM |
| | | RM | | |
| Audit fee | | | | |
| - for the financial year | 123,625 | 123,960 | 20,000 | 20,000 |
| - underprovision in previous financial year | 2,968 | 4,000 | - | - |
| Bad debts written off | 7,638 | 119,086 | - | - |
| Depreciation of property, plant and equipment | 7,677,823 | 7,818,143 | 563,204 | 543,510 |
| Directors' fees | | | | |
| - directors of the Company | 228,216 | 476,000 | 225,216 | 36,000 |
| - other directors | 9,000 | - | - | - |
| Directors' other emoluments | | | | |
| - directors of the Company | 659,632 | 132,232 | 22,972 | 132,232 |
| - other directors | 230,352 | - | - | - |
| Interest expense | | | | |
| - bank overdraft | 3,184,758 | 3,374,816 | 1,437,160 | 1,694,520 |
| - hire purchase | 276,641 | 493,986 | - | 15,874 |
| - loan | 531,784 | 827,310 | 514,876 | 650,453 |
| - others | 860,470 | 1,127,655 | 10,589 | 10,698 |
| Land lease tenancy | 60,000 | 60,000 | - | - |
| Loss on liquidation of a subsidiary | - | 1,841 | - | 16,409 |
| Plant and equipment written off | 9,656 | 1,369 | - | - |
| Provision for doubtful debts | 1,013,244 | 510,353 | - | 72,773 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

26. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

This is arrived at after charging/(crediting):-

| | Proforma | | Company | |
|---|---------------------|---------------------|-------------|-------------|
| | Group 2001 RM | Group 2000 RM | 2001 RM | 2000 RM |
| Rental of container | - | 80,000 | - | - |
| Rental of equipment | 28,806 | - | - | - |
| Rental of premises | 176,379 | 1,029,059 | - | - |
| Staff costs | 5,807,655 | 5,635,401 | 162,543 | 156,861 |
| Write-down of plant and equipment | 75,000 | - | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (21,897) | 207,699 | (105,276) | (8,338) |
| (Gain)/Loss on foreign exchange | (5,648) | 2,917 | - | - |
| Interest income | (572,309) | (31,473) | (779,221) | (187,896) |
| Interest waiver received | (696,155) | - | - | - |
| Rental income | (508,111) | (419,582) | (1,346,111) | (1,345,382) |
| Reversal of provision for doubtful debts | (110,004) | - | (2,097) | - |
| Write-back of provision for penalty | (200,000) | - | (200,000) | - |

27. TAXATION

| | Proforma | | Company | |
|--|---------------------|---------------------|------------|------------|
| | Group 2001 RM | Group 2000 RM | 2001 RM | 2000 RM |
| For the financial year | (9,091,600) | (11,997,491) | - | - |
| Deferred taxation (Note 22) | 112,163 | 378,236 | - | - |
| | (8,979,437) | 11,619,255 | - | - |
| Over provision in previous financial year | 74,389 | 88,571 | 96,674 | - |
| | (8,905,048) | (11,530,684) | 96,674 | - |

The effective tax rate for the Group is higher than the statutory tax rate as losses of certain subsidiaries cannot be set off against profits made by other companies in the Group.

Subject to agreement with the tax authorities, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM4,400,000 (2000 - RM4,200,000) and RM1,500,000 (2000 - RM1,240,000) available at the balance sheet date to be carried forward for offset against future taxable income.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

28. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit attributable to shareholders of RM21,121,775 (2000 - RM21,683,005) by the weighted average number of ordinary shares in issue during the financial year of 158,105,168 (2000 - 145,198,623).

The diluted earnings per share is not applicable as there are no dilutive potential ordinary shares outstanding at the balance sheet date.

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | Group | Proforma | Company | |
|--|--------------|-----------------|----------------|-------------|
| | 2001 | Group | 2001 | 2000 |
| | RM | 2000 | RM | RM |
| | | RM | | |
| Cost of property, plant and equipment acquired | 1,222,027 | 6,264,393 | 34,300 | 4,375,410 |
| Amount financed through hire purchase | (425,000) | - | - | - |
| Amount set off against loan debtor | - | (4,200,000) | - | (4,200,000) |
| Cash disbursed for purchase of property, plant and equipment | 797,027 | 2,064,393 | 34,300 | 175,410 |

30. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

| | Group | Proforma | Company | |
|---------------------------|--------------|-----------------|----------------|--------------|
| | 2001 | Group | 2001 | 2000 |
| | RM | 2000 | RM | RM |
| | | RM | | |
| Fixed deposits | 668,583 | 642,756 | - | - |
| Cash and bank balances | 22,718,177 | 4,310,866 | 10,291,839 | 715 |
| Bank overdrafts (Note 17) | (15,262,139) | (35,842,997) | (8,751,342) | (18,694,392) |
| | 8,124,621 | (30,889,375) | 1,540,497 | (18,693,677) |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

31. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Company during the financial year are as follows:-

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | 2000 RM |
|--|---------------------|---------------------------------|-----------------------|------------|
| Directors' Fee:- | | | | |
| 1. Dato' Noorazman Bin Adnan | 36,000 | - | 36,000 | - |
| 2. Chua Tiong Moon | 30,536 | 180,000 | 30,536 | - |
| 3. Datuk Chai Kin Kong | 30,536 | 180,000 | 30,536 | - |
| 4. Chai Kim Chong | 30,536 | 80,000 | 30,536 | - |
| 5. Lim Chong Seong | 7,500 | 36,000 | 6,000 | 36,000 |
| 6. Zainurin Bin Karman | 30,536 | - | 30,536 | - |
| 7. Rahadian Mahmud Bin Mohammad Khalil | 30,536 | - | 30,536 | - |
| 8. Lee Gee Huy @ Lee Kong Fee | 30,536 | - | 30,536 | - |
| 9. Boey Tak Kong | - | - | - | - |
| 10. Yeo Seow Lin | 1,500 | - | - | - |
| | 228,216 | 476,000 | 225,216 | 36,000 |

Directors' Non-Fee Emoluments:-

| | | | | |
|------------------------|---------|---------|--------|---------|
| 1. Chua Tiong Moon | 230,400 | - | - | - |
| 2. Datuk Chai Kin Kong | 247,200 | - | - | - |
| 3. Chai Kim Chong | 159,060 | - | - | - |
| 4. Yeo Seow Lin | 22,972 | 132,232 | 22,972 | 132,232 |
| | 659,632 | 132,232 | 22,972 | 132,232 |

32. SIGNIFICANT RELATED COMPANY TRANSACTIONS

| | 2001 RM | Company 2000 RM |
|----------------------------------|------------|-----------------------|
| Transactions with subsidiaries:- | | |
| Sales | - | 386,506 |
| Purchases | - | 24,563 |
| Interest expense | 8,179 | 15,836 |
| Rental income | 838,800 | 925,800 |
| Management fee | 260,400 | 281,400 |
| Other sundry income | 125,869 | 184,625 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

| Name of Related Party | Nature of transaction | Group | |
|-------------------------|--|----------------------------|-------------------------|
| | | Value of transaction RM | Amount receivable RM |
| Rintisan Bumi Sdn. Bhd. | Purchase of logs | 73,614,783 | 35,123,402 |
| | Office rental payable | 24,000 | - |
| | Interest receivable on overdue account | 600,000 | - |

A person connected to Datuk Chai Kin Kong and Chai Kim Chong is a substantial shareholder of Rintisan Bumi Sdn. Bhd.. The amount receivable refers to advances for the future supply of logs pursuant to an agreement for purchase of logs.

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business on terms established and agreed upon by way of negotiations between the parties.

34. CONTINGENT LIABILITIES - UNSECURED

| | Company | |
|--|------------|------------|
| | 2001 RM | 2000 RM |
| Guarantees given to financial institutions for credit facilities granted to subsidiaries | 14,131,727 | 17,673,214 |

35. SEGMENTAL INFORMATION

| | Turnover | | Profit before taxation | | Total assets employed | |
|---|---------------------|---------------------|------------------------|---------------------|-----------------------|---------------------|
| | Proforma | | Proforma | | Proforma | |
| | Group 2001 RM | Group 2000 RM | Group 2001 RM | Group 2000 RM | Group 2001 RM | Group 2000 RM |
| Analysis By Activity: | | | | | | |
| Timber | 223,220,038 | 198,868,311 | 30,788,791 | 42,314,938 | 134,709,024 | 106,562,707 |
| Mobile crane services | 13,001,736 | 10,875,269 | 256,460 | (6,321,770) | 19,481,183 | 19,563,411 |
| Freight | 5,592,136 | 5,781,023 | (301,858) | (318,481) | 3,348,755 | 3,639,431 |
| Trading | 3,393,436 | 2,532,681 | 241,163 | (252,488) | 1,516,047 | 2,671,490 |
| Investments | 876,830 | 946,309 | (1,094,108) | (2,111,613) | 54,892,073 | 44,965,661 |
| Warehouse and container handling services | 621,583 | 1,229,009 | (325,921) | (432,305) | 495,092 | 625,936 |
| | 246,705,759 | 220,232,602 | 29,564,527 | 32,878,281 | 214,442,174 | 178,028,636 |
| Associates | - | - | (198,825) | (116,922) | 180,228 | 379,053 |
| | 246,705,759 | 220,232,602 | 29,365,702 | 32,761,359 | 214,622,402 | 178,407,689 |

No geographical analysis has been prepared as the Group operates wholly in Malaysia.

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

36. SIGNIFICANT EVENTS

On 12 December 2000, an Extraordinary General Meeting was held and the resolutions relating to the proposed corporate exercise as approved by the Securities Commission were duly passed. On the same day, the Company increased its authorised share capital from RM20,000,000 to RM250,000,000 by the creation of 230,000,000 new ordinary shares of RM1.00 each.

On 8 January 2001, the Company issued 127,628,623 new ordinary shares of RM1.00 each at an issue price of RM1.96 per share as purchase consideration for the acquisitions of the entire issued and paid up share capital of Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd. as disclosed in Note 18 to the financial statements. Consequently, the issued and fully paid-up share capital of the Company was increased from RM17,570,000 to RM145,198,623 comprising 145,198,623 ordinary shares of RM1.00 each.

On 25 October 2001, the Company completed the rights issue of 29,039,725 new ordinary shares of RM1.00 each to the shareholders on the basis of one new ordinary share for every five existing shares held at an issue price of RM1.35 per share.

On 2 November 2001, the Kuala Lumpur Stock Exchange granted the listing and quotation of the entire 156,668,348 new ordinary shares of RM1.00 each in the Company, issued in consideration for the acquisitions on 8 January 2001 and pursuant to the rights issue on 25 October 2001.

37. SUBSEQUENT EVENTS

On 28 January 2002, the listing of and quotation for the Company's entire issued and paid-up share capital of 174,238,348 ordinary shares of RM1.00 each was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange.

On 18 February 2002, the Company changed its name from EMC Logistics Berhad to Sanbumi Holdings Berhad.

38. NUMBER OF EMPLOYEES

| | Group 2001 RM | Proforma Group 2000 RM | Company 2001 RM | Company 2000 RM |
|--|---------------------|---------------------------------|-----------------------|-----------------------|
| Number of employees at the end of the financial year | 721 | 797 | 7 | 8 |

39. FOREIGN EXCHANGE RATE

The applicable closing exchange rate used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) in translating foreign currency balances is as follows:-

| | 2001 RM | 2000 RM |
|----------------------|------------|------------|
| United States Dollar | 3.80 | 3.80 |
| Singapore Dollar | 2.10 | 2.20 |

Notes To The Financial Statements (Cont'd)

For The Financial Year Ended 31 December 2001

40. COMPARATIVE FIGURES

Additional comparative figures have been provided to comply with the disclosure requirements of all the MASB Standards which are applicable to these financial statements.

41. PROFORMA CONSOLIDATED BALANCE SHEET, CONSOLIDATED INCOME STATEMENT, STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED CASH FLOW STATEMENT AND SEGMENTAL INFORMATION

As disclosed in Note 4(a), certain subsidiaries have been consolidated with the Company using the merger method of accounting. The financial statements of the Group for the previous financial year have been presented on a proforma basis to illustrate the financial position and results of the combined entities as if the merger had been in effect since 1 January 2000.

The proforma consolidated balance sheet, consolidated income statement and consolidated cash flow statements are not audited and have been prepared based on the following:-

- (a) accounting principles and bases consistent with those previously adopted in the preparation of the financial statements; and
- (b) audited financial statements for the financial year ended 31 December 2000 of those subsidiaries consolidated with the Company using the merger method of accounting.

Shareholding Statistics

As At 9 May 2002

SHARE CAPITAL

| | | |
|----------------------------|---|--------------------------------|
| Authorised Share Capital | : | RM250,000,000 |
| Issued and Paid-up Capital | : | RM174,238,348 |
| Class of Shares | : | Ordinary shares of RM1.00 each |
| Voting Rights | : | One vote per ordinary share |

SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 9 May 2002 are as follows:-

| Name of Substantial Shareholders | Direct | | Indirect | |
|----------------------------------|---------------|-------|---------------|-------|
| | No. of shares | % | No. of shares | % |
| Chua Tiong Moon | 2,899,581 | 1.66 | 76,577,175# | 43.95 |
| Datuk Chai Kin Kong | 2,500,065 | 1.43 | 79,155,695* | 45.43 |
| Lee Meow Soon | 1,486,575 | 0.85 | 76,577,175# | 43.95 |
| Chai Kim Chong | 1,789,260 | 1.03 | 79,866,500* | 45.84 |
| Chai Kin Loong | 789,260 | 0.45 | 80,866,500* | 46.41 |
| Chua Ah Nye | 1,414,429 | 0.81 | 76,577,175# | 43.95 |
| Equal Accord Sdn Bhd | 76,577,175 | 43.95 | - | - |

* Deemed interest by virtue of Datuk Chai Kin Kong, Chai Kim Chong and Chai Kin Loong are brothers and their substantial shareholding in Equal Accord Sdn Bhd.

Deemed interest by virtue of their substantial shareholding in Equal Accord Sdn Bhd.

DIRECTORS SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 9 May 2002 are as follows:-

| Name of Directors | Direct | | Indirect | |
|-------------------------------------|---------------|-------|---------------|-------|
| | No. of shares | % | No. of shares | % |
| Dato' Noorazman bin Adnan | 6,000 | 0.003 | - | - |
| Chua Tiong Moon | 2,899,581 | 1.66 | 76,577,175# | 43.95 |
| Datuk Chai Kin Kong | 2,500,065 | 1.43 | 79,155,695* | 45.43 |
| Chai Kim Chong | 1,789,260 | 1.03 | 79,866,500* | 45.84 |
| Rahadian Mahmud bin Mohammad Khalil | - | - | - | - |
| Zainurin bin Karman | - | - | - | - |
| Lee Gee Huy @ Lee Kong Fee | - | - | - | - |
| Boey Tak Kong | - | - | - | - |

* Deemed interest by virtue of Datuk Chai Kin Kong and Chai Kim Chong who are brothers and another brother Chai Kin Loong who are substantial shareholders of Equal Accord Sdn Bhd which holds substantial shareholding in Sanbumi Holdings Berhad (Formerly known as EMC Logistics Berhad).

Deemed interest by virtue of his substantial shareholding in Equal Accord Sdn Bhd.

Shareholding Statistics (Cont'd)

As At 9 May 2002

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

| | No. of Shares | % Over Total Shares | No. of Shareholders | % Over Total Shareholders |
|---------------------|---------------|---------------------|---------------------|---------------------------|
| 1 – 999 | 7,800 | – | 24 | 0.25 |
| 1,000 – 10,000 | 25,880,315 | 14.86 | 8,355 | 88.16 |
| 10,001 – 100,000 | 27,477,313 | 15.77 | 1,010 | 10.66 |
| 100,001 – 8,711,916 | 44,295,745 | 25.42 | 86 | 0.91 |
| 8,711,917 and Above | 76,577,175 | 43.95 | 2 | 0.02 |
| | 174,238,348 | 100.00 | 9,477 | 100.00 |

THIRTY LARGEST SHAREHOLDERS

| Name of Shareholders | No. of Shares | % |
|---|---------------|-------|
| 1. EQUAL ACCORD SDN BHD | 63,814,313 | 36.62 |
| 2. EQUAL ACCORD SDN. BHD. | 12,762,862 | 7.32 |
| 3. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD (BHLB PACIFIC EMERGING COMPANIES GROWTH FUND) | 3,191,000 | 1.83 |
| 4. CHUA TIONG MOON | 2,899,581 | 1.66 |
| 5. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND) | 2,650,000 | 1.52 |
| 6. CHAI KIN KONG | 2,500,065 | 1.43 |
| 7. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND (029)) | 2,188,000 | 1.26 |
| 8. PICAMAS NOMINEES (TEMPATAN) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR KOK SU CHING) | 2,000,000 | 1.15 |
| 9. CHAI KIM CHONG | 1,789,260 | 1.03 |
| 10. LEE MEOW SOON | 1,486,575 | 0.85 |
| 11. CHUA AH NYE | 1,414,429 | 0.81 |
| 12. HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033)) | 1,347,000 | 0.77 |
| 13. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. (PLEGGED SECURITIES ACCOUNT FOR JB SECURITIES SDN. BHD. (3193 HPZA)) | 1,200,000 | 0.69 |
| 14. PICAMAS NOMINEES (TEMPATAN) SDN BHD (PICAVEST SDN BHD) | 1,000,000 | 0.57 |

Shareholding Statistics (Cont'd)

As At 9 May 2002

THIRTY LARGEST SHAREHOLDERS (Cont'd)

| Name of Shareholders | No. of Shares | % |
|---|--------------------|--------------|
| 15. PICAMAS NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR LIM LEONG SENG) | 1,000,000 | 0.57 |
| 16. PICAMAS NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR KOK SU CHING) | 1,000,000 | 0.57 |
| 17. HONG LEONG FINANCE BERHAD (PLEGDED SECURITIES ACCOUNT FOR CHIN LIH LIH) | 914,000 | 0.52 |
| 18. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD (ALLIANCE FIRST FUND) | 835,000 | 0.48 |
| 19. CHAI KIN LOONG | 789,260 | 0.45 |
| 20. AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR CAHAYA KELANA SDN BHD) | 705,000 | 0.40 |
| 21. PETER EU @ EU YING KIONG | 550,000 | 0.32 |
| 22. AMSEC NOMINEES (TEMPATAN) SDN BHD (AMS EQUITIES SDN BHD FOR LAU HOCK KWAI (PLEGDED A/C)) | 542,326 | 0.31 |
| 23. OO TECK YEON | 540,000 | 0.31 |
| 24. CITICORP NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR DATO' RAMLI BIN YUSUFF (471794)) | 500,000 | 0.29 |
| 25. OSK NOMINEES (TEMPATAN) SDN BERHAD (PLEGDED SECURITIES ACCOUNT FOR HENG FOOK KUM) | 451,084 | 0.26 |
| 26. TEOH HUNT THUIM | 418,000 | 0.24 |
| 27. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM CORPORATION BHD) | 390,000 | 0.22 |
| 28. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PHEIM ASSET MANAGEMENT SDN BHD FOR EMPAT NOMBOR EKOR (SELANGOR) SDN BHD) | 389,000 | 0.22 |
| 29. AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR GAN CHONG SENG) | 385,000 | 0.22 |
| 30. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD (MALAYSIAN TRUSTEES BERHAD FOR ALLIANCE VISION FUND (00-10033-000)) | 370,000 | 0.21 |
| TOTAL | 110,021,755 | 63.10 |

Particulars Of Properties

Summary of landed properties owned as at 31 December 2001

| Owner | Location | Tenure | Existing use | Land area Sq.ft. | Approx. age of building | NBV as at 31.12.2001 RM'000 | Last relavaution date |
|-------|---|----------|--|------------------|-------------------------|-----------------------------|-----------------------|
| SHB | Lot 2071 Mukim 6 Seberang Prai Tengah | Freehold | 4 storey office building with an annexed workshop | 84,419 | 24 | 5,546 | 23 August 1999 |
| SHB | Lot 1511 Mukim 6 Seberang Prai Tengah | Freehold | Staff quarters, workshop and store | 111,601 | 23 | 5,262 | 23 August 1999 |
| SHB | Lot 3424 Mukim 6 Seberang Prai Tengah | Freehold | Bonded warehouse with annexed office | 36,378 | 11 | 3,738 | 23 August 1999 |
| SHB | Lot 850 Mukim 6 Seberang Prai Tengah | Freehold | Heavy vehicle parking area | 49,048 | | 1,397 | 23 August 1999 |
| SHB | Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah | Freehold | Warehouse with annexed office & container storage yard | 317,944 | 8 | 11,212 | 23 August 1999 |
| SHB | Part of Lot 3423 Mukim 6 Seberang Prai Tengah Freehold | Freehold | Storage yard | 55,626 | | 615 | 23 August 1999 |
| SHB | Lot 1619 Mukim 6 Seberang Prai Tengah | Freehold | Vacant land | 43,734 | | 3,459 | 23 August 1999 |
| SHB | Lot 1590, 1595 & 1598 Mukim 17 Sg. Lembu Seberang Prai Tengah | Freehold | Vacant land | 441,263 | | 1,980 | 10 December 1999 |
| SHB | Plot 40&41 Rawang Integrated Industrial Park | Freehold | Vacant land | 115,200 | | 3,191 | 20 September 1999 |

Particulars Of Properties (Cont'd)

| Owner | Location | Tenure | Existing use | Land area Sq.ft. | Approx. age of building | NBV as at 31.12.2001 RM'000 | Last relavaution date |
|---------|--|--|---|------------------|-------------------------|-----------------------------|---|
| SHB | Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang | Freehold | 2 storey shophouse | 2,292 | >50 | 960 | 10 December 1999 |
| EMCC | Lot 451 Mukim 17 Seberang Prai Tengah | Freehold | Vacant land | 795,231 | | 2,540 | 12 June 2000 |
| SHB | Plot 34 H.S. (M) 16/1977 Mukim of Mergong Kota Setar, Kedah | Leasehold - Sub-lease expiring on 14/05/2037 - 35 years remaining | 2 storey office with annexed workshop | 34,000 | 25 | 803 | 31 December 1999 |
| SHB | HS(D) LM 218/84 Lot 5395, Mukim Tupai Daerah Larut & Matang, Perak | Leasehold - expiring on 24/01/2014 - 12 years remaining | 2 storey office cum factory and a single storey workshop | 16,007 | 15 | 708 | 18 June 1999 (effective date of acquisition) |
| SHB | Plot 8 to 13 Kamunting Raya Industrial Estate, Mukim Asam Kumbang Daerah Larut & Matang, Perak | Leasehold 99 year lease subject to issue of title document | Part-completed 2 storey office with annexed/ factory workshop | 262,952 | | 4,322 | 17 January 2000 (effective date of acquisition) |
| SSSB | CL105472688 District of Kalabakan, Tawau, Sabah | Leasehold - expiring on 31/12/2052 - 51 years remaining | Factory building, staff quarters, workshop, store and office | 1,742 | 3-11 | 8,405 | 24 May 2000 |
| KCTT | Lot P.T. 57764 Jelapang, Mukim Hulu Kinta , Perak | Leasehold - expiring on 09/01/2079 - 77 years remaining | 2 storey shophouse | 1,680 | 20 | 196 | 31 December 1999 |
| AKALAJU | CL095330251 Sg. Milian Tongod, District of Kinabatangan, Sabah | Leasehold building | Factory building | 2,610 | 8 | 95 | - |



SANBUMI HOLDINGS BERHAD (8386-P)
(Formerly Known as EMC Logistics Berhad)
(Incorporated in Malaysia)

FORM OF PROXY

| | |
|-----------------------------------|--|
| Shareholding represented by Proxy | |
|-----------------------------------|--|

I/We
(Full Name In Capital Letters)

of
(Address)

being a member/members of Sanbumi Holdings Berhad ("the Company"), hereby appoint

.....
(Full Name)

of

or failing him/her

of

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held at Conference Room, Second Floor, Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang on 28 June 2002 at 10.00 a.m. and at any adjournment thereof in the manner indicated:-

| Resolutions | For | Against |
|--|-----|---------|
| Resolution 1 - Adoption of financial statements and reports of Directors and Auditors | | |
| Resolution 2 - Approval of Directors' fees | | |
| Resolution 3 - Re-election of Director : Dato' Noorazman bin Adnan | | |
| Resolution 4 - Re-election of Director : Encik Zainurin bin Karman | | |
| Resolution 5 - Re-election of Director : Mr Boey Tak Kong | | |
| Resolution 6 - Re-appointment of Messrs Horwath Mok & Poon as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| Resolution 7 - Authority to allot shares | | |
| Resolution 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |

Please indicate with 'X' how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this day of 2002.

| | |
|-----------------------|--|
| CDS Account Number | |
| Number of shares held | |

Signature/Common Seal of Appointer

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.