

# ANNUAL REPORT 2004



SANBUMI HOLDINGS BERHAD  
(8386 P)

Reg Off:

Wisma EMC, 972 Jalan Baru,  
13700 Prai, Penang,  
Malaysia.  
Tel : 04-398 4878 / 390 3699  
Fax : 04-397 9311 / 390 3636



SANBUMI HOLDINGS BERHAD  
(8386 P)

KK: 6th Floor, Indahsabah Building,  
Segama Complex,  
88000 Kota Kinabalu, Sabah.  
Tel: 088-252666  
Fax: 088-256262

KL: Business Suite 19A-12-3, 12th Floor,  
UOA Centre, 19 Jalan Pinang,  
50450 Kuala Lumpur.  
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Fax: 03-21616266





# CONTENTS

2	NOTICE OF ANNUAL GENERAL MEETING
5	STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
6	CORPORATE INFORMATION
8	CORPORATE STRUCTURE
9	FINANCIAL HIGHLIGHTS
10	PROFILE OF THE BOARD OF DIRECTORS
12	CHAIRMAN'S STATEMENT
15	CORPORATE GOVERNANCE STATEMENT
21	ADDITIONAL COMPLIANCE INFORMATION
24	AUDIT COMMITTEE REPORT
30	DIRECTORS' RESPONSIBILITY STATEMENT
31	STATEMENT ON INTERNAL CONTROL
33	FINANCIAL STATEMENTS
72	SHAREHOLDING STATISTICS AND ANALYSIS
75	PARTICULARS OF PROPERTIES HELD
	PROXY FORM



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Sixth Annual General Meeting of **Sanbumi Holdings Berhad** will be held at the Conference Room, Second Floor, Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang on Friday, 24 June 2005 at 10.00 a.m. for the following purposes:-

### AGENDA

#### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
2. To approve the payment of Directors' fees for the financial year ended 31 December 2004. (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)  
Dato' Rahadian Mahmud bin Mohammad Khalil (Resolution 4)  
  
(ii) To re-elect the following Directors who retire in accordance with Article 100 of the Company's Articles of Association:-  
  
Su, Lung-Chun (Resolution 5)  
Fang, Nan-Hai (Resolution 6)
4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. (Resolution 7)

#### As Special Business

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

##### Authority to issue shares

(Resolution 8)

"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 9)

- (i) "THAT subject to the Listing Requirements of Bursa Malaysia Securities Berhad approval be and is hereby given to the Company to renew the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature to be entered into and to give effect to the specified Recurrent Related Party Transactions, details of which are set out in Section 2.3 of the Circular to Shareholders dated 2 June 2005, provided that such transactions are:-





## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (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, are undertaken on arms' length basis and are not detrimental to the minority stockholders ("the Mandate").
- (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 authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Mandate Renewal.
- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular to Shareholders dated 2 June 2005."
6. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

**MOLLY GUNN CHIT GEOK (MAICSA 0673097)**

Company Secretary

Penang

Date: 2 June 2005





## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### NOTES:

1. A member of the Company 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 8 - 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 9 - 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 Bursa Malaysia Securities Berhad Listing Requirements)

1. **Directors standing for re-election are:-**

- (a) Dato' Noorazman bin Adnan
- (b) Dato' Rahadian Mahmud bin Mohammad Khalil
- (c) Mr Su, Lung-Chun
- (d) Mr Fang, Nan-Hai

2. **Details of attendance of Directors at Board Meetings**

The details are set out on page 16 of the annual report.

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

Conference Room, Second Floor, Wisma EMC  
972 Jalan Baru, 13700 Prai  
on Friday, 24 June 2005 at 10.00 a.m.

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

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 10 to 11 and 72 respectively of the annual report.





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

<b>CHAIRMAN / NON-EXECUTIVE DIRECTOR</b>	DATO' NOORAZMAN BIN ADNAN	<i>(Appointed 20/05/1999)</i>
<b>MANAGING DIRECTOR</b>	DATO' CHUA TIONG MOON	<i>(Appointed 23/02/2001)</i>
<b>EXECUTIVE DIRECTORS</b>	TAN SRI DATUK CHAI KIN KONG	<i>(Appointed 23/02/2001)</i>
	CHAI KIM CHONG	<i>(Appointed 23/02/2001/ Resigned 20/01/2005)</i>
	SU, LUNG-CHUN	<i>(Appointed 18/02/2005)</i>
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>	LEE GEE HUY @ LEE KONG FEE, JP	<i>(Appointed 23/02/2001)</i>
	BOEY TAK KONG	<i>(Appointed 13/12/2001)</i>
	Ir. ZAINURIN BIN KARMAN	<i>(Appointed 23/02/2001/ Resigned 20/01/2005)</i>
<b>NON-EXECUTIVE DIRECTORS</b>	DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	<i>(Appointed 23/02/2001)</i>
	FANG, NAN-HAI	<i>(Appointed 28/02/2005)</i>

### AUDIT COMMITTEE

<b>CHAIRMAN</b>	LEE GEE HUY @ LEE KONG FEE, JP
<b>MEMBERS</b>	DATO' CHUA TIONG MOON
	BOEY TAK KONG
	Ir. ZAINURIN BIN KARMAN <i>(Resigned 20/01/2005)</i>

### NOMINATION COMMITTEE

<b>CHAIRMAN</b>	LEE GEE HUY @ LEE KONG FEE, JP
<b>MEMBERS</b>	BOEY TAK KONG
	Ir. ZAINURIN BIN KARMAN <i>(Resigned 20/01/2005)</i>

### REMUNERATION COMMITTEE

<b>CHAIRMAN</b>	DATO' NOORAZMAN BIN ADNAN
<b>MEMBERS</b>	LEE GEE HUY @ LEE KONG FEE, JP
	Ir. ZAINURIN BIN KARMAN <i>(Resigned 20/01/2005)</i>

### COMPANY SECRETARY

MOLLY GUNN CHIT GEOK  
(MAICSA 0673097)



## CORPORATE INFORMATION (CONT'D)

### REGISTERED OFFICE

WISMA EMC  
972, JALAN BARU  
13700 PRAI,  
PENANG  
TEL: 604 - 390 3699 / 398 4878  
FAX: 604 - 397 9311 / 390 3636

### SHARE REGISTRAR

TENAGA KOPERAT SDN BHD  
20<sup>th</sup> FLOOR, PLAZA PERMATA  
JALAN KAMPAR  
OFF JALAN TUN RAZAK  
50400 KUALA LUMPUR  
TEL: 603 - 4041 6522  
FAX: 603 - 4043 9233

### AUDITORS

HORWATH  
Kuala Lumpur Office  
(Chartered Accountants)  
LEVEL 16, TOWER C  
MEGAN AVENUE II  
12 JALAN YAP KWAN SENG  
50450 KUALA LUMPUR

### PRINCIPAL BANKERS

MALAYAN BANKING BERHAD  
HONG LEONG BANK BERHAD

### STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA  
• STOCK NAME: SANBUMI  
• STOCK CODE: 9113





## CORPORATE STRUCTURE



**SANBUMI  
HOLDINGS  
BERHAD**

Processing and  
trading in timber

**SANBUMI  
SAWMILL SDN BHD**  
100%

**AKALAJU SDN BHD**  
100%

**SANBUMI WOOD  
PROCESSING SDN BHD**  
100%

**BARATEGUH  
SDN BHD**  
100%

**METRO AJAIB  
SDN BHD**  
100%

**MIRIM TIMBER  
SDN BHD**  
100%

Mobile Crane  
Services

**EMC CRANES  
SDN BHD**  
100%

**EMC CRANES  
(KL) SDN BHD**  
78.50%

Trading

**EMC MARKETING  
SDN BHD**  
100%

**EMC CAPITAL  
SDN BHD**  
100%

**EMC ENGINEERING  
SERVICES SDN BHD**  
62.50%

Warehouse  
Services

**EMC WAREHOUSE  
SERVICES SDN BHD**  
100%

Container Handling

**EMC CONTAINERS  
SDN BHD**  
70%

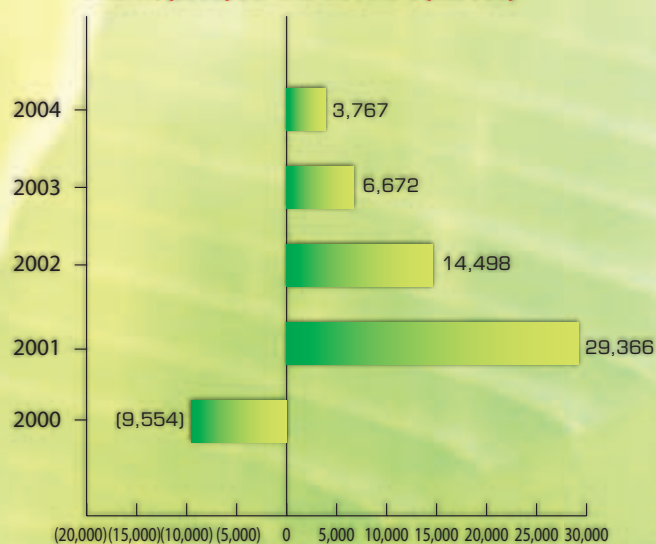
**FERROTRANS  
SDN BHD**  
49%



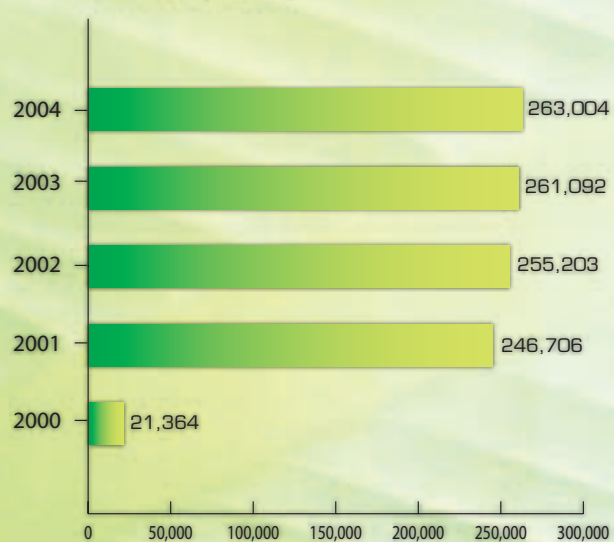
## FINANCIAL HIGHLIGHTS

The Group's five years financial highlights

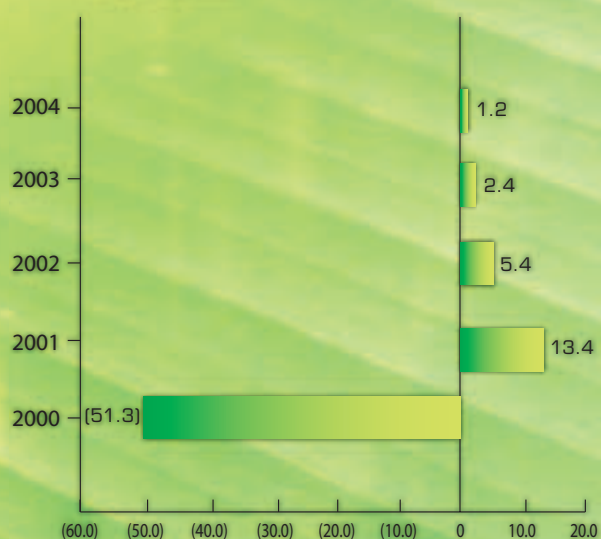
**PROFIT/(LOSS) BEFORE TAXATION (RM'000)**



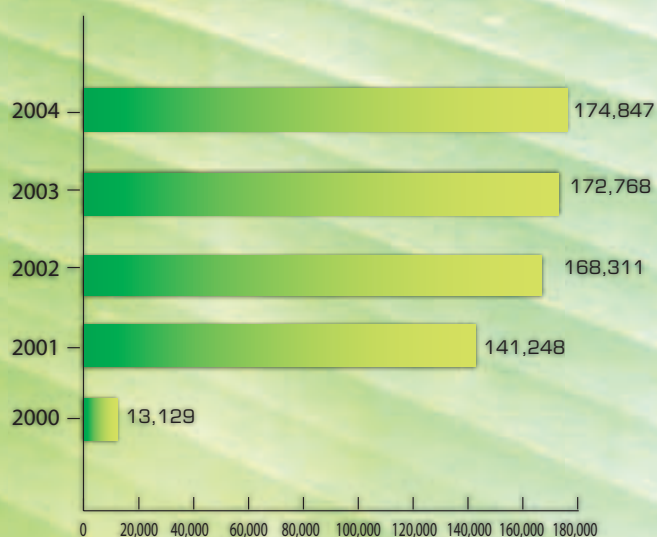
**TURNOVER (RM'000)**



**EPS/(LPS) (SEN)**



**SHAREHOLDERS EQUITY (RM'000)**





## PROFILE OF THE BOARD OF DIRECTORS

### **Dato' Noorazman bin Adnan**

*Chairman • Age : 48 • Nationality : Malaysian*

Dato' Noorazman bin Adnan is a businessman. He holds a Diploma in Police Science and was formerly a Police Officer. He is presently a Director in several private limited companies under the Sanbumi Group as well as Managing Director and Director of several other 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 substantial shareholders of the Company and has no record of convictions for offences within the past ten years.

### **Dato' Chua Tiong Moon**

*Managing Director • Age: 46 • Nationality : Malaysian*

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 27 years and has extensive experience in timber extraction, sawmilling and plywood operations. Besides being involved in the timber industry, he has also vast experience being primarily responsible for the operations and financial management of property development, manufacturing as well as quarry business related companies. He has been the Chairman of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 1995 as well as Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Dato' Chua Tiong Moon has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years.

### **Tan Sri Datuk Chai Kin Kong**

*Executive Director • Age : 46 • Nationality : Malaysian*

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 32 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 subsequently expanded his business into Sabah. He has been the Managing Director primarily responsible for the operations and financial management of Akalaju Sdn Bhd and Sanbumi Sawmill Sdn Bhd since 1994 and 1995 respectively and a Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Tan Sri Datuk Chai Kin Kong has no conflict of interest with the Company and has no record of convictions for offences within the past ten years.

Tan Sri Datuk Chai Kin Kong is the brother of Chai Kim Chong, an Executive Director of the Company who resigned on 20 January 2005 and Chai Kin Loong, a substantial shareholder of the Company.

### **Chai Kim Chong**

*Executive Director • Age : 43 • Nationality : Malaysian*

Chai Kim Chong has 25 years experience in the timber industry, working in timber extraction and log trading. He has been the Executive Director of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 2000 as well as a Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Chai Kim Chong resigned as Executive Director of the Company effective 20 January 2005 and had no conflict of interest with the Company during his tenure. He did not hold any directorship in other public companies and had no record of convictions for offences within the past ten years.

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

### **Su, Lung-Chun**

*Executive Director • Age : 48 • Nationality : Taiwanese*

Su, Lung-Chun is a businessman and was appointed to the Board on 18 February 2005. He holds a Diploma in Economics and Management and has 25 years experience in the international tourism industry (Taiwan, China, Hong Kong, Macau, Malaysia and Thailand). He is presently the Managing Director of several international companies involved in the sector of telecommunication, marine cargo and health equipment.

Su, Lung-Chun has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

### **Lee Gee Huy @ Lee Kong Fee, JP**

*Director • Age : 57 • Nationality : Malaysian*

Lee Gee Huy @ Lee Kong Fee, J.P. 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 over 21 years experience practicing as an Advocate & Solicitor.

Lee Gee Huy @ Lee Kong Fee, J.P. has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial 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 as the Chairman.

### **Ir. Zainurin bin Karman**

*Director • Age : 40 • Nationality : Malaysian*

Ir. 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.

Ir. Zainurin bin Karman resigned as Non-Executive Director of the Company effective 20 January 2005 and had no conflict of interest with the Company during his tenure. He did not hold any directorship in other public companies and did not have any family relationship with any other Directors and/or substantial shareholders of the Company. He had no record of convictions for offences within the past ten years.

### **Dato' Rahadian Mahmud bin Mohammad Khalil**

*Director • Age : 31 • Nationality : Malaysian*

Dato' 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 and a Director of several other private limited companies.

Dato' 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 substantial 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 Industries Berhad, North Borneo Corporation Berhad, Kinsteel Berhad, Eden Enterprises (M) Berhad and Permaju Industries Berhad.

### **Boey Tak Kong**

*Director • Age : 51 • 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 extensive financial and general management working experience with six public-listed companies in Malaysia and has also 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.

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

### **Fang, Nan-Hai**

*Director • Age : 50 • Nationality : Taiwanese*

Fang, Nan-Hai is a businessman and was appointed to the Board on 28 February 2005. He holds a Masters Degree in "European Study" from Tamkang University and a Bachelor of Literature in Spanish Language. He was the Deputy Junior Vice President of Eva Air, Taiwan from 1993 to 1998, the General Manager of Dah-Way Travel Agency from 1998 to 2000 and is presently the Vice President of Far Eastern Air Transport Corporation.

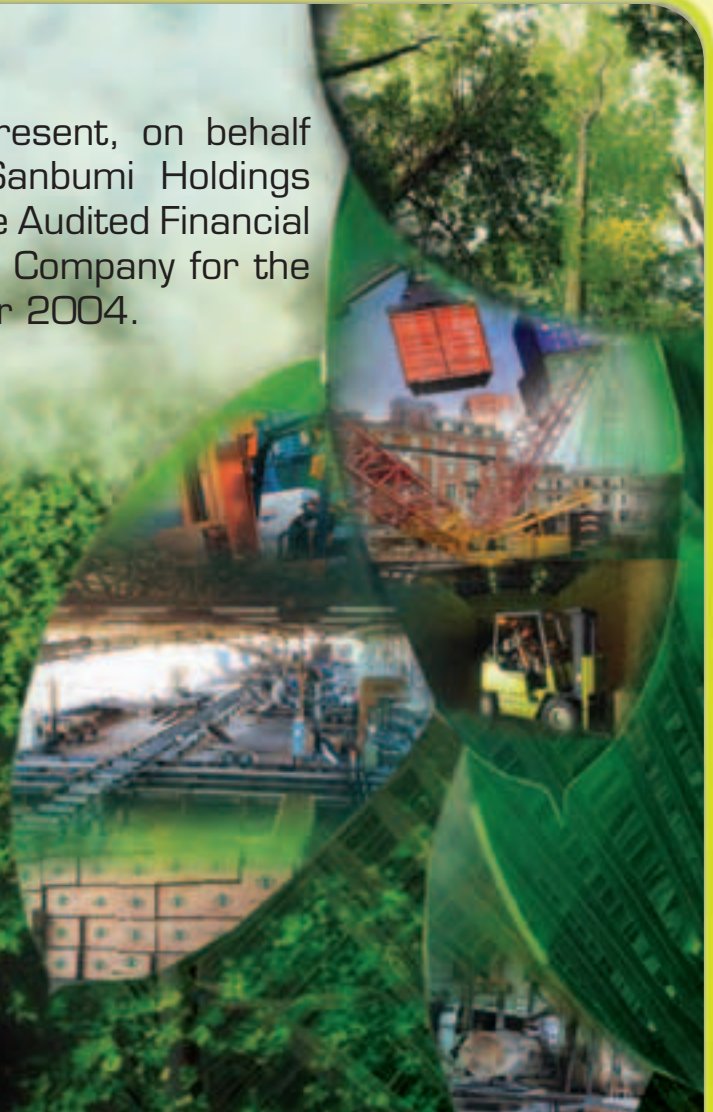
Fang, Nan-Hai has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years.





## CHAIRMAN'S STATEMENT

It gives me great pleasure to present, on behalf of the Board of Directors of Sanbumi Holdings Berhad, the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2004.



### General Overview

The year 2004 has been reported to have recorded an above-trend growth with the global economy led by the United States (US), reinforced by strong growth in the Asian region and revival of growth in Japan and Europe, expending at its strongest pace since 1984. The favourable growth trend reflected a strong rebound from the lower base in 2003 that was attributed by the economic uncertainties arising from the war against Iraq and the outbreak of the SARS and 'Bird-flu' epidemic. Overall, the global economy had exhibited a greater resilience despite the dampening effects of sharply higher oil prices and reversal of interest rate trends.

The Malaysian economy, driven by the strong domestic demand, favourable increase in exports and improved investor optimism, grew favourably in tandem with the global developments. The pre-emptive measures drawn up by the Government continued to help the nation cushion the external impact and pressure as well as sustain domestic economic growth notably with the aid of the growth in the manufacturing and agriculture sectors.

Keeping these economic developments in close view, the Group continued its consolidation pace throughout the year 2004 with the rationalisation of its operating activities that included reviewing, assessing, developing and implementing appropriate actions to minimise or eliminate all non-productive and non-profit generating operations with a view to maximise shareholders value.

### Financial Performance Overview

Generally economic indicators for 2004 very much favoured growth potential in several sectors, including the timber and timber related product sector. In tandem with the global economic recovery, the demand for and the pricing of timber and timber related products recorded fair improvements.



**CHAIRMAN'S STATEMENT** (CONT'D)

Nonetheless, the efforts for ensuring continuous supply of quality raw material at favourable price remained a significant factor that undermined the performances and progress companies in all sectors.

As for the Group, apart from the aforementioned underlying factors, the need to provide shareholders with value for their investments remains an imminent challenge. The Group's core business of manufacturing and trading of sawn and moulded timber as well as trading in timber logs continue to provide the driving force and support to see through the challenges of achieving favourable results for the year.

The Group's consolidated financial results for the financial year ended 31 December 2004 continued to be in positive though it registered a decline in profit before tax as compared to the previous year. The Group profit before tax for the financial year ended 31 December 2004 stood at RM3.77 Million, a decline of approximately 43.5% from the corresponding period last year.

**Operations Review**

- Timber related business activities

The timber related business activities recorded an annual turnover from external sales of RM252.2 Million for the year ended 31 December 2004, a marginal increase by approximately 2.3% as compared to the previous year. Though turnover was relatively favourable, the scarcity of quality timber log affected its supply resulting in an unfavourable increase in raw material cost. In addition, the sharp increase in oil prices further dampened the gross profit margin, thus resulting in a dip in Profit Before Taxation ("PBT"). The PBT of this business segment declined to approximately RM6.0 Million or approximately 28% lower than the previous year.

- Non-timber related business activities

Year 2004 generally was not favourable for the non-timber related business activities of the Group. The continuing rationalisation exercise that mainly affected this segment attributed to the realisation of losses arising from disposal of certain non-revenue generating properties, plant and equipment and allowances made for debts deemed doubtful of collection. These contributed mainly to the negative results achieved by this segment during the year. Nonetheless, the year 2004 saw the rebound of the mobile crane service business which is the single most largest revenue contributing component under the non-timber related business activities. The mobile crane service business managed an annual turnover from external sales of RM7.55 Million or an approximate 25% decline as compared to the previous year but recorded a PBT RM0.15 Million as opposed to a loss of RM1.39 Million for the same period last year. This improvement was mainly attributable to the aggressive marketing and stringent cost control approach adopted coupled with the commitment of each employee.

**Corporate Development**

The Company has no new corporate proposals announced, issued or pending completion as at the date of this statement.

The Group actively continued its rationalisation exercise, principally undertaken to realise all non-revenue or non-profit generating properties, plant and equipment or investments during FY2004. As part of this effort, the Group concluded the disposals of a parcel of leasehold land, inclusive of sawmill, infrastructures, buildings and machinery erected thereon, situated in the locality of Sg. Millian-Tongod, Kinabatangan, Sabah and a vacant leasehold industrial land together with a partially completed building erected thereon, situated in Kamunting Raya Industrial Estate, Perak.



## CHAIRMAN'S STATEMENT (CONT'D)

### Outlook

The local economic outlook is reported to be favourable in tandem with the global scenario for year 2005. Nonetheless, it will certainly be another challenging period for the business community as its performances remain heavily reliant on external factors. The risks of perennial threat of regional terrorism activity and preponderance of natural disasters are extremely high and could dampen the economic recovery.

As in year 2004, the performance of the Group is expected to continue and depend substantially on the performance of the timber related businesses. The timber related businesses will continue to implement appropriate business strategies to take complete advantage of any favourable or unfavourable situations. The Board will continue to closely monitor the Group's overall activity so as to ensure that it will be able to provide the desired support and results.

### 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 2004 and look forward to their continued support in the future.

**Dato' Noorazman bin Adnan**  
Chairman





## CORPORATE GOVERNANCE STATEMENT

The Malaysian Code on Corporate Governance ("the Code") sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Sanbumi Holdings Berhad ("the Board") has always recognised the importance of adopting good corporate governance. The Board is committed to ensure 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 pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 December 2004.

### THE BOARD OF DIRECTORS

#### The Board

Sanbumi Holdings Berhad is led and controlled by an experienced Board, many of whom have intimate knowledge of the business.

The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to three main committees, namely, the Audit, Nomination and Remuneration Committees, which operate within approved terms of reference. 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.

#### (i) Board Composition

The Board of Directors consists of a Non-Independent Non-Executive Chairman, three (3) Executive Directors and four (4) Non-Executive Directors, two (2) of whom are independent. Pursuant to paragraph 15.02 of the Listing Requirements, the Company must ensure that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is the higher, are independent directors. The Company had written to Bursa Malaysia Securities Berhad to seek an extension of time of six months until 27 August 2005 to comply with this requirement and the approval had been obtained.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Managing Director are separate and clearly defined. Generally, the Chairman of the Board is responsible for encouraging debate on issues and brings to the Board a healthy level of deliberation and independence, whilst the Managing Director has primary responsibilities for the day to day operations of the Company in ensuring that strategies, policies and matters approved by the Board and/or the respective Board Committees are effectively implemented. There is 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. A brief profile of each Director is set out in the Directors' Profile in this Annual Report.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### (ii) Board Meetings

The Board meets on a scheduled basis at least four times a year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisition and disposals, appointment of Directors are discussed and decided by the Board.

During the financial year ended 31 December 2004, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		Feb 04	Apr 04	May 04	Aug 04	Nov 04		
Directors	Position	Attendance					Total	%
Dato' Noorazman bin Adnan	Chairman	•	•	x	•	•	4/5	80
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	5/5	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	•	•	•	•	5/5	100
Chai Kim Chong	Executive Director	•	x	•	x	•	3/5	60
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	•	•	•	•	•	5/5	100
Ir Zainurin bin Karman	Director	•	•	•	•	•	5/5	100
Lee Gee Huy @ Lee Kong Fee, JP	Director	•	•	•	•	•	5/5	100
Boey Tak Kong	Director	•	•	•	•	•	5/5	100

Total number of meetings held:

5

### (iii) 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 financial results and forecasts, reports on matters raised at the meetings of the Audit Committee, other major operational, financial and legal issues, 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.

In exercising their duties, the Directors have access to all information within the Group. All Directors have access to the advice and services of the Company Secretary. There is also a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity, to obtain independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### (iv) Appointment to the Board

The Nomination Committee was established in November 2001. The present members are Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director) who is the Chairman and Boey Tak Kong (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

- (1) recommending to the Board and assessing the nominees for directorship and Board Committee members
- (2) recommending on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution
- (3) overseeing and reviewing annually the independence of and suitability of the existing directors, identifying the mix of skills, experience and other qualities, including core competencies which non-executive directors should bring to the Board

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.

During the financial year ended 31 December 2004, one meeting was held on 27 February 2004 which was attended by all members of the Nomination Committee. During that meeting the Nomination Committee had reviewed the present composition of the Board of Directors and the various committees and is of the opinion that they have the required mix of skills and experience and other qualities to function completely and efficiently.

### (v) 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 (1/3), 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.

The names of Directors who are standing for re-election at the Thirty-Sixth Annual General Meeting of the Company to be held on 24 June 2005 are contained in the Statement Accompanying Notice of Annual General Meeting.

No new appointment was made for the financial year ended 31 December 2004.

### (vi) Directors' Training

All the Directors, except Mr Su, Lung-Chun and Mr Fang, Nan-Hai who were appointed on 18 February 2005 and 28 February 2005 respectively, have attended the Directors' Mandatory Accreditation Programme (MAP). All the Directors will also continue to undergo other relevant training programmes to further enhance their skills and knowledge as well as the latest statutory and/or regulatory requirements on a continuous basis in compliance with Practice Note No. 15/2005 of the Listing Requirements on the Continuing Education Programme. The deadlines for Mr Su, Lung-Chun and Mr Fang, Nan-Hai to attend the MAP are 17 and 27 June 2005 respectively and they might not be able to meet the deadlines as both of them are residing overseas and having tight business schedules. The Company has written to Bursa Malaysia Securities Berhad on 10 May 2005 for an extension of time until 31 December 2005 to attend the MAP and an approval is being awaited.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### DIRECTORS' REMUNERATION

#### (i) Remuneration Committee

The Remuneration Committee was established in November 2001. The present members are Dato' Noorazman bin Adnan (Chairman) who is a Non-Independent Non-Executive Director and Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director)

The Committee's primary responsibility is to recommend to the Board, the remuneration of the executive directors and senior management drawing from outside advice as necessary. The determination of the remuneration of the non-executive directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package.

During the financial year ended 31 December 2004, one meeting was held on 26 November 2004. All the members attended the meeting.

#### (ii) Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance and experience, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fees of the Directors are subject to shareholders approval at the Annual General Meeting.

#### (iii) Details of the Directors' remuneration

The details of the remuneration of the Directors on Group basis for the financial year ended 31 December 2004 are as follows:-

<b>(All figures in RM)</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
Salary	772,200	-
Fees	108,000	180,000
Bonus	386,100	-
Benefits-in-kind	-	-
Total	1,266,300	180,000

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

	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
Below RM50,000	-	5
Between RM350,001-RM400,000	1	-
Between RM450,001-RM500,000	2	-
Total	3	5



## **CORPORATE GOVERNANCE STATEMENT** (CONT'D)

### **RELATIONS WITH SHAREHOLDERS**

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through Bursa Link, press releases, annual report and circular to shareholders.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Mr Lee Gee Huy @ Lee Kong Fee, JP, Senior Independent Non-Executive Director

Telephone number : 06-762 9770

Facsimile number : 06-763 2286

Shareholders and members of the public are invited to access the Bursa Malaysia Securities Berhad (Bursa Securities) website at [www.bursamalaysia.com.my](http://www.bursamalaysia.com.my) to obtain the latest information on the Group.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. The notice of the AGM and the 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 a national newspaper and released to the Bursa Malaysia Securities Berhad for public dissemination. Members of the Board as well as the External Auditors of the Company are present at the AGM to answer questions raised at the meeting. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ACCOUNTABILITY AND AUDIT

#### (i) Financial Reporting

The Directors have a responsibility to present a balanced, true and fair assessment of the Groups' financial position and prospects primarily through the annual report to shareholders and quarterly financial statements to the Bursa Securities.

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 30 of this Annual Report.

#### (ii) Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control covers risk management and financial, organisational, operational and compliance controls. The internal control system helps to safeguard shareholders' investment and the Group's assets. However, in view of the inherent limitations in any system, such internal control systems are designed to manage rather than to eliminate risks that may impede the achievements of the Group's objectives. The systems can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. Internal control monitoring will be carried out all year round by the Company's Internal Audit Department.

The information on the Group's internal control is presented in the Statement on Internal Control set out on pages 31 to 32.

#### (iii) Relationship with the External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External Auditors to meet their professional requirements and seeking professional advice and ensuring compliance with accounting standards. In the course of audit of the Group's operation, the External Auditors have highlighted to the Audit Committee and the Board on matters that require the Board's attention. The role of the Audit Committee is described on pages 24 to 29 of this Annual Report.



## ADDITIONAL COMPLIANCE INFORMATION

### **a) Variations in actual results from those previously announced or released**

There are no material differences in the actual results of the Group and the Company for the financial year ended 31 December 2004 reported herein as compared to the unaudited results for the same period announced previously.

The Company did not announce any corporate exercise or issue any profit estimate, forecast or projection during the financial year ended 31 December 2004.

### **b) Share buybacks**

The Company has not purchased any of its own shares during the financial year ended 31 December 2004. Thus, there is no treasury share maintained by the Company.

### **c) Options, warrants or convertible securities exercised**

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2004.

### **d) 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 2004.

### **e) 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 2004:

- 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 16 December 2004 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 2004. 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 16 December 2004 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 2004. 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.



## **ADDITIONAL COMPLIANCE INFORMATION** [CONT'D]

**f) *Sanctions and/or penalties imposed***

The Company was not imposed any sanctions and/or penalties by regulatory authorities during the financial year ended 31 December 2004.

**g) *Non-audit fees paid/payable to external auditors***

There were no fees paid/payable to external auditors for non-audit services provided during the financial year ended 31 December 2004.

**h) *Comparison of profit achieved with the profit guarantee***

The Company did not issue any profit guarantee during the financial year ended 31 December 2004.

**i) *Utilisation of proceeds from corporate proposals***

There were no corporate proposals or fund raising exercise announced but not completed during the financial year ended 31 December 2004.



**ADDITIONAL COMPLIANCE INFORMATION** (CONT'D)**j) 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 last Annual General Meeting held on 25 June 2004 up to 30 April 2005, being the latest practicable date prior to the printing of the Annual Report, are as follows:

<b>Company</b>	<b>Related Party</b>	<b>Interested Directors and/ or substantial shareholders/ Persons Connected</b>	<b>Nature of Transaction</b>	<b>Amount Transacted RM'000</b>
Sanbumi Sawmill Sdn Bhd ("SSSB")	Rintisan Bumi (M) Sdn Bhd ("RBM")	Tan Sri Datuk Chai Kin Kong ("CKK"), Chai Kim Chong ("CKC"), Chai Kin Loong ("CKL"), Equal Accord Sdn Bhd ("EASB"), Dato' Chua Tiong Moon ("CTM"), Lee Meow Soon ("LMS")	Purchase of timber logs from RBM by SSSB	11,563
SSSB	RBM	CKK, CKC, CKL, EASB, CTM and LMS	Rental payable to RBM by SSSB for office space rented	24
SSSB	Totalink Holdings Sdn Bhd ("TH")	CKL, LMS, Chua Ah Nye ("CAN") EASB, CTM, CKK and CKC	Rental payable to TH by SSSB for rental of log yard	30
Mirim Timber Sdn Bhd ("MTSB")	RBM	CKK, CKC, CKL and EASB	Purchase of timber logs from RBM by MTSB	-
Barateguh Sdn Bhd ("BSB")	RBM	CKK, CKC, CKL and EASB	Purchase of timber logs from RBM by BSB	-
Metro Ajaib Sdn Bhd ("MASB")	RBM	CKK, CKC, CKL and EASB	Purchase of timber logs from RBM by MASB	-
Akalaju Sdn Bhd ("Akalaju")	RBM	CKK, CKC, CKL and EASB	Purchase of timber logs from RBM by Akalaju	13,362
<b>TOTAL</b>				<b>24,979</b>

**Notes:**

- (1) EASB was a substantial shareholder of Sanbumi Holdings Berhad ("Sanbumi") within the preceding 12 months of this Annual Report. CTM, CKK, CKC, CKL, CAN and LMS are shareholders of EASB.
- (2) CKL is a director and shareholder of RBM. CKK, CKC and CKL are brothers.
- (3) CAN is a shareholder of TH. CKC, CKL and LMS are directors and substantial shareholders of TH.
- (4) CTM and CKK are directors and substantial shareholders of Sanbumi and TH.
- (5) EASB ceased to be a substantial shareholder of Sanbumi on 9/3/05.
- (6) CKC ceased to have direct interest in Sanbumi with effect from 21/2/05 and ceased to be a director of Sanbumi on 20/1/05.



## AUDIT COMMITTEE REPORT

### MEMBERS OF THE COMMITTEE

Lee Gee Huy @ Lee Kong Fee, JP	Chairman (Independent Non-Executive Director)
Dato' Chua Tiong Moon	Member (Managing Director)
Ir Zainurin bin Karman*	Member (Independent Non-Executive Director)
Boey Tak Kong	Member (Independent Non-Executive Director)

*\*Resigned as member with effect from 20 January 2005*

### TERMS OF REFERENCE

#### 1.0 MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company 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 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act 1967.
    - (iii) Fulfils such other requirements as prescribed by Bursa Securities.
- 1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.
- 1.3 No alternate director should be appointed as a member of the Committee.
- 1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of Bursa Securities pertaining to composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
- 1.5 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.



## AUDIT COMMITTEE REPORT (CONT'D)

### 2.0 MEETINGS

#### 2.1 Frequency

2.1.1 Meetings shall be held not less than four times a year.

2.1.2 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believes should be brought to the attention of the Directors or shareholders.

#### 2.2 Quorum

2.2.1 To form a quorum the majority of members present must be independent directors.

#### 2.3 Secretary

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

#### 2.4 Attendance

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall normally attend meetings.

2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.4.3 At least once a year, the Committee shall meet with the external auditors without any executive Board members present.

#### 2.5 Reporting Procedure

2.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.

2.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company.



## AUDIT COMMITTEE REPORT [CONT'D]

### 2.6 Meeting Procedure

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.

### 3.0 RIGHTS

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 information pertaining to the Company;
- (d) have direct communication channels with the external auditors 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.

### 4.0 FUNCTIONS

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

#### 4.1 To review:

- (a) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policy changes;
  - (iii) significant and unusual events; and
  - (iv) compliance with accounting standards and other legal requirements.
- (b) 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.
- (c) with the external auditors:
  - (i) the audit plan;
  - (ii) his evaluation of the system of internal controls;
  - (iii) his audit report;
  - (iv) his management letter and management's response; and
  - (v) the assistance given by the Company's employees to the external auditors.



## AUDIT COMMITTEE REPORT (CONT'D)

- 4.2 To monitor the management's risk management practices and procedures.
- 4.3 In respect of the appointment of external auditors:
- (a) to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
  - (b) to consider the nomination of a person or persons as external auditors and the audit fee; and
  - (c) to consider any questions of resignation or dismissal of external auditors.
- 4.4 In respect of the internal audit function:
- (a) to review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (b) to review 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;
  - (c) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) to approve any appointment or termination of senior staff members of the internal audit function; and
  - (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 4.5 To promptly report such matter to the Bursa Securities 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.
- 4.6 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 2004, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting		Feb 04	Apr 04	May 04	Aug 04	Nov 04		
Committee Members	Position	Attendance					Total	%
Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	•	5/5	100
Dato' Chua Tiong Moon	Member	•	•	•	•	•	5/5	100
Ir Zainurin bin Karman	Member	•	•	•	•	•	5/5	100
Boey Tak Kong	Member	•	•	•	•	•	5/5	100

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 2004:-

- (i) Reviewed and discussed the audit plan for the financial year presented by the external auditors;
- (ii) Reviewed and discussed the Group's unaudited quarterly results together with the relevant reports and make recommendations to the Board of Directors for approval;
- (iii) Reviewed the internal auditors' reports on its findings, recommendations and the corrective actions, if any, taken by the management; and
- (iv) Reviewed the annual financial statements of the Company and its subsidiaries together with the external auditors' reports and discussed various audit and accounting issues.



## AUDIT COMMITTEE REPORT (CONT'D)

### INTERNAL AUDIT FUNCTION

The Internal Audit Department reports directly to the Audit Committee on the internal audit findings, its recommendations and the corrective action, if any, taken or to be taken by the management.

During the year, the Internal Audit Department carried out structured assessment and review on the effectiveness of the system of internal controls in the Company as well as its selected subsidiary companies. The Internal Audit Department highlighted its findings and provided suitable recommendations for improvement, where appropriate. Internal Audit Reports were presented to the Audit Committee on a quarterly basis.



## **DIRECTORS' RESPONSIBILITY STATEMENT**

(Pursuant to paragraph 15.27(a) of the Bursa Malaysia Securities Berhad Listing Requirements)

We, the Directors of Sanbumi Holdings 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

**DATO' CHUA TIONG MOON**  
Managing Director



## STATEMENT ON INTERNAL CONTROL

(Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements)

### 1. Regulatory Framework

Sanbumi Group is committed to embrace the Malaysian Code of Corporate Governance and the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

This Statement describes the internal control framework practised throughout the business operations of the Group in general, and the processes that made up the framework in particular.

### 2. Accountability of the Board

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity.

In establishing the Group's system of internal control, the following criteria are taken into consideration:-

- \* systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives. This system, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.
- \* the system is a continuous process for identifying, evaluating and managing the significant risks faced by the Group.

The Board delegates to the senior management, the implementation of the systems of internal control within an established framework throughout the Group.

### 3. An Integrated Risk Management and Control Framework

The key elements of the Group's risk management and internal control system are as follows:-

- 3.1 Comprehensive financial reports are supplied to the Audit Committee and the Board on a quarterly basis for review and if necessary corrective action to be taken.
- 3.2 Budgets for each operating units are prepared annually and monthly review carried out together with the Management. The results are communicated to the Board and senior management on a timely basis.
- 3.3 A clearly defined organisation and hierarchical structure outlining line of reporting and job responsibilities with strong risk control culture at the operational level.
- 3.4 In ensuring that each operating unit is functioning efficiently, emphasis is placed on personnel employed where the integrity and competence of personnel are ensured through a high recruitment standard in meeting the highest standard in corporate governance and internal control.
- 3.5 The Board, Audit Committee and senior management regularly review the internal audit reports and monitor the status of the implementation of recommendations to address internal control weaknesses noted.
- 3.6 Regular reporting made to the Board at its meetings of corporate, legal, accounting and environmental developments, in turn facilitates the prioritisation of risk issues for the Sanbumi Group to plan its resources and address the risk accordingly.



## **STATEMENT ON INTERNAL CONTROL** (CONT'D)

(Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements)

### **4. Internal audit**

The internal audit function highlights issues to executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The extent of compliance is reported to the Audit Committee on a regular basis. The Audit Committee in turn reviews the effectiveness of the system of internal control in operation and reports the results thereon to the Board.

### **5. Effectiveness of internal control**

The Board is of the view that the existing system of internal controls is sound and adequate to safeguard the Group's assets at the existing level of operations. Consequently, there were neither material internal control weaknesses nor significant problems that had arisen during the financial year.





# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

34	DIRECTORS' REPORT
38	STATEMENT BY DIRECTORS
38	STATUTORY DECLARATION
39	AUDITORS' REPORT
40	BALANCE SHEETS
42	INCOME STATEMENTS
43	STATEMENTS OF CHANGES IN EQUITY
44	CASH FLOW STATEMENTS
46	NOTES TO THE FINANCIAL STATEMENTS



## DIRECTOR'S REPORT

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

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS	GROUP RM	COMPANY RM
Profit/(Loss) attributable to shareholders of the Company	2,283,378	(1,262,643)

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.

### 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 and issued and paid-up share capital of the Company; and
- (b) 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.

### 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 allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that adequate allowance 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 allowance for doubtful debts in the financial statements of the Group and of the Company.



## DIRECTOR'S REPORT (CONT'D)

### 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 values as shown in the accounting records of the Group and of the Company, have 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.

### CONTINGENT AND OTHER LIABILITIES

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.

### DIRECTORS

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

TAN SRI DATUK CHAI KIN KONG  
 DATO' NOORAZMAN BIN ADNAN  
 DATO' CHUA TIONG MOON  
 DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL  
 LEE GEE HUY @ LEE KONG FEE, J. P.  
 BOEY TAK KONG  
 SU, LUNG-CHUN (APPOINTED ON 18.2.2005)  
 FANG, NAN-HAI (APPOINTED ON 28.2.2005)  
 CHAI KIM CHONG (RESIGNED ON 20.1.2005)  
 IR. ZAINURIN BIN KARMAN (RESIGNED ON 20.1.2005)



## DIRECTOR'S REPORT (CONT'D)

### DIRECTORS (CONT'D)

Pursuant to Article 93 of the Articles of Association of the Company, Dato' Noorazman Bin Adnan and Dato' Rahadian Mahmud Bin Mohammad Khalil 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, Su, Lung-Chun and Fang, Nan-Hai, who were appointed since the last annual general meeting, retire at the forthcoming annual general meeting and, being eligible, offer themselves for 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 EACH			
	At 1.1.2004	Bought	Sold	At 31.12.2004
DIRECT INTERESTS				
TAN SRI DATUK CHAI KIN KONG	2,757,170	-	2,757,100	70
DATO' NOORAZMAN BIN ADNAN	461,000	-	-	461,000
DATO' CHUA TIONG MOON	5,084,862	-	5,084,800	62
CHAI KIM CHONG	4,657,500	-	-	4,657,500
INDIRECT INTERESTS				
TAN SRI DATUK CHAI KIN KONG	57,952,813	-	8,162,800	49,790,013
DATO' CHUA TIONG MOON	53,295,313	-	8,162,800	45,132,513
CHAI KIM CHONG	56,052,483	-	10,919,900	45,132,583

By virtue of their substantial interests in shares in the Company, Tan Sri Datuk Chai Kin Kong, Dato' Chua Tiong Moon 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.



## **DIRECTOR'S REPORT** (CONT'D)

### **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 34 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.

### **AUDITORS**

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 22 APRIL 2005**

**DATO' NOORAZMAN BIN ADNAN**

Director

**DATO' CHUA TIONG MOON**

Director



## **STATEMENT BY DIRECTORS**

We, Dato' Noorazman Bin Adnan and Dato' Chua Tiong Moon, being two of the directors of Sanbumi Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 40 to 71 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 and of their results and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS**  
**DATED 22 APRIL 2005**

**DATO' NOORAZMAN BIN ADNAN**

Director

**DATO' CHUA TIONG MOON**

Director

## **STATUTORY DECLARATION**

I, Dato' Chua Tiong Moon, being the director primarily responsible for the financial management of Sanbumi Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 71 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  
Dato' Chua Tiong Moon, at Kuala Lumpur in the Federal Territory  
on this 22 April 2005

Before me

**HARON HASHIM**

**Commissioner for Oaths**

**Kuala Lumpur**

**DATO' CHUA TIONG MOON**



## REPORT OF THE AUDITORS TO THE MEMBERS OF SANBUMI HOLDINGS BERHAD

We have audited the financial statements set out on pages 40 to 71. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. 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 2004 and of the results and the 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 7 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 required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Subsection (3) of Section 174 of the Companies Act, 1965.

### **Horwath**

Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur

### **Onn Kien Hoe**

Approval No: 1772/11/06 (J/PH)  
Partner



## BALANCE SHEETS AT 31 DECEMBER 2004

		GROUP		COMPANY	
	NOTE	2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	6	58,265,743	63,264,416	34,149,060	37,569,977
Investment in subsidiaries	7	-	-	131,401,638	130,301,638
Investment in an associate	8	-	-	-	-
Other investment	9	150,000	150,000	150,000	150,000
		58,415,743	63,414,416	165,700,698	168,021,615
CURRENT ASSETS					
Inventories	10	17,844,163	26,170,312	-	-
Trade receivables	11	27,585,222	37,026,224	237,720	132,572
Other receivables,deposits and prepayments	12	71,793,928	60,446,707	2,628,824	1,777,321
Amount owing by subsidiaries	13	-	-	29,703,235	24,916,962
Amount owing by an associate	14	5,438	377	5,438	377
Tax refundable		869,478	436,406	110,000	-
Fixed deposits with licensed banks	15	778,698	724,878	-	-
Cash and bank balances		14,657,391	19,600,642	4,600,960	9,323,387
		133,534,318	144,405,546	37,286,177	36,150,619
CURRENT LIABILITIES					
Trade payables	16	4,526,715	8,859,614	-	-
Other payables and accruals		3,026,650	8,653,677	908,279	861,121
Amount owing to directors	17	239,023	13,866	-	-
Amount owing to subsidiaries	13	-	-	2,519	14,206
Hire purchase payables	18	34,212	237,559	-	-
Provision for taxation		4,194,474	7,214,868	54,071	12,258
Bankers' acceptances	19	2,000,004	5,775,256	-	-
Bank overdrafts	20	426,037	702,175	-	-
		14,447,115	31,457,015	964,869	887,585
NET CURRENT ASSETS		119,087,203	112,948,531	36,321,308	35,263,034
		177,502,946	176,362,947	202,022,006	203,284,649



# BALANCE SHEETS

## AT 31 DECEMBER 2004 (CONT'D)

			GROUP		COMPANY
	NOTE	2004 RM	2003 RM	2004 RM	2003 RM
<b>FINANCED BY:-</b>					
Share capital	21	189,238,348	189,238,348	189,238,348	189,238,348
Retained profits/ (Accumulated losses)	22	64,149,412	61,866,034	(18,647,383)	(17,384,740)
Other reserves	23	31,087,611	31,292,533	29,941,041	29,941,041
Merger deficit	24	(109,628,623)	(109,628,623)	-	-
<b>SHAREHOLDERS' EQUITY</b>		174,846,748	172,768,292	200,532,006	201,794,649
<b>MINORITY INTERESTS</b>		479,607	1,289,143	-	-
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	18	-	34,212	-	-
Deferred tax	25	2,176,591	2,271,300	1,490,000	1,490,000
		<u>177,502,946</u>	<u>176,362,947</u>	<u>202,022,006</u>	<u>203,284,649</u>
<b>NET TANGIBLE ASSETS PER SHARE (SEN)</b>		<u>92</u>	<u>91</u>		



## INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

			GROUP		COMPANY
	NOTE	2004 RM	2003 RM	2004 RM	2003 RM
REVENUE	26	263,003,569	261,091,967	1,470,763	1,515,200
COST OF SALES		(245,431,656)	(239,178,903)	-	-
GROSS PROFIT		17,571,913	21,913,064	1,470,763	1,515,200
OTHER OPERATING INCOME	27	3,156,547	1,647,933	361,022	781,310
DISTRIBUTION COSTS		20,728,460	23,560,997	1,831,785	2,296,510
ADMINISTRATIVE EXPENSES		(6,566,145)	(6,896,420)	(32,839)	(34,298)
OTHER OPERATING EXPENSES		(7,751,458)	(8,158,242)	(1,403,070)	(1,570,954)
		(2,480,171)	(1,380,609)	(1,657,764)	(166,431)
		(16,797,774)	(16,435,271)	(3,093,673)	(1,771,683)
PROFIT/(LOSS) FROM OPERATIONS		3,930,686	7,125,726	(1,261,888)	524,827
FINANCE COSTS		(163,702)	(454,047)	(755)	(644)
PROFIT/(LOSS) BEFORE TAX	28	3,766,984	6,671,679	(1,262,643)	524,183
TAX EXPENSE	29	(1,688,787)	(2,766,253)	-	(75,500)
PROFIT/(LOSS) AFTER TAX		2,078,197	3,905,426	(1,262,643)	448,683
MINORITY INTERESTS		205,181	551,396	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		2,283,378	4,456,822	(1,262,643)	448,683
EARNINGS PER SHARE (SEN)- BASIC	30	1.21	2.36		



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

GROUP	SHARE CAPITAL RM	← Non - Distributable Reserves →					MERGER DEFICIT RM	RETAINED PROFITS RM	TOTAL RM
		SHARE PREMIUM RM	CAPITAL RESERVE RM	REVALUATION RESERVE RM	RESERVE ON CONSOLIDATION RM				
Balance at 1.1.2003	189,238,348	14,787,402	1,582,826	14,717,383	204,922	(109,628,623)	57,409,212	168,311,470	
Profit attributable to shareholders	-	-	-	-	-	-	4,456,822	4,456,822	
Balance at 31.12.2003/ 1.1.2004	189,238,348	14,787,402	1,582,826	14,717,383	204,922	(109,628,623)	61,866,034	172,768,292	
Set-off against goodwill relating to additional investment in a subsidiary	-	-	-	-	(204,922)	-	-	(204,922)	
Profit attributable to shareholders	-	-	-	-	-	-	2,283,378	2,283,378	
Balance at 31.12.2004	189,238,348	14,787,402	1,582,826	14,717,383	-	(109,628,623)	64,149,412	174,846,748	

Company	← Non - Distributable Reserves →				TOTAL RM
	SHARE CAPITAL RM	SHARE PREMIUM RM	REVALUATION RESERVE RM	ACCUMULATED LOSSES RM	
Balance at 1.1.2003	189,238,348	14,787,402	15,153,639	(17,833,423)	201,345,966
Profit attributable to shareholders	-	-	-	448,683	448,683
Balance at 31.12.2003/1.1.2004	189,238,348	14,787,402	15,153,639	(17,384,740)	201,794,649
Loss attributable to shareholders	-	-	-	(1,262,643)	(1,262,643)
Balance at 31.12.2004	189,238,348	14,787,402	15,153,639	(18,647,383)	200,532,006

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

	2004 RM	2003 RM
Company	(18,647,383)	(17,384,740)
Subsidiaries	83,433,795	79,887,774
Associate	(637,000)	(637,000)
	64,149,412	61,866,034



## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES				
Profit/(Loss) before tax	3,766,984	6,671,679	(1,262,643)	524,183
Adjustments for:-				
Allowance for doubtful debts	1,146,241	1,192,119	616,938	40,679
Depreciation of property, plant and equipment	5,449,180	6,129,307	461,634	532,843
Interest expense	150,433	439,071	-	-
Impairment of goodwill	290,723	-	-	-
Plant and equipment written off	16,790	22,560	-	-
Net (gain)/loss on disposal of property, plant and equipment	(160,708)	(95,273)	1,040,826	125,752
Interest income	(719,762)	(795,473)	(354,985)	(269,296)
Reversal of allowance for doubtful debts	(137,988)	(238,702)	-	(500,100)
Operating profit before working capital changes	9,801,893	13,325,288	501,770	454,061
Decrease/(Increase) in inventories	8,326,149	(5,829,632)	-	-
(Increase)/Decrease in trade and other receivables	(2,914,472)	1,792,815	(1,573,589)	1,596,036
(Decrease)/Increase in trade and other payables	(9,959,926)	6,879,315	47,158	379,989
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES	5,253,644	16,167,786	(1,024,661)	2,430,086
Net income tax paid	(5,236,962)	(6,296,822)	(68,187)	(84,800)
Interest paid	(150,433)	(439,071)	-	-
Interest received	719,762	795,473	354,985	269,296
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD	586,011	10,227,366	(737,863)	2,614,582



# CASH FLOW STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

(Cont'd)

	NOTE	2004	GROUP 2003	2004	COMPANY 2003
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		586,011	10,227,366	(737,863)	2,614,582
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Acquisition of additional interest in a subsidiary		(1,100,000)	-	(1,100,000)	-
Purchase of property, plant and equipment		(5,274,449)	(419,292)	(31,543)	(10,890)
Proceeds from disposal of property, plant and equipment		4,967,860	904,500	1,950,000	480,000
Net advances to an associate		(5,061)	(4,770)	(5,061)	(4,770)
NET CASH (FOR)/ FROM INVESTING ACTIVITIES		(1,411,650)	480,438	813,396	464,340
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES					
Net (advances to)/ repayment from subsidiaries		-	-	(4,797,960)	526,863
Repayment of hire purchase obligations		(237,559)	(165,821)	-	-
Decrease in bankers' acceptances		(3,775,252)	(5,072,744)	-	-
Advances from directors		225,157	13,866	-	-
NET CASH (FOR)/ FROM FINANCING ACTIVITIES		(3,787,654)	(5,224,699)	(4,797,960)	526,863
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(4,613,293)	5,483,105	(4,722,427)	3,605,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		19,623,345	14,140,240	9,323,387	5,717,602
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31	15,010,052	19,623,345	4,600,960	9,323,387



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business are located at Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang.

The financial statements are expressed in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2005

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. FINANCIAL RISK MANAGEMENT POLICIES

The activities of the Company and the Group expose it to certain financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The overall financial risk management objective of the Company and the Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk review and internal control systems.

#### (a) Foreign Currency Risk

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group / Company also uses forward foreign currency contracts, kept at an acceptable level, to hedge a portion of its future foreign exchange exposure.

The Group's foreign currency transactions are substantially denominated in United States ("US") Dollar.

Due to the present Ringgit Malaysia exchange rate peg against the US Dollar, the directors are of the opinion that the Group/ Company's exposure to currency risk is not significant.

#### (b) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain financing at favourable interest rates.

Surplus funds are placed with licensed financial institutions at favourable interest rates.

#### (c) Market Risk

The Group does not have any quoted investments and hence is not exposed to market risks.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (d) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's major concentration of credit risk related to log purchase advances that constituted 95% of other receivables at the end of the financial year.

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

#### (e) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly to meet its working capital requirements.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities so as to achieve overall cost effectiveness.

### 4. 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 are in compliance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2004.

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. and its subsidiaries ("Sanbumi Sawmill Group") and Akalaju Sdn. Bhd., which are consolidated using the merger method of accounting. The Sanbumi Sawmill Group adopted the acquisition method of accounting in consolidating the subsidiaries of Sanbumi Sawmill Sdn. Bhd.

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. The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

Subsidiaries acquired which have previously met the criteria for merger accounting are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

The current applicable Approved Accounting Standard for business combination is MASB 21 - Business Combinations. This standard is effective for accounting period commencing 1 July 2001. As allowed by MASB 21, the provisions of MASB 21 are applied on a prospective basis, and no retrospective changes have been made in respect of business combinations that have been effected prior to the date of MASB 21 becoming effective.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of Consolidation (cont'd)

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as liabilities are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### (c) Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control whether directly or indirectly, over the financial and operating policies so as to obtain benefits therefrom.

Investments in subsidiaries are stated at cost or revalued amount. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

#### (d) 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 associate is included in the consolidated income statement and the Group's interest in the associate is stated at cost less impairment losses plus the Group's share of post-acquisition reserves of the associate.

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

The investment in associate in the financial statements of the Company is carried at cost or revalued amount. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

#### (e) Other Investments

Other investments in shares in corporations, other than subsidiaries, associates and joint ventures, held for long-term purposes are stated at cost less allowance for permanent diminution in value.

#### (f) Property, Plant and Equipment

Freehold land is stated at cost or revalued amount and is not depreciated. Leasehold land and buildings are amortised in equal instalments over the remaining leases period. Other property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Property, Plant and Equipment (Cont'd)

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%

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.

#### (g) Impairment of Assets

The carrying values of assets, other than those to which MASB 23 - Impairment of Assets does not apply, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in the recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to the revaluation surplus.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

#### (h) Assets Under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(f) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

#### (i) 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 purchase cost and 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 are 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 are 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified and an allowance is made for doubtful debts when there is objective evidence that all the debts due will not be collectible in accordance with the terms of receivables.

(k) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(l) Interest-bearing Borrowings

Interest-bearing bank loans, overdrafts and hire purchase borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(m) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, 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.

(o) 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 converted at the rates ruling as of that date. All exchange differences are taken to the income statement.

(p) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (q) Income Taxes

Income tax comprises current and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### (r) 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

Dividend income from investments is recognised when the right to receive dividend payments is established.

##### (v) Management Fee

Management fee is recognised on an accrual basis.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length transactions. These transfers are eliminated on consolidation.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 6. 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	TOTAL RM
Net book value as at 1.1.2004	35,836,283	10,435,350	5,309,295	8,002,297	2,581,885	1,096,989	2,317	63,264,416
Additions	28,373	323,578	382,032	3,952,250	140,133	448,083	-	5,274,449
Disposals	-	(3,735,143)	(377,456)	(391,917)	(302,420)	(216)	-	(4,807,152)
Write-off	-	-	-	(7,761)	(9,029)	-	-	(16,790)
Depreciation charge	(269,059)	(1,015,460)	(1,702,752)	(1,709,643)	(501,129)	(248,841)	(2,296)	(5,449,180)
Net book value as at 31.12.2004	35,595,597	6,008,325	3,611,119	9,845,226	1,909,440	1,296,015	21	58,265,743
As at 31.12.2004								
At cost	351,985	14,065,031	24,159,997	29,443,971	5,387,516	3,179,688	25,000	76,613,188
At valuation								
- 2000	2,540,000	-	-	-	-	-	-	2,540,000
- 1999	34,575,000	850,000	-	-	-	-	-	35,425,000
Accumulated impairment losses	(300,000)	-	-	-	-	-	-	(300,000)
Accumulated depreciation	(1,571,388)	(8,906,706)	(20,548,878)	(19,598,745)	(3,478,076)	(1,883,673)	(24,979)	(56,012,445)
Net book value	35,595,597	6,008,325	3,611,119	9,845,226	1,909,440	1,296,015	21	58,265,743
As at 31.12.2003								
At cost	323,612	19,091,792	26,860,717	27,246,736	6,196,926	2,735,685	25,000	82,480,468
At valuation								
- 2000	2,540,000	-	-	-	-	-	-	2,540,000
- 1999	34,575,000	850,000	-	-	-	-	-	35,425,000
Accumulated impairment losses	(300,000)	(1,200,000)	-	-	-	-	-	(1,500,000)
Accumulated depreciation	(1,302,329)	(8,306,442)	(21,551,422)	(19,244,439)	(3,615,041)	(1,638,696)	(22,683)	(55,681,052)
Net book value	35,836,283	10,435,350	5,309,295	8,002,297	2,581,885	1,096,989	2,317	63,264,416
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at								
- 31.12.2004	19,187,596	5,393,695	3,611,119	9,845,226	1,909,440	1,296,015	21	41,243,112
- 31.12.2003	19,428,282	9,820,720	5,309,252	8,002,297	2,581,887	1,096,989	2,317	46,241,785



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 6. 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	TOTAL RM
Net book value as at 1.1.2004	33,296,283	3,788,738	172,882	312,074	37,569,977
Additions	28,373	-	-	3,170	31,543
Disposals	-	(2,990,826)	-	-	(2,990,826)
Depreciation charge	(269,059)	(64,612)	(56,070)	(71,893)	(461,634)
Net book value as at 31.12.2004	<u>33,055,597</u>	<u>733,300</u>	<u>116,812</u>	<u>243,351</u>	<u>34,149,060</u>
As at 31.12.2004					
At cost	351,985	-	388,050	981,533	1,721,568
At valuation - 1999	34,575,000	850,000	-	-	35,425,000
Accumulated impairment losses	(300,000)	-	-	-	(300,000)
Accumulated depreciation	(1,571,388)	(116,700)	(271,238)	(738,182)	(2,697,508)
Net book value	<u>33,055,597</u>	<u>733,300</u>	<u>116,812</u>	<u>243,351</u>	<u>34,149,060</u>
As at 31.12.2003					
At cost	323,612	4,367,170	388,050	979,563	6,058,395
At valuation - 1999	34,575,000	850,000	-	-	35,425,000
Accumulated impairment losses	(300,000)	(1,200,000)	-	-	(1,500,000)
Accumulated depreciation	(1,302,329)	(228,432)	(215,168)	(667,489)	(2,413,418)
	<u>33,296,283</u>	<u>3,788,738</u>	<u>172,882</u>	<u>312,074</u>	<u>37,569,977</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at					
- 31.12.2004	14,781,008	118,670	116,812	243,351	15,259,841
- 31.12.2003	<u>15,021,694</u>	<u>3,174,108</u>	<u>172,882</u>	<u>312,074</u>	<u>18,680,758</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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

The leasehold land and buildings comprise the following:-

	LONG LEASEHOLD LAND AND BUILDINGS RM	SHORT LEASEHOLD LAND AND BUILDINGS RM	TOTAL RM
<b>GROUP</b>			
Net book value as at 1.1.2004	9,678,710	756,640	10,435,350
Additions	323,578	-	323,578
Disposals	(3,735,143)	-	(3,735,143)
Depreciation charge	(992,120)	(23,340)	(1,015,460)
Net book value as at 31.12.2004	5,275,025	733,300	6,008,325
As at 31.12.2004			
At cost	14,065,031	-	14,065,031
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	(8,790,006)	(116,700)	(8,906,706)
Net book value	5,275,025	733,300	6,008,325
As at 31.12.2003			
At cost	19,091,792	-	19,091,792
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(8,213,082)	(93,360)	(8,306,442)
Net book value	9,678,710	756,640	10,435,350
<b>COMPANY</b>			
Net book value as at 1.1.2004	3,032,098	756,640	3,788,738
Disposals	(2,990,826)	-	(2,990,826)
Depreciation charge	(41,272)	(23,340)	(64,612)
Net book value as at 31.12.2004	-	733,300	733,300
As at 31.12.2004			
At cost	-	-	-
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	-	(116,700)	(116,700)
Net book value	-	733,300	733,300
As at 31.12.2003			
At cost	4,367,170	-	4,367,170
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(135,072)	(93,360)	(228,432)
Net book value	3,032,098	756,640	3,788,738



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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

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 revaluation reserve.

The deferred taxation in relation to the revaluation surplus is shown in Note 25 to the financial statements.

Leasehold land and buildings of the Group with a carrying value of RM5,275,026 (2003 - RM6,646,612) are pledged as security for bank borrowings as disclosed in Note 19 to the financial statements.

Included in the net book value of property, plant and equipment of the Group at the balance sheet date are motor vehicles amounting to RM329,971 (2003 - RM666,602) acquired under hire purchase terms.

### 7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2004 RM	2003 RM
Unquoted shares		
- at cost	129,048,627	127,046,451
- at valuation	7,577,430	8,479,606
	<u>136,626,057</u>	<u>135,526,057</u>
Impairment loss	(5,224,419)	(5,224,419)
	<u><u>131,401,638</u></u>	<u><u>130,301,638</u></u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2004 %	2003 %	
# Sanbumi Sawmill Sdn. Bhd.	100	100	Sawmillers and timber log traders.
# Akalaju Sdn. Bhd.	100	100	Trading of timber products.
# Sanbumi Wood Processing Sdn. Bhd.*	100	100	Manufacturer of downstream timber products.
# Barateguh Sdn. Bhd.*	100	100	Trading of timber logs.
# Metro Ajaib Sdn. Bhd.*	100	100	Trading of timber logs.
# Mirim Timber Sdn. Bhd.*	100	100	Trading of timber logs.
EMC Cranes Sdn. Bhd.	100	100	Rendering of mobile crane services.
EMC Cranes (K.L.) Sdn. Bhd.	78.50	50.20	Rendering of mobile crane services.
EMC Capital Sdn. Bhd.	100	100	Insurance agent.
EMC Containers Sdn. Bhd.	70	70	Hiring of vehicles.
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.

\* Interest held by Sanbumi Sawmill Sdn. Bhd.

\*\* Interest held by EMC Marketing Sdn. Bhd.

# Not audited by Messrs. Horwath.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares, at valuation	1,274,000	1,274,000	637,000	637,000
Impairment loss	(637,000)	(637,000)	(637,000)	(637,000)
	637,000	637,000	-	-
Share of post-acquisition accumulated losses	(637,000)	(637,000)	-	-
	-	-	-	-

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

	GROUP	
	2004 RM	2003 RM
Share of net liabilities	(794,261)	(794,261)
Premium arising on acquisition	1,431,261	1,431,261
Impairment loss	(637,000)	(637,000)
	-	-

Details of the associate, which is incorporated in Malaysia, are as follows:-

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2004 %	2003 %	
Ferrotrans Sdn. Bhd.	49	49	Rendering of forwarding and warehouse services and sales of diesel.

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

### 9. OTHER INVESTMENT

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares, at cost	150,000	150,000	150,000	150,000



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 10. INVENTORIES

	GROUP	
	2004 RM	2003 RM
At Cost		
Raw materials	1,694,667	1,173,954
Work-in-progress	10,646,876	14,107,123
Finished goods	2,409,300	6,733,955
Consumable stores	567,869	595,377
	15,318,712	22,610,409
At NET REALISABLE VALUE		
Finished goods	2,525,451	3,559,903
	<u>17,844,163</u>	<u>26,170,312</u>

### 11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	34,425,293	43,814,456	237,720	132,572
Allowance for doubtful debts				
At 1 January	(6,788,232)	(6,047,003)	-	(36,430)
Allowance for the financial year	(529,303)	(1,163,709)	-	-
Reversal of allowance no longer required	137,988	238,702	-	100
Amount written off	339,476	183,778	-	36,330
At 31 December	(6,840,071)	(6,788,232)	-	-
	<u>27,585,222</u>	<u>37,026,224</u>	<u>237,720</u>	<u>132,572</u>

The Group's normal trade credit terms vary from cash terms to 90 days.

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables, deposits and prepayments	81,454,207	69,490,048	3,245,762	1,777,321
Allowance for doubtful debts				
At 1 January	(9,043,341)	(9,479,548)	-	(426,400)
Allowance for the financial year	(616,938)	-	(616,938)	-
Amount written off	-	436,207	-	426,400
At 31 December	(9,660,279)	(9,043,341)	(616,938)	-
	<u>71,793,928</u>	<u>60,446,707</u>	<u>2,628,824</u>	<u>1,777,321</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM67,995,493 (2003 - RM57,387,919). These represent advances made for future supply of timber logs.

Log purchase advances amounting to RM6,991,447 (2003 - RM34,823,033) were made by a subsidiary to Rintisan Bumi Sdn. Bhd., a company in which a brother of certain directors of the Company has a substantial financial interest. Further details are shown in Note 34 to the financial statements.

### 13. AMOUNT OWING BY/TO SUBSIDIARIES

	COMPANY	
	2004 RM	2003 RM
Amount owing by subsidiaries	31,937,944	27,151,671
Allowance for doubtful debts		
At 1 January	(2,234,709)	(2,722,440)
Allowance for the financial year	-	(12,269)
Reversal of allowance no longer required	-	500,000
At 31 December	(2,234,709)	(2,234,709)
	<u>29,703,235</u>	<u>24,916,962</u>
Amount owing to subsidiaries	<u>2,519</u>	<u>14,206</u>

The amount owing comprises the following:-

	COMPANY	
	2004 RM	2003 RM
Amount owing by subsidiaries		
- Trade	2,023,787	2,488,787
- Non-trade	29,914,157	24,662,884
	<u>31,937,944</u>	<u>27,151,671</u>
Amount owing to subsidiaries		
- Non-trade	<u>2,519</u>	<u>14,206</u>

The non-trade amount owing by subsidiaries includes an amount of RM9,389,843 (2003 - RM3,145,003) which bears interest at 3% per annum (2003 - 3% per annum). The remaining balance is free of interest. The amount owing by subsidiaries 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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 14. AMOUNT OWING BY AN ASSOCIATE

	GROUP/COMPANY	
	2004 RM	2003 RM
Amount owing by an associate	980,288	975,227
Allowance for doubtful debts		
At 1 January	(974,850)	(946,440)
Allowance for the financial year	-	(28,410)
At 31 December	(974,850)	(974,850)
	<u>5,438</u>	<u>377</u>

The amount owing comprises the following:-

	GROUP/COMPANY	
	2004 RM	2003 RM
Amount owing by an associate:-		
- Trade	974,850	974,850
- Non-trade	5,438	377
	<u>980,288</u>	<u>975,227</u>

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

### 15. FIXED DEPOSITS WITH LICENSED BANKS

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

The effective interest rate of the fixed deposits at the balance sheet date was 3.7% (2003 - 3.7%) per annum. The maturity period of the fixed deposits at the balance sheet date was one year.

### 16. TRADE PAYABLES

Credit terms of trade payables granted to the Group vary from cash terms to 90 days.

### 17. AMOUNT OWING TO DIRECTORS

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 18. HIRE PURCHASE PAYABLES

	GROUP	
	2004 RM	2003 RM
Minimum hire purchase payments:		
- not later than one year	34,914	247,480
- later than one year and not later than five years	-	34,914
	34,914	282,394
Future finance charges	(702)	(10,623)
Present value of hire purchase payables	34,212	271,771

	GROUP	
	2004 RM	2003 RM
Current:		
- not later than one year	34,212	237,559
Non-current:		
- later than one year and not later than five years	-	34,212
	34,212	271,771

The hire purchase payables bore interest at the balance sheet date at rates ranging from 3.7% to 4.1% (2003 – 3.7% to 4.3%) per annum.

### 19. BANKERS' ACCEPTANCES

The effective interest rates applicable to the bankers' acceptances at the balance sheet date ranged from 2.8% to 3.1% (2003 – 2.9% to 3.1%) per annum.

The bankers' acceptances are secured as follows:-

- (i) by fixed and floating charges over the assets of the subsidiaries;
- (ii) by the fixed deposits of the subsidiaries;
- (iii) by personal guarantees of certain directors of the subsidiaries; and
- (iv) by the corporate guarantee of the holding company.

### 20. BANK OVERDRAFTS

The bank overdrafts bear interest at the balance sheet date at rates ranging from 7.8% - 7.9% (2003 – 7.8% - 8.4%) per annum and are secured in the same manner as the bankers' acceptances as disclosed in Note 19 above.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 21. SHARE CAPITAL

	NUMBER OF SHARES		SHARE CAPITAL	
	2004	2003	2004 RM	2003 RM
ORDINARY SHARES OF RM1 EACH:-				
AUTHORISED	250,000,000	250,000,000	250,000,000	250,000,000
ISSUED AND FULLY PAID-UP	189,238,348	189,238,348	189,238,348	189,238,348

### 22. RETAINED PROFITS

	PRE-MERGER PROFIT/(LOSS)		POST-MERGER PROFIT RM	TOTAL RM
	THE COMPANY AND ITS SUBSIDIARIES ACCOUNTED UNDER ACQUISITION METHOD OF ACCOUNTING RM	SUBSIDIARIES ACCOUNTED UNDER MERGER ACCOUNTING RM		
GROUP				
Balance at 1.1.2003	(24,879,904)	51,806,955	30,482,161	57,409,212
Current year profit	-	-	4,456,822	4,456,822
Balance at 31.12.2003/ 1.1.2004	(24,879,904)	51,806,955	34,938,983	61,866,034
Current year profit	-	-	2,283,378	2,283,378
Balance at 31.12.2004	(24,879,904)	51,806,955	37,222,361	64,149,412



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 23. OTHER RESERVES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
SHARE PREMIUM	14,787,402	14,787,402	14,787,402	14,787,402
REVALUATION RESERVE	14,717,383	14,717,383	15,153,639	15,153,639
CAPITAL RESERVE	1,582,826	1,582,826	-	-
RESERVE ON CONSOLIDATION				
At 1 January	204,922	204,922	-	-
Set-off against goodwill relating to additional investment in a subsidiary	(204,922)	-	-	-
At 31 December	-	204,922	-	-
	<u>31,087,611</u>	<u>31,292,533</u>	<u>29,941,041</u>	<u>29,941,041</u>
The revaluation reserve comprises:-				
Surplus on revaluation of properties	14,717,383	14,717,383	14,717,383	14,717,383
Surplus on revaluation of investments	-	-	436,256	436,256
	<u>14,717,383</u>	<u>14,717,383</u>	<u>15,153,639</u>	<u>15,153,639</u>

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

The other reserves are not distributable by way of dividends.

### 24. MERGER DEFICIT

	GROUP	
	2004 RM	2003 RM
NON-DISTRIBUTABLE		
Arising from the merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd.	<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 amounting to RM127,628,623 and the nominal value of the shares acquired amounting to RM18,000,000.

### 25. DEFERRED TAX

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At 1 January	2,271,300	2,624,000	1,490,000	1,490,000
Transfer to income statement (Note 29)	(94,709)	(352,700)	-	-
At 31 December	<u>2,176,591</u>	<u>2,271,300</u>	<u>1,490,000</u>	<u>1,490,000</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 25. DEFERRED TAX (CONT'D)

The deferred tax liability is attributable to the following:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Accelerated capital allowances	686,591	781,300	-	-
Revaluation surplus of properties	1,490,000	1,490,000	1,490,000	1,490,000
	<u>2,176,591</u>	<u>2,271,300</u>	<u>1,490,000</u>	<u>1,490,000</u>

### 26. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of timber	252,202,784	246,633,293	-	-
Mobile crane services	7,544,837	10,041,513	-	-
Trading	2,185,292	3,240,324	-	-
Warehousing and other services	270,693	410,437	-	-
Rental income	799,963	766,400	1,272,363	1,290,800
Management fee	-	-	198,400	224,400
	<u>263,003,569</u>	<u>261,091,967</u>	<u>1,470,763</u>	<u>1,515,200</u>

### 27. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of property, plant and equipment	1,341,560	241,000	-	-
Realised gain on foreign exchange	690	1,823	-	-
Interest income	719,762	795,473	354,985	269,296
Net insurance compensation received	68,040	-	-	-
Reversal of allowance for doubtful debts	137,988	238,702	-	500,100
Rental income	-	118,362	-	-
Sawing charges	714,232	-	-	-
Others	174,275	252,573	6,037	11,914
	<u>3,156,547</u>	<u>1,647,933</u>	<u>361,022</u>	<u>781,310</u>



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

### **28. PROFIT/(LOSS) BEFORE TAX**

In addition to Note 27, the profit/(loss) before tax is arrived at after charging/(crediting):-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Allowance for doubtful debts	1,146,241	1,192,119	616,938	40,679
Audit fee				
- for the financial year	107,800	113,500	28,000	25,000
- (over)/underprovision				
in previous financial year	(14,456)	115	3,000	-
Depreciation of property, plant and equipment	5,449,180	6,129,307	461,634	532,843
Directors' fees	288,000	288,000	288,000	288,000
Directors' other emoluments	1,158,300	772,200	-	-
Impairment of goodwill	290,723	-	-	-
Interest expense				
- bank overdraft	29,175	109,683	-	-
- hire purchase	9,921	29,832	-	-
- others	111,337	299,556	-	-
Loss on disposal of property, plant and equipment	1,180,852	145,727	1,040,826	125,752
Plant and equipment written off	16,790	22,560	-	-
Rental of equipment	2,900	7,420	-	-
Rental of premises	46,200	46,324	-	-
Staff costs	7,312,633	8,066,661	215,787	197,108

### **29. TAX EXPENSE**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Tax for the financial year	(1,834,553)	(2,920,100)	-	(75,500)
Deferred tax (Note 25)	94,709	352,700	-	-
	(1,739,844)	(2,567,400)		(75,500)
Over/(Under)provision in previous financial years	51,057	(198,853)	-	-
	(1,688,787)	(2,766,253)	-	(75,500)

During the current financial year, the corporate tax rate on the first RM500,000 of the chargeable income was reduced to 20%. The rate applicable to the balance of the chargeable income remained unchanged at 28%.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 29. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit/(Loss) before tax	3,766,984	6,671,679	(1,262,643)	524,183
Tax at the applicable corporate tax rates				
- 20% on the first RM500,000 (2003 - RM100,000)	347,375	62,085	-	-
- 28% on the remaining balance	654,985	1,925,158	(353,500)	146,800
	1,002,360	1,987,243	(353,500)	146,800
Tax effects of:-				
Non-deductible expenses	873,482	546,553	563,300	190,500
Non-taxable gains	(16,416)	(54,700)	-	-
Utilisation of capital allowances brought forward	-	(274,000)	-	(274,000)
Utilisation of deferred tax assets not recognised in the previous financial year	(254,633)	(111,000)	(251,200)	-
Deferred tax assets not recognised during the financial year	225,960	550,513	41,400	12,200
Double deduction of expenses	(76,270)	(69,043)	-	-
Others	(14,639)	(8,166)	-	-
(Over)/Underprovision in previous financial years	(51,057)	198,853	-	-
Tax for the financial year	1,688,787	2,766,253	-	75,500

Subject to agreement with the tax authorities, at the balance sheet date, the unutilised tax losses and unabsorbed capital allowances available to be carried forward for offset against future taxable business income are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unutilised tax losses	17,903,000	18,664,000	2,338,000	3,235,000
Unabsorbed capital allowances	4,518,000	5,233,000	1,782,000	1,660,000
	22,421,000	23,897,000	4,120,000	4,895,000

No deferred tax assets are recognised on the above items.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 30. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit attributable to shareholders of RM2,283,378 (2003 - RM4,456,822) by the number of ordinary shares in issue during the financial year of 189,238,348 (2003 -189,238,348).

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

### 31. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits with licensed banks	778,698	724,878	-	-
Cash and bank balances	14,657,391	19,600,642	4,600,960	9,323,387
Bank overdrafts	(426,037)	(702,175)	-	-
	<u>15,010,052</u>	<u>19,623,345</u>	<u>4,600,960</u>	<u>9,323,387</u>

### 32. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year in bands of RM50,000 are as follows:-

	No. Of DIRECTOR	DIRECTORS' FEE RM	No. Of DIRECTOR	DIRECTORS' OTHER EMOLUMENTS RM	TOTAL RM
<b>GROUP</b>					
2004					
- Below RM50,000	8	288,000	-	-	288,000
- Between RM300,001 and 350,000	-	-	1	315,900	315,900
- Between RM400,001 and 450,000	-	-	2	842,400	842,400
2003					
- Below RM50,000	8	288,000	-	-	288,000
- Between RM200,001 and 250,000	-	-	1	210,600	210,600
- Between RM250,001 and 300,000	-	-	2	561,600	561,600
<b>COMPANY</b>					
2004					
- Below RM50,000	8	288,000	-	-	288,000
2003					
- Below RM50,000	8	288,000	-	-	288,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 33. SIGNIFICANT RELATED COMPANY TRANSACTIONS

	COMPANY	
	2004 RM	2003 RM
Transactions with subsidiaries:-		
Interest income	262,849	101,211
Rental income	472,400	524,400
Management fee	198,400	224,400
Other sundry income	3,400	3,100

### 34. SIGNIFICANT RELATED PARTY TRANSACTIONS/BALANCES

NAME OF RELATED PARTY	NATURE OF TRANSACTIONS	GROUP			
		VALUE OF TRANSACTIONS		AMOUNT RECEIVABLE	
		2004 RM	2003 RM	2004 RM	2003 RM
Rintisan Bumi Sdn. Bhd.	Purchase of logs	45,694,057	144,926,054	6,991,447	34,823,033
	Sales of sawn timber	21,600	40,814	-	-
	Office rental payable	24,000	24,000	-	-
	Interest receivable on overdue account	600,000	600,000	-	-

Chai Kin Loong is a substantial shareholder of Rintisan Bumi Sdn. Bhd. and is the brother of Tan Sri Datuk Chai Kin Kong and Chai Kim Chong. The amount receivable refers to advances for the future supply of logs pursuant to an agreement for the purchase of logs between a subsidiary and Rintisan Bumi Sdn. Bhd.

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.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 35. SEGMENTAL INFORMATION

	← TIMBER →		← MOBILE CRANES →		← OTHERS →		← GROUP →	
	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
Total revenue	252,203	247,175	8,019	11,285	4,299	5,509	264,521	263,969
Inter-segment revenue	-	(542)	(474)	(1,243)	(1,043)	(1,092)	(1,517)	(2,877)
Total external revenue	<u>252,203</u>	<u>246,633</u>	<u>7,545</u>	<u>10,042</u>	<u>3,256</u>	<u>4,417</u>	<u>263,004</u>	<u>261,092</u>
RESULTS								
Segment results (external)	5,787	9,124	159	(1,386)	(2,735)	(1,407)	3,211	6,331
Finance costs							(164)	(454)
Interest income							720	795
Profit from ordinary activities before taxation							3,767	6,672
Taxation							(1,689)	(2,766)
Profit from ordinary activities after taxation							2,078	3,906
Minority interests							205	551
Net profit for the period							<u>2,283</u>	<u>4,457</u>
OTHER INFORMATION								
Segment assets	<u>133,932</u>	<u>137,006</u>	<u>14,149</u>	<u>16,652</u>	<u>43,000</u>	<u>53,726</u>	<u>191,081</u>	<u>207,384</u>
Segment liabilities	7,903	20,996	1,235	1,887	1,115	1,393	10,253	24,276
Unallocated liabilities							6,371	9,486
							<u>16,624</u>	<u>33,762</u>
Capital expenditure	<u>4,744</u>	<u>402</u>	<u>494</u>	<u>7</u>	<u>36</u>	<u>10</u>	<u>5,274</u>	<u>419</u>
Depreciation and amortisation	<u>3,195</u>	<u>3,558</u>	<u>1,739</u>	<u>1,975</u>	<u>515</u>	<u>596</u>	<u>5,449</u>	<u>6,129</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 36. NUMBER OF EMPLOYEES

	GROUP		COMPANY	
	2004	2003	2004	2003
Number of employees at the balance sheet date	478	507	5	5

### 37. FOREIGN EXCHANGE RATES

The applicable closing exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	2004 RM	2003 RM
United States Dollar	3.80	3.80
Singapore Dollar	2.34	2.30

### 38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of the Company:-

- (a) Bank Balances and Other Liquid Funds and Short Term Receivables

The carrying amounts approximate their fair values due to the relatively short term maturity of these instruments.

- (b) Investment in Subsidiaries and Other Investments

It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable amount.

- (c) Short Term Borrowings and Other Current Liabilities

The carrying amounts approximate their fair values because of the short period to maturity of these instruments.

- (d) Hire Purchase Payables

The fair values of hire purchase payables are determined by discounting the relevant cash flow using the applicable interest rates prevailing at the balance sheet date.



## SHAREHOLDING STATISTICS AS AT 5 MAY 2005

### SHARE CAPITAL

Authorised Share Capital	:	RM250,000,000
Issued and Paid-up Capital	:	RM189,238,348
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 5 May 2005 are as follows:-

Name of Substantial Shareholders	Direct		Indirect	
	No of shares	% of Issued Capital	No of shares	% of Issued Capital
Capital Unicorn Holdings Sdn Bhd	18,000,000	9.51	-	-
Su, Lung-Chun	9,848,600	5.20	-	-

### DIRECTORS' SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 5 May 2005 are as follows:-

Name of Directors	Direct		Indirect	
	No of shares	% of Issued Capital	No of shares	% of Issued Capital
Dato' Noorazman bin Adnan	461,000	0.24	-	-
Dato' Chua Tiong Moon	62	-	3,837,213*	2.03
Tan Sri Datuk Chai Kin Kong	70	-	3,837,213*	2.03
Su, Lung-Chun	9,848,600	5.20	-	-
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Lee Gee Huy @ Lee Kong Fee, J.P	-	-	-	-
Boey Tak Kong	-	-	-	-
Fang, Nan-Hai	-	-	-	-

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



## SHAREHOLDING STATISTICS AS AT 5 MAY 2005 [CONT'D]

### ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

	No. of Shares	% Over Total Shares	No. of Shareholders	% Over Total Shareholders
1 – 99	367	0.00	6	0.13
100 – 1,000	1,816,140	0.96	1,848	18.90
1,001 – 10,000	30,101,102	15.91	6,080	62.18
10,001 – 100,000	51,435,157	27.18	1,647	16.84
100,001 – 9,461,916	87,885,582	46.44	189	1.93
9,461,917 and Above	18,000,000	9.51	1	0.02
	<u>189,238,348</u>	<u>100.00</u>	<u>9,778</u>	<u>100.00</u>

### THIRTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	No. of Shares	% of Issued Capital	Shareholder ID
1.OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CAPITAL UNICORN HOLDINGS SDN BHD	18,000,000	9.51	6023A
2.PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EVERGREEN 2000 SDN BHD (D)	8,238,300	4.35	393510U
3.KUALA LUMPUR CITY NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU,LUNG-CHUN	4,968,400	2.63	262944T
4.PM NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU LUNG-CHUN	4,880,200	2.58	394388H
5.OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	3,837,200	2.03	6023A
6.AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAHAYA KELANA SDN BHD	3,564,400	1.88	102918T
7.PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOLID DIVIDEND SDN BHD (D)	2,726,900	1.44	393510U
8.KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IDEAL DOMAIN SDN BHD	2,200,000	1.16	242231K
9.TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD RADZI BIN ABDUL HAMID	2,200,000	1.16	268290H
10.HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI PEI YUN(M09)	1,755,300	0.93	41117T
11.RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI KIEW @ TAI CHOON CHYE (MLK)	1,176,000	0.62	24915H
12.OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR MAH KENG HOCK @ MAH KING HOCK	1,100,000	0.58	6023A
13.CARTABAN NOMINEES (ASING) SDN BHD CREDIT INDUSTRIEL ET COMMERCIAL, SINGAPORE FOR MERTON PROFITS LIMITED	1,000,000	0.53	263367W
14.MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD HANIFF BIN ABD AZIZ (REM 817-MARGIN)	1,000,000	0.53	284597P
15.RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LEE KEAT SEONG (T-731217)	1,000,000	0.53	24915H
16.SIAH GIM ENG	1,000,000	0.53	591204-07-5811



## SHAREHOLDING STATISTICS As At 5 May 2005 (CONT'D)

### THIRTY LARGEST SHAREHOLDERS (CONT'D)

NAME OF SHAREHOLDERS	No. of Shares	% of Issued Capital	Shareholder ID
17. KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JULUNG PRESTASI SDN BHD	805,500	0.43	242231K
18. LIM CHENG TEEK @ LIM CHIN TEIK	800,000	0.42	491021-02-5223
19. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KHUE YEN LIN (PB)	750,000	0.40	265449P
20. HSBC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEN MEE LIN	730,000	0.39	258854D
21. CHAN KAM LIN	700,000	0.37	600506-06-5266
22. KE-ZAN NOMINEES (TEMPATAN) SDN. BHD. KIM ENG SECURITIES PTE. LTD. FOR CHEONG YEK ING	700,000	0.37	94309V
23. LAW HOOI LEAN	700,000	0.37	611219-02-5492
24. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHA THIAM FOOK	690,000	0.36	259064V
25. SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI MOOI FAR (SMT)	677,000	0.36	206501P
26. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HO NAI LOK (MARGIN-MY0047)	650,000	0.34	265449P
27. AATIF ASGHER, HIRJI	600,000	0.32	093009550
28. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR YEOH KIM POH (MARGIN-MY0088)	600,000	0.32	265449P
29. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON KEONG	600,000	0.32	259064V
30. TAN MIN KHOON	600,000	0.32	660421-02-5737
TOTAL	68,249,200	36.08	

## PARTICULARS OF PROPERTIES HELD

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (Years)	NBV as at 31.12.04 RM'000	Last revaluation date
Sanbumi Holdings Berhad ("SHB")	Lot 2071 Mukim 6 Seberang Prai Tengah	Freehold	4 storey office building with an annexed workshop	84,419	27	5,351	31 December 1999
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	26	5,203	31 December 1999
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	14	3,430	31 December 1999
SHB	Lot 850 Mukim 6 Seberang Prai Tengah	Freehold	Heavy vehicle parking area	49,048	N.A.	1,397	31 December 1999
SHB	Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah	Freehold	Warehouse with annexed office & storage yard	317,944	11	11,013	31 December 1999
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626	N.A.	615	31 December 1999
SHB	Lot 1619 Mukim 6 Seberang Prai Tengah	Freehold	Vacant land	43,734	N.A.	3,459	31 December 1999
SHB	Lot 1590, 1595 & 1598 Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	441,263	N.A.	1,680	31 December 1999
SHB	Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	>50	907	31 December 1999
EMC Cranes Sdn Bhd	Lot 451 Mukim 17 Sg Lembu Seberang Prai Tengah	Freehold	Vacant land	795,231	N.A.	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 - 33 years remaining	2 storey office with annexed workshop	34,000	28	733	31 December 1999
Sanbumi Sawmill Sdn Bhd	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold – expiring on 31 /12/ 2052 -48 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	5-13	5,275	24 May 2000



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## PROXY FORM

**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-Sixth Annual General Meeting of the Company to be held at Conference Room, Second Floor, Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang on **Friday, 24 June 2005 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		
	Re-election of Directors:		
Resolution 3	Dato' Noorazman bin Adnan		
Resolution 4	Dato' Rahadian Mahmud bin Mohammad Khalil		
Resolution 5	Mr Su, Lung-Chun		
Resolution 6	Mr Fang, Nan-Hai		
Resolution 7	Re-appointment of Messrs Horwath as Auditors and authorising the Directors to determine their remuneration		
Resolution 8	Authority to allot shares		
Resolution 9	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 ..... 2005.

CDS Account Number	
Number of shares held	

.....  
Signature/Common Seal of Appointer

### NOTES:

- 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.
- 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.
- 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.
- 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.
- 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.



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The Secretary  
**SANBUMI HOLDINGS BERHAD**  
(Company No. 8386-P)  
Wisma EMC  
972 Jalan Baru  
13700 Prai  
Penang

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