



SANBUMI HOLDINGS BERHAD
(8386 P)



ANNUAL REPORT 2005



SANBUMI HOLDINGS BERHAD
(8386 P)

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

KK: 6th Floor, Indahsabah Building,
Segama Complex,
88000 Kota Kinabalu, Sabah.
Tel : 088-252 666
Fax : 088-256 262

KL: Business Suite 19A-12-3, 12th Floor,
UOA Centre, 19 Jalan Pinang,
50450 Kuala Lumpur.
Tel : 03-2163 3266
Fax : 03-2161 6266

Contents

2	Notice Of Annual General Meeting
6	Statement Accompanying Notice Of Annual General Meeting
7	Corporate Information
8	Corporate Structure
9	Calendar Of Significant Events
10	Financial Highlights
11	Profile Of The Board Of Directors
13	Chairman's Statement
16	Corporate Governance Statement
22	Additional Compliance Information
24	Audit Committee Report
30	Directors' Responsibility Statement
31	Statement On Internal Control
33	Financial Statements
74	Shareholding Statistics And Analysis
77	Particulars Of Properties Held
	Proxy Form

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Seventh 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, 30 June 2006 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 2005 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 2005. (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' Chua Tiong Moon (Resolution 3)
Mr Lee Gee Huy @ Lee Kong Fee, JP (Resolution 4)
- (ii) To re-elect the following Director who retires in accordance with Article 100 of the Company's Articles of Association:-

Ir. Zainurin bin Karman (Resolution 5)
4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. (Resolution 6)

As Special Business

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

SPECIAL RESOLUTION

Proposed Amendment to the Memorandum of Association of the Company

(Resolution 7)

THAT the Company's Memorandum of Association be and is hereby amended by the inclusion of a new clause, as Clause (41) which reads as follows:-

"(41) To purchase its own shares subject to, and in accordance with the provisions of the Companies Act, 1965, the rules, regulations and orders made pursuant thereto (as modified, amended or re-enacted from time to time) and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority."

Notice of Annual General Meeting (Cont'd)

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 8 June 2006, provided that such transactions are:-

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations; and
- (c) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public, are undertaken on arms' length basis and are not detrimental to the minority shareholders ("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 earliest.

(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 8 June 2006."

Notice of Annual General Meeting (Cont'd)

Proposed Share Buy-Back

(Resolution 10)

"THAT subject to compliance with Section 67A of the Companies Act, 1965, the Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, approval be and is hereby given to the Company to utilise not more than RM14,787,402 being the share premium account of the Company as at 31 December 2005 which stood at RM14,787,402 to purchase on Bursa Securities up to 18,923,834 ordinary shares of RM1-00 each of the Company which represents 10% of the total issued and paid-up share capital of 189,238,348 ordinary shares of RM1-00 each.

AND THAT upon completion of the purchase by the Company of its own shares (Sanbumi Shares), the Directors are authorized to retain Sanbumi Shares as treasury shares or cancel Sanbumi Shares or retain part of Sanbumi Shares so purchased as treasury shares and cancel the remainder. The Directors are further authorized to resell the treasury shares on the Bursa Securities or distribute the treasury shares as dividends to the Company's shareholders or subsequently cancel the treasury shares or any combination of the three.

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:-

- (i) the conclusion of the next Annual General Meeting of the Company following the general meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is the earliest but not so as to prejudice the completion of purchase (s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit and expedient in the interest of the Company to give full effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities."

- 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: 8 June 2006

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 7 – Proposed amendment to the Memorandum of Association of the Company**

Special Resolution 7, if passed, will amend the Memorandum of Association of the Company to be consistent with Section 67A of the Companies Act, 1965 which allows a public company listed on the Bursa Malaysia Securities Berhad ("Bursa Securities") to purchase its own shares on the Bursa Securities.

2. **Resolution 8 - Authority to issue shares**

The proposed Ordinary Resolution 8, 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.

3. **Resolution 9 – Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature**

Please refer to the Circular to Shareholders.

4. **Resolution 10 – Proposed Share Buy-Back**

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information, please refer to the Circular to Shareholders.

Statement Accompanying Notice of Annual General Meeting (Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors standing for re-election are:-

- (a) Dato' Chua Tiong Moon
- (b) Mr Lee Gee Huy @ Lee Kong Fee, JP
- (c) Ir. Zainurin bin Karman

2. Details of attendance of Directors at Board Meetings

The details are set out on page 17 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, 30 June 2006 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 11 to 12 and 74 respectively of the annual report.



Corporate Information

BOARD OF DIRECTORS

CHAIRMAN / NON-EXECUTIVE DIRECTOR

Dato' Noorazman Bin Adnan

(Appointed 20/05/1999)

MANAGING DIRECTOR

Dato' Chua Tiong Moon

(Appointed 23/02/2001)

EXECUTIVE DIRECTORS

Tan Sri Datuk Chai Kin Kong

(Appointed 23/02/2001)

Su, Lung-Chun

(Appointed 18/02/2005;

Resigned 30/12/2005)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Gee Huy @ Lee Kong Fee, JP

(Appointed 23/02/2001)

Boey Tak Kong

(Appointed 13/12/2001)

Ir. Zainurin Bin Karman

(Appointed 23/02/2001;

Resigned 20/01/2005;

Reappointed 26/08/2005)

NON-EXECUTIVE DIRECTORS

Dato' Rahadian Mahmud

bin Mohammad Khalil

(Appointed 23/02/2001)

Fang, Nan-hai

(Appointed 28/02/2005;

Resigned 30/12/2005)

AUDIT COMMITTEE

CHAIRMAN

Lee Gee Huy @ Lee Kong Fee, JP

MEMBERS

Dato' Chua Tiong Moon

Boey Tak Kong

Ir. Zainurin Bin Karman

(Resigned 20/01/2005;

Reappointed 26/08/2005)

NOMINATION COMMITTEE

CHAIRMAN

Lee Gee Huy @ Lee Kong Fee, JP

MEMBERS

Boey Tak Kong

Ir. Zainurin Bin Karman

(Resigned 20/01/2005;

Reappointed 26/08/2005)

REMUNERATION COMMITTEE

CHAIRMAN

Dato' Noorazman Bin Adnan

MEMBERS

Lee Gee Huy @ Lee Kong Fee, JP

Ir. Zainurin Bin Karman

(Resigned 20/01/2005;

Reappointed 26/08/2005)

COMPANY SECRETARY

Molly Gunn Chit Geok

(MA/CSA 0673097)

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

20th 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

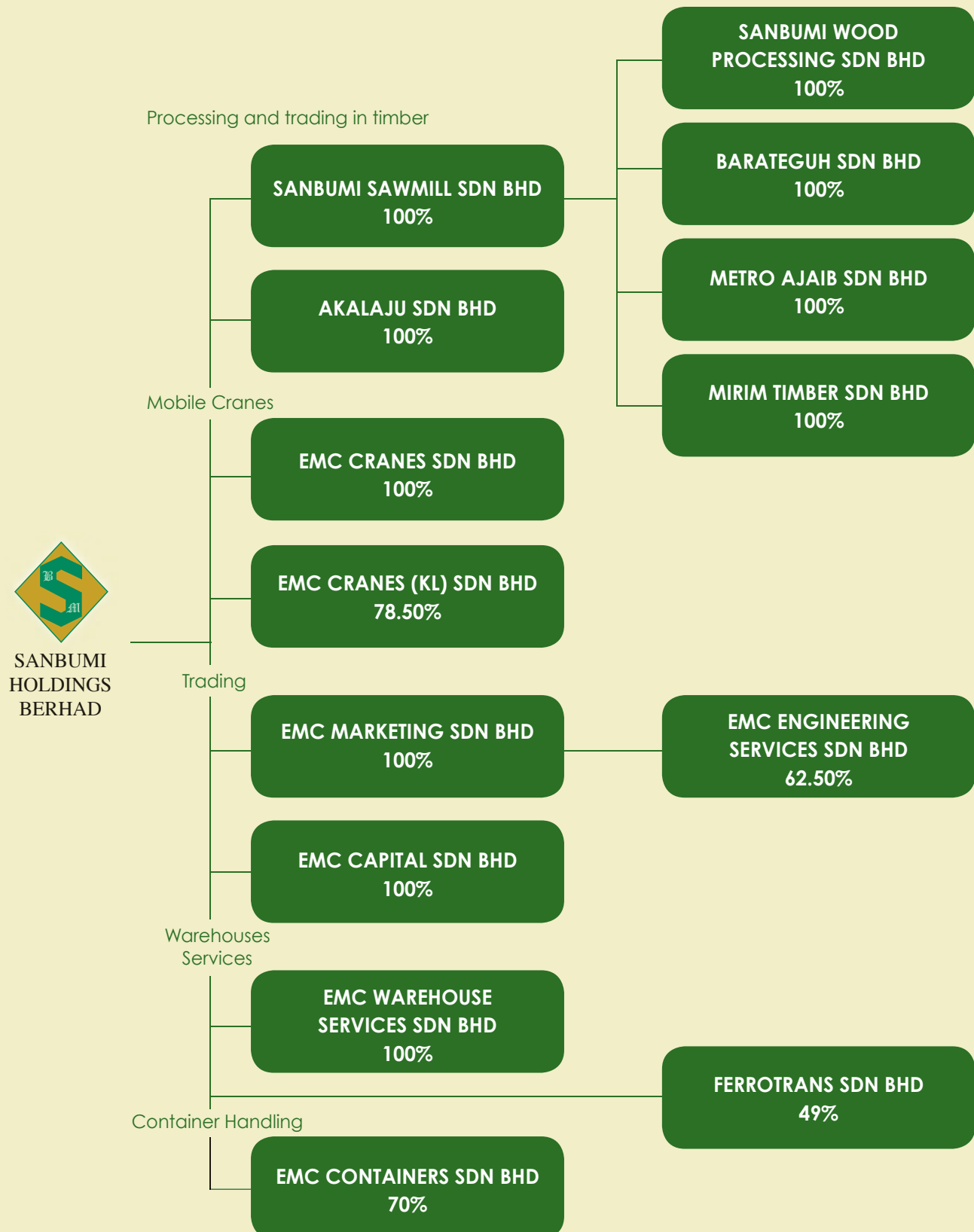
STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA

• STOCK NAME : SANBUMI

• STOCK CODE : 9113

Corporate Structure



Calendar of Significant Events

► 20 January 2005

The resignation of the following two members of the Board of Directors:

Mr Chai Kim Chong – Executive Director

Ir. Zainurin bin Karman – Independent Non-Executive Director

► 18 February 2005

The appointment of Mr Su, Lung-Chun to the Board of Directors as an Executive Director.

► 28 February 2005

The appointment of Mr Fang, Nan-Hai to the Board of Directors as a Non-Executive Director.

► 26 August 2005

The reappointment of Ir. Zainurin Bin Karman to the Board of Directors as an Independent Non-Executive Director.

► 10 October 2005

EMC Cranes Sdn. Bhd., a wholly owned subsidiary company, entered into an agreement to dispose all 35 units of its mobile cranes to BM Enterprises Sdn Bhd for a total cash consideration of RM8,100,000.00.

► 11 October 2005

EMC Cranes (KL) Sdn. Bhd., a 78.50% equity interest held subsidiary company entered into an agreement to dispose all 27 units of its mobile cranes to Excelco Equipment Sdn Bhd for a total cash consideration of RM3,200,000.00.

► 15 November 2005

The first batch of 38 employees employed with EMC Cranes Sdn. Bhd. and 20 employees employed with EMC Cranes (KL) Sdn. Bhd. that could not be redeployed were issued termination notices and were subsequently compensated accordingly with appropriate termination benefits.

► 30 December 2005

The resignation of the following two members of the Board of Directors:

Mr Su, Lung-Chun - Executive Director

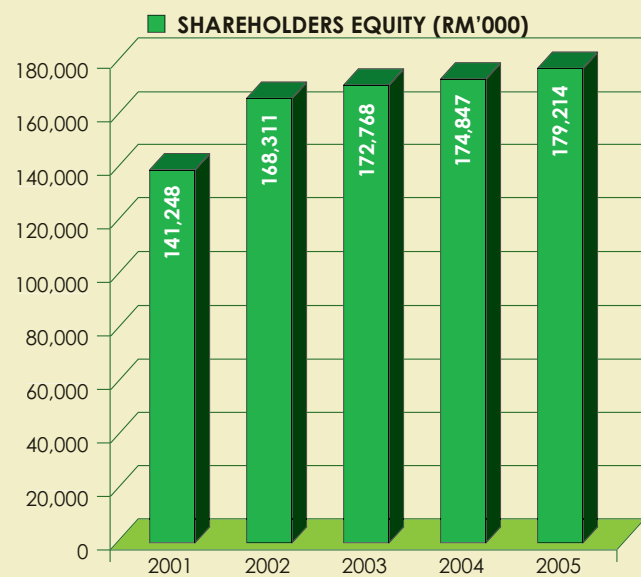
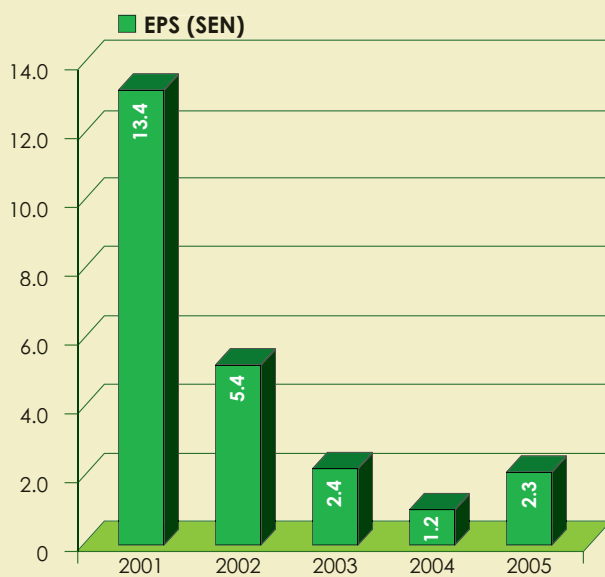
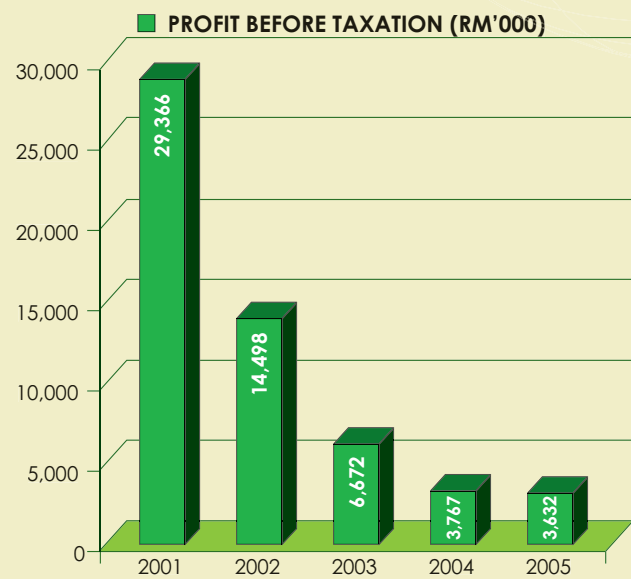
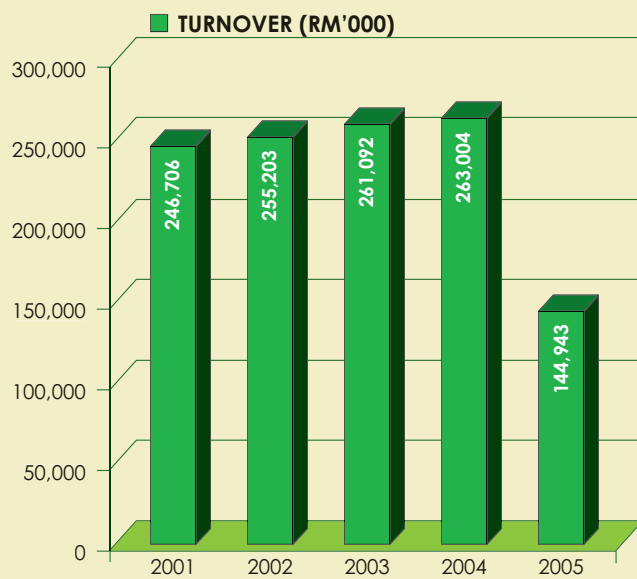
Mr Fang, Nan-Hai - Non-Executive Director

► 4 January 2006

The second batch of 14 employees employed with EMC Cranes Sdn. Bhd. that could not be redeployed were issued termination notices and were subsequently compensated accordingly with appropriate termination benefits.

Financial Highlights

The Group's five years financial highlights



Profile of the Board of Directors

Dato' Noorazman bin Adnan

Chairman

- Age : 49
- Nationality : Malaysian

Dato' Noorazman bin Adnan is a businessman. He holds a Diploma in Police Science and was formerly a Police Officer. He is 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 : 47
- Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 28 years with 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 : 47
- Nationality : Malaysian

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 33 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.

Su, Lung-Chun

Executive Director

- Age : 49
- 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 over 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 resigned as an Executive Director of the Company effective 30 December 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.

Lee Gee Huy @ Lee Kong Fee, JP

Director

- Age : 58
- Nationality : Malaysian

Lee Gee Huy @ Lee Kong Fee, JP 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 20 years experience practicing as an Advocate & Solicitor.

Lee Gee Huy @ Lee Kong Fee, JP 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.

Profile of the Board of Directors (Cont'd)

Ir. Zainurin bin Karman

Director

- Age : 41
- 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 but was reappointed on 26 August 2005. He 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' Rahadian Mahmud bin Mohammad Khalil

Director

- Age : 32
- 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 Kinsteel Berhad, Eden Enterprises (M) Berhad and is the Executive Chairman of Permaju Industries Berhad.

Boey Tak Kong

Director

- Age : 52
- 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 : 51
- 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 Tamking 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 resigned as a Non-Executive Director of the Company effective 30 December 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.

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 2005.

General Overview

The global economy remained resilient throughout the year 2005 and was reported to have remarkably sustained its expansion at a strong pace despite the persistently high oil prices, rising interest rates and disruptions from natural disasters. The economies of United States (US) and China, reinforced by growth in Japan and Europe continued to be the major drivers of global economic growth. The Asian region also managed to strengthen its position against the backdrop of the growth in the major economies. [Source BNM Annual Report 2005].

Notwithstanding the global developments and the persistently high oil prices, the Malaysian economy, driven by its domestic demand, favourable trade balances and improved investor optimism, is reported to have achieved a balanced growth in 2005. Growth was generally private-sector driven with most sectors of the economy, with exceptions to the construction sector, registering positive growth rates.

The Group continued its consolidation pace throughout the year 2005 with the rationalisation of its operating activities that included reviewing, assessing, developing and implementing appropriate actions to minimise or eliminate all non-core, non-productive and non-profit generating assets or activities within the Group with a view to maximise shareholders value.

Financial Performance Overview

Economic indicators for 2005 generally favoured growth potentials in all sectors, including the forestry sector. The global demand for logs and sawn timber, particularly from China and Europe strengthened significantly resulting in log prices achieving record high in 2005. Nevertheless, the production of logs declined in 2005 in line with the nation's policy on conservation by implementing sustainable forest management practices resulting in the reduction in supply of quality raw material. This coupled with the staggering rise in fuel cost significantly undermined the performance and progress of certain companies in this sector.

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 be the driving force to see through these challenges.

The Group's consolidated financial results for the financial year ended 31 December 2005 remained positive. The Group profit before tax for the financial year ended 31 December 2005 was achieved against the backdrop of significant gains arising from the disposal of mobile cranes stood at RM3.63 million, a marginal decline by approximately 3.7% from the previous financial year.

Chairman's Statement (cont'd)



Operations Review

- Timber related business activities

The timber related business activities only managed to generate an annual turnover from external sales of RM134.38 Million for the year ended 31 December 2005, a decline by approximately 46.7% as compared to the last financial year mainly due to lower sales volume from both sawn timber and timber logs. The scarcity of quality timber log supply escalated the raw material cost and in addition, the sharp increase in fuel oil prices and spare part costs resulted in the timber related business activities contributing a loss to the Group for the first time.

- Non-timber related business activities

Year 2005 saw the height of the Group's rationalisation exercise of the non-timber related business activities. It was during this period when bold steps were taken with a view to streamline the business activities of the Group so as to enable it to be more focused and result orientated. The mobile crane service business which is the single most largest revenue contributing component under the non-timber related business activities of the Group underwent a major change with the disposal of its entire fleet of mobile cranes for cash in late October 2005. This disposal resulted in a significant gain of approximately RM7.86 Million recorded from the transaction.

Chairman's Statement (cont'd)



Corporate Development

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

As in the previous years, the Group continued its rationalisation exercise, principally undertaken to streamline all its non-core business assets and to realise non-revenue or non-profit generating properties, plant and equipment or investments. As part of its effort, the subsidiary companies under the mobile crane business segment concluded the disposals of its entire fleet of sixty-two units of mobile cranes for a total cash consideration of RM11.3 Million. The Group recorded a gain of approximately RM7.86 Million from this transaction. The services of those employed under the mobile crane business segment that could not be redeployed were terminated with appropriate termination benefits duly paid as compensation.

Outlook

Going forward, the local economic outlook is expected to remain positive in tandem with the global scenario for year 2006. Global growth is expected to broaden across the major economies, with Japan and Europe playing a more significant role. Growth in the Asian region is also expected to be strong. Nonetheless it will certainly be another challenging period for the local business community as external factors undermines its performances. The continuing surge in oil price, rising interest rates, cost of raw materials and preponderance of natural disasters are some of the uncertainties that may dampen the global economic growth.

As for the Group, the year 2006 will be a great test of its ability to sustain its performance and improve on its returns in the absence of certain contributing components which were realised under the ongoing rationalisation exercise. The performance of the Group will depend substantially on the performance of the timber-related businesses and the Group will continue to implement appropriate business strategies and take complete advantage of any favourable situations. The Board will continue to closely monitor the Group's core activities so as to ensure that it will be able to achieve the desired results and support.

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 2005 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 2005.

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, two (2) Executive Directors and four (4) Non-Executive Directors, three (3) of whom are independent.

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 caliber 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 2005, seven (7) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		#01	#02	#03	#04	#05	#06	#07		
Directors	Position	Attendance							Total	%
Dato' Noorazman bin Adnan	Chairman	•	•	•	•	•	•	•	7/7	100
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	•	•	7/7	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	•	•	•	X	•	•	6/7	85.71
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	•	•	•	•	•	•	•	7/7	100
Lee Gee Huy @ Lee Kong Fee, JP	Director	•	•	•	•	•	•	•	7/7	100
Boey Tak Kong	Director	•	X	•	•	•	•	•	6/7	85.71
Su, Lung-Chun (Appointed w.e.f. 18 February 2005 and resigned w.e.f. 30 December 2005)	Executive Director	N/A	•	X	X	X	X	X	1/6	16.67
Fang, Nan-Hai (Appointed w.e.f. 28 February 2005 and resigned w.e.f. 30 December 2005)	Director	N/A	•	X	X	X	X	X	1/6	16.67
Ir. Zainurin bin Karman (Appointed w.e.f. 26 August 2005)	Director	N/A	N/A	N/A	N/A	•	X	•	2/3	66.67

Total number of meetings held:

7

(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, Boey Tak Kong (Independent Non-Executive Director) and Ir. Zainurin bin Karman (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 2005, the Nomination Committee held three meetings as follows:-

Date	Business
18 February 2005	Proposal for appointment of new directors
26 February 2005	<ol style="list-style-type: none">1. Review the composition of Board and Board Committees2. Review the effectiveness of the Board and Board Committees3. Proposal for re-election of retiring directors
26 August 2005	Proposal for appointment of new director

(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, 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.

Ir. Zainurin bin Karman who was appointed on 26 August 2005 shall retire at the forthcoming Annual General Meeting.

The names of Directors who are standing for re-election at the Thirty-Seventh Annual General Meeting of the Company to be held on 30 June 2006 are contained in the Statement Accompanying Notice of Annual General Meeting.

(vi) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP). Each Director has also accumulated the requisite total of 72 Continuing Education Programmes points for the years 2003 and 2004 as specified by Bursa Malaysia Securities Berhad.

Under the revised Listing Requirements of Bursa Malaysia Securities Berhad, the Board had assumed the onus of determining or overseeing the training needs of their Directors. Directors are encouraged to attend various external professional programmes necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates. For the year under review, all the Directors had attended training on "Strategic Corporate Planning & Performance Monitoring For Company Directors and Senior Management" and "Managing Corporate Turnaround and Change Management" held on 21 and 22 November 2005 respectively.

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, Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director) and Ir. Zainurin bin Karman (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 2005, two meetings were held on 27 May 2005 and 21 November 2005. 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 2005 are as follows:-

(All figures in RM)	Executive Directors	Non-Executive Directors
Salary	895,050	-
Fees	73,962	158,538
Bonus	655,200	-
Benefits-in-kind	-	-
Total	1,624,212	158,538

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

	Executive Directors	Non-Executive Directors
Below RM50,000	-	5
RM400,001 – RM450,000	1	-
RM550,001 – RM600,000	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 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 in relation to the External Auditors 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 2005 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 2005.

b) Share buybacks

The Company has not purchased any of its own shares during the financial year ended 31 December 2005. 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 2005.

d) American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programme sponsored

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2005.

e) Particulars of material contracts involving Directors'

Save as disclosed below, there are no contracts of the Company or its subsidiary companies, which are or may be material, involving Directors' still subsisting as at the end of the financial year ended 31 December 2005:

- i) Service Agreement dated 1 May 2006 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 2006. The remuneration of the Managing Director shall be a fixed salary of RM25,000 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.

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 2005.

g) Comparison of profit achieved with the profit guarantee

The Company did not issue any profit guarantee during the financial year ended 31 December 2005.

h) 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 2005.

i) Conviction for offences

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

Additional Compliance Information (cont'd)

j) Non-audit fee

There were no fees paid/payable to external auditors for non-audit services provided during the financial year ended 31 December 2005.

k) 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 24 June 2005 up to 11 May 2006, being the latest practicable date prior to the printing of the Annual Report, are as follows:

Company	Transacting Party	Interested Directors (ID) / Persons Connected (PC)	Nature of Transaction	Amount Transacted RM'000
Sanbumi Sawmill Sdn Bhd ("SSSB")	Rintisan Bumi (M) Sdn Bhd ("RBM")	ID Tan Sri Datuk Chai Kin Kong ("CKK") and Dato' Chua Tiong Moon ("CTM") PC Dato' Chai Kin Loong ("CKL")	Purchase of timber logs from RBM by SSSB	8,365
SSSB	RBM	ID CKK and CTM PC CKL	Rental payable to RBM by SSSB for office space rented	33
SSSB	Totalink Holdings Sdn Bhd ("TH")	ID CKK and CTM PC CKL and CKC	Rental payable to TH by SSSB for rental of log yard	33
TOTAL				8,431

Notes:

- (1) CTM and CKK are directors and shareholders of Sanbumi Holdings Berhad. They are also major shareholders of Permaju Industries Berhad, the holding company of RBM.
- (2) CKL is a director of RBM. He is also the Managing Director and major shareholder of Permaju Industries Berhad.
- (3) CKL is a director and shareholder of TH. CTM, CKK and CKC are shareholders of TH. CKK, CKC and CKL are brothers.

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)
Boey Tak Kong	Member (Independent Non-Executive Director)
Ir Zainurin bin Karman*	Member (Independent Non-Executive Director)

**Appointed as member with effect from 26 August 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 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfills 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 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 2005, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Audit Committee Meeting		Feb 05	Apr 05	May 05	Aug 05	Nov 05		
Committee Members	Position	Attendance					Total	%
Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	•	5/5	100
Dato' Chua Tiong Moon	Member	•	•	•	•	•	5/5	100
Boey Tak Kong	Member	•	•	•	•	•	5/5	100
Ir. Zainurin bin Karman (Appointed w.e.f. 26 August 2005)	Member	N/A	N/A	N/A	N/A	•	1/1	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 2005:-

- (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;
- (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 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 Listing Requirements of Bursa Malaysia Securities Berhad)

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 Listing Requirements of Bursa Malaysia Securities Berhad)

1. Regulatory Framework

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

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 has 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 unit are prepared annually and periodic review is 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 recruitment evaluation process.
- 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)

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.

Directors' 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 2005.

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

	The Group RM	The Company RM
Profit after taxation for the financial year	4,390,412	7,268,484
Minority interests	(23,575)	-
Profit attributable to shareholders	<u>4,366,837</u>	<u>7,268,484</u>

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 all known bad debts had been written off 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.

Directors' 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
Ir. Zainurin Bin Karman (Resigned On 20 January 2005, Re-appointed On 26 August 2005)
Su, Lung-Chun (Resigned On 30 December 2005)
Fang, Nan-Hai (Resigned On 30 December 2005)

Directors' Report (cont'd)

Directors (Cont'd)

Pursuant to Article 93 of the Articles of Association of the Company, Dato' Chua Tiong Moon and Lee Gee Huy @ Lee Kong Fee. J.P. 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, Ir. Zainurin Bin Karman, who was appointed since the last annual general meeting, retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Directors' Interests

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

	Number Of Ordinary Shares Of RM1 Each			
	At 1.1.2005	Bought	Sold	At 31.12.2005
Direct Interests				
Tan Sri Datuk Chai Kin Kong	70	3,177,100	-	3,177,170
Dato' Noorazman Bin Adnan	461,000	-	-	461,000
Dato' Chua Tiong Moon	62	3,157,700	-	3,157,762
Indirect Interests				
Tan Sri Datuk Chai Kin Kong	49,790,013	-	(47,591,900)	2,198,113
Dato' Chua Tiong Moon	45,132,513	-	(42,934,400)	2,198,113

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

Directors' 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 of which a person connected to a director is a director as disclosed in Note 36 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 13 April 2006

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 73 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 2005 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 13 April 2006

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 73 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, I/C No. 590831-05-5639,
at Kuala Lumpur in the Federal Territory
on this 13 April 2006

DATO' CHUA TIONG MOON

Before me

MOHD RADZI BIN YASIN
Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors To The Members Of Sanbumi Holdings Berhad

We have audited the financial statements set out on pages 40 to 73. 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 2005 and of their 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

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

Kuala Lumpur
13 April 2006

Balance Sheets At 31 December 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Non-current Assets					
Property, plant and equipment	6	49,929,179	58,265,743	33,493,748	34,149,060
Investments in subsidiaries	7	-	-	131,401,638	131,401,638
Investment in an associate	8	-	-	-	-
Other investment	9	-	150,000	-	150,000
Deferred tax assets	10	95,938	-	-	-
		50,025,117	58,415,743	164,895,386	165,700,698
Current Assets					
Inventories	11	17,865,828	17,844,163	-	-
Trade receivables	12	16,224,754	27,585,222	386,955	237,720
Other receivables, deposits and prepayments	13	73,366,253	71,793,928	357,655	2,628,824
Amount owing by subsidiaries	14	-	-	25,045,534	29,703,235
Amount owing by an associate	15	-	5,438	-	5,438
Tax refundable		970,001	869,478	91,306	110,000
Fixed deposits with licensed banks	16	807,587	778,698	-	-
Cash and bank balances		32,327,458	14,657,391	18,988,522	4,600,960
		141,561,881	133,534,318	44,869,972	37,286,177
Current Liabilities					
Trade payables	17	4,428,186	4,526,715	-	-
Other payables and accruals		4,433,113	3,026,650	455,228	908,279
Amount owing to directors	18	342,042	239,023	-	-
Amount owing to subsidiaries	14	-	-	19,640	2,519
Hire purchase payables	19	51,150	34,212	-	-
Provision for taxation		1,078,432	4,194,474	-	54,071
Bankers' acceptances	20	-	2,000,004	-	-
Bank overdrafts	21	-	426,037	-	-
		10,332,923	14,447,115	474,868	964,869
Net Current Assets					
		131,228,958	119,087,203	44,395,104	36,321,308
		181,254,075	177,502,946	209,290,490	202,022,006

Balance Sheets At 31 December 2005 (cont'd)

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Financed By:-					
Share capital	22	189,238,348	189,238,348	189,238,348	189,238,348
Retained profits/(Accumulated losses)	23	68,516,249	64,149,412	(11,378,899)	(18,647,383)
Other reserves	24	31,087,611	31,087,611	29,941,041	29,941,041
Merger deficit	25	(109,628,623)	(109,628,623)	-	-
Shareholders' Equity		179,213,585	174,846,748	207,800,490	200,532,006
Minority Interests		503,183	479,607	-	-
Non-current Liabilities					
Hire purchase payables	19	4,366	-	-	-
Deferred tax liabilities	26	1,532,941	2,176,591	1,490,000	1,490,000
		181,254,075	177,502,946	209,290,490	202,022,006

Income Statements For The Financial Year Ended 31 December 2005

	NOTE	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	27	144,942,551	263,003,569	11,836,330	1,470,763
Cost Of Sales		(136,104,299)	(245,431,656)	-	-
Gross Profit		8,838,252	17,571,913	11,836,330	1,470,763
Other Operating Income	28	12,130,218	3,156,547	259,353	361,022
		20,968,470	20,728,460	12,095,683	1,831,785
Distribution Costs		(6,787,392)	(6,566,145)	(53,517)	(32,839)
Administrative Expenses		(8,115,049)	(7,751,458)	(1,619,033)	(1,403,070)
Other Operating Expenses		(2,379,074)	(2,480,171)	(686,938)	(1,657,764)
		(17,281,515)	(16,797,774)	(2,359,488)	(3,093,673)
Profit/(Loss) From Operations		3,686,955	3,930,686	9,736,195	(1,261,888)
Finance Costs		(55,257)	(163,702)	(1,782)	(755)
Profit/(Loss) Before Tax	29	3,631,698	3,766,984	9,734,413	(1,262,643)
Tax Expense	30	758,714	(1,688,787)	(2,465,929)	-
Profit/(Loss) After Tax		4,390,412	2,078,197	7,268,484	(1,262,643)
Minority Interests		(23,575)	205,181	-	-
Profit/(Loss) Attributable To Shareholders Of The Company		4,366,837	2,283,378	7,268,484	(1,262,643)
Earnings Per Share (Sen)					
- Basic	31	2.31	1.21		

Statements Of Changes In Equity For The Financial Year Ended 31 December 2005

Group	Share Capital RM	Non - Distributable Reserves					Retained Profits RM	Total RM
		Share Premium RM	Capital Reserve RM	Revaluation Reserve RM	Reserve On Consolidation RM	Merger Deficit RM		
Balance at 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/ 1.1.2005	189,238,348	14,787,402	1,582,826	14,717,383	-	(109,628,623)	64,149,412	174,846,748
Profit attributable to shareholders	-	-	-	-	-	-	4,366,837	4,366,837
Balance at 31.12.2005	189,238,348	14,787,402	1,582,826	14,717,383	-	(109,628,623)	68,516,249	179,213,585

Company	Non - Distributable Reserves				Total RM
	Share capital RM	Share Premium RM	Revaluation Reserve RM	Accumulated Losses RM	
Balance at 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/ 1.1.2005	189,238,348	14,787,402	15,153,639	(18,647,383)	200,532,006
Profit attributable to shareholders	-	-	-	7,268,484	7,268,484
Balance at 31.12.2005	189,238,348	14,787,402	15,153,639	(11,378,899)	207,800,490

Cash Flow Statements For The Financial Year Ended 31 December 2005

NOTE	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash Flows From/ (For) Operating Activities				
Profit/(Loss) before tax	3,631,698	3,766,984	9,734,413	(1,262,643)
Adjustments for:-				
Allowance for doubtful debts	967,030	1,146,241	362,343	616,938
Bad debts written off	24,301	-	4,595	-
Impairment of asset	660,000	-	270,000	-
Loss on disposal of unquoted investment	50,000	-	50,000	-
Depreciation of property, plant and equipment	4,720,137	5,449,180	416,711	461,634
Interest expense	38,796	150,433	-	-
Impairment of goodwill	-	290,723	-	-
Plant and equipment written off	-	16,790	-	-
Gross dividend income	-	-	(10,100,000)	-
Net (gain)/loss on disposal of property, plant and equipment	(8,229,841)	(160,708)	-	1,040,826
Interest income	(449,236)	(719,762)	(186,800)	(354,985)
Reversal of allowance for doubtful debts	(282,269)	(137,988)	-	-
Operating profit before working capital changes	1,130,616	9,801,893	551,262	501,770
(Increase)/Decrease in inventories	(21,665)	8,326,149	-	-
Decrease/(Increase) in trade and other receivables	9,087,922	(2,914,472)	1,773,401	(1,573,589)
Increase/(Decrease) in trade and other payables	1,307,934	(9,959,926)	(453,051)	47,158
Cash Flows From/ (For) Operating Activities	11,504,807	5,253,644	1,871,612	(1,024,661)
Income tax (paid)/ refunded	(3,197,438)	(5,236,962)	18,694	(68,187)
Interest paid	(38,796)	(150,433)	-	-
Interest received	449,236	719,762	186,800	354,985
Net Cash From/(For) Operating Activities Carried Forward	8,717,809	586,011	2,077,106	(737,863)

Cash Flow Statements

For The Financial Year Ended 31 December 2005 (cont'd)

	NOTE	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Net Cash From/(For) Operating Activities Brought Forward		8,717,809	586,011	2,077,106	(737,863)
Cash Flows From/ (For) Investing Activities					
Repayment from/(Advances to) subsidiaries		-	-	4,648,137	(4,786,273)
Acquisition of additional interest in a subsidiary		-	(1,100,000)	-	(1,100,000)
Dividend received		-	-	7,580,000	-
Purchase of property, plant and equipment	32	(145,901)	(5,274,449)	(31,399)	(31,543)
Proceeds from disposal of property, plant and equipment		11,432,169	4,967,860	-	1,950,000
Proceeds from disposal of unquoted investment		100,000	-	100,000	-
Advances to an associate		(3,403)	(5,061)	(3,403)	(5,061)
Net Cash From/(For) Investing Activities		11,382,865	(1,411,650)	12,293,335	3,972,877
Cash Flows (For)/ From Financing Activities					
Advances from subsidiaries		-	-	17,121	611,687
Repayment of hire purchase obligations		(78,696)	(237,559)	-	-
Repayment of bankers' acceptances		(2,000,004)	(3,775,252)	-	-
Advances from directors		103,019	225,157	-	-
Net Cash (For)/ From Financing Activities		(1,975,681)	(3,787,654)	17,121	611,687
Net Increase/ (Decrease) In Cash And Cash Equivalents		18,124,993	(4,613,293)	14,387,562	(4,722,427)
Cash And Cash Equivalents At Beginning Of The Financial Year		15,010,052	19,623,345	4,600,960	9,323,387
Cash And Cash Equivalents At End Of The Financial Year	33	33,135,045	15,010,052	18,988,522	4,600,960

Notes To The Financial Statements For The Financial Year Ended 31 December 2005

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 is 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 13 April 2006.

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 operates internationally and is exposed to various currencies, mainly in United States ("US") Dollar. As the transactions and balances are substantially denominated on Ringgit Malaysia, the directors are of the opinion that the Group'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.

(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 concentration of credit risk relates to log purchase advances that constituted 80% of the total receivables at the end of the financial year.

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

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

3. Financial Risk Management Policies (Cont'd)

(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.

The MASB standards nomenclature has been changed to Financial Reporting Standards ("FRS") nomenclature for financial periods beginning on or after 1 January 2005. This change to the new nomenclature did not result in any significant change in the accounting policies adopted by the Group and has no financial effects on the financial statements of the Group and of the Company for the financial year ended 31 December 2005.

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 2005.

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.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

5. Significant Accounting Policies (Cont'd)

(a) Basis of Consolidation (Cont'd)

The applicable approved accounting standard for business combination is FRS 122 - Business Combinations, formerly known as MASB 21. As allowed by FRS 122, the Group has chosen to apply the provisions of FRS 122 on a prospective basis, and no retrospective changes have been made in respect of business combinations that have been effected prior to 1 July 2001, the date on which MASB 21 became effective.

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.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

5. Significant Accounting Policies (Cont'd)

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

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 FRS 136 - 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.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

5. Significant Accounting Policies (Cont'd)

(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.

(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 liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

5. Significant Accounting Policies (Cont'd)

(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 liability in respect of the defined contribution plans.

(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.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

5. Significant Accounting Policies (Cont'd)

(r) Revenue Recognition

(i) Revenue from Sale 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.

(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 2005 (cont'd)

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 1.1.2005	35,595,597	6,008,325	3,611,119	9,845,226	1,909,440	1,296,015	21	58,265,743
Additions	26,900	-	20,218	1,200	137,037	60,546	-	245,901
Disposals	-	-	(3,009,755)	(150,735)	(37,333)	(4,505)	-	(3,202,328)
Impairment loss	(660,000)	-	-	-	-	-	-	(660,000)
Depreciation charge	(269,658)	(813,766)	(621,582)	(2,299,710)	(460,534)	(254,866)	(21)	(4,720,137)
Net book value as at 31.12.2005	34,692,839	5,194,559	-	7,395,981	1,548,610	1,097,190	-	49,929,179
As at 31.12.2005								
At cost	-	-	215,482	28,947,330	5,481,303	3,228,824	-	37,872,939
At valuation - 2005	36,533,885	14,915,031	-	-	-	-	-	51,448,916
Accumulated depreciation	(1,841,046)	(9,720,472)	(215,482)	(21,551,349)	(3,932,693)	(2,131,634)	-	(39,392,676)
Net book value	34,692,839	5,194,559	-	7,395,981	1,548,610	1,097,190	-	49,929,179
Group As at 31.12.2004								
At cost	-	-	24,159,997	29,443,971	5,387,516	3,179,688	25,000	62,196,172
At valuation - 2000	2,540,000	-	-	-	-	-	-	2,540,000
- 1999	34,926,985	14,915,031	-	-	-	-	-	49,842,016
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
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at								
- 31.12.2005	18,284,838	4,579,929	-	7,395,981	1,548,610	1,097,190	-	32,906,548
- 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

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

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 1.1.2005	33,055,597	733,300	116,812	243,351	34,149,060
Additions	26,900	-	-	4,499	31,399
Impairment loss	(270,000)	-	-	-	(270,000)
Depreciation charge	(269,659)	(23,340)	(56,070)	(67,642)	(416,711)
Net book value as at 31.12.2005	<u>32,542,838</u>	<u>709,960</u>	<u>60,742</u>	<u>180,208</u>	<u>33,493,748</u>
As at 31.12.2005					
At cost	-	-	388,050	986,032	1,374,082
At valuation - 2005	34,383,885	850,000	-	-	35,233,885
Accumulated depreciation	(1,841,047)	(140,040)	(327,308)	(805,824)	(3,114,219)
Net book value	<u>32,542,838</u>	<u>709,960</u>	<u>60,742</u>	<u>180,208</u>	<u>33,493,748</u>
As at 31.12.2004					
At cost	-	-	388,050	981,533	1,369,583
At valuation - 1999	34,926,985	850,000	-	-	35,776,985
Accumulated impairment losses	(300,000)	-	-	-	(300,000)
Accumulated depreciation	(1,571,388)	(116,700)	(271,238)	(738,182)	(2,697,508)
	<u>33,055,597</u>	<u>733,300</u>	<u>116,812</u>	<u>243,351</u>	<u>34,149,060</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at					
- 31.12.2005	14,268,249	95,330	60,742	180,208	14,604,529
- 31.12.2004	<u>14,781,008</u>	<u>118,670</u>	<u>116,812</u>	<u>243,351</u>	<u>15,259,841</u>

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

6. Property, Plant And Equipment (Cont'd)

The leasehold land and buildings comprise the following:-

Group	Long Leasehold Land And Buildings RM	Short Leasehold Land And Buildings RM	Total RM
Net book value as at 1.1.2005	5,275,025	733,300	6,008,325
Depreciation charge	(790,426)	(23,340)	(813,766)
Net book value as at 31.12.2005	4,484,599	709,960	5,194,559
As at 31.12.2005			
At valuation - 2005	14,065,031	850,000	14,915,031
Accumulated depreciation	(9,580,432)	(140,040)	(9,720,472)
Net book value	4,484,599	709,960	5,194,559
As at 31.12.2004			
At valuation - 1999	14,065,031	850,000	14,915,031
Accumulated depreciation	(8,790,006)	(116,700)	(8,906,706)
Net book value	5,275,025	733,300	6,008,325
Company			
Net book value as at 1.1.2005	-	733,300	733,300
Depreciation charge	-	(23,340)	(23,340)
Net book value as at 31.12.2005	-	709,960	709,960
As at 31.12.2005			
At valuation - 2005	-	850,000	850,000
Accumulated depreciation	-	(140,040)	(140,040)
Net book value	-	709,960	709,960

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

6. Property, Plant And Equipment (Cont'd)

	Long Leasehold Land And Buildings RM	Short Leasehold Land And Buildings RM	Total RM
As at 31.12.2004			
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	-	(116,700)	(116,700)
Net book value	-	733,300	733,300

The directors revalued the landed properties using the open market value basis based on valuations carried out by firms of independent valuers.

The deferred taxation in relation to the revaluation surplus is shown in Note 26 to the financial statements.

Leasehold land and buildings of the Group with a carrying value of RM4,484,600 (2004 - RM5,275,026) are pledged as security for bank borrowings as disclosed in Note 20 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 RM123,333 (2004 - RM329,971) acquired under hire purchase terms.

7. Investments In Subsidiaries

	Company 2005 RM	2004 RM
Unquoted shares		
- at cost	129,048,627	129,048,627
- at valuation	7,577,430	7,577,430
Impairment loss	136,626,057 (5,224,419)	136,626,057 (5,224,419)
	131,401,638	131,401,638

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

7. Investments 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
	2005 %	2004 %	
# 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	78.50	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 2005 (cont'd)

8. Investment In An Associate

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 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	
	2005 RM	2004 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
	2005 %	2004 %	
Ferrottrans Sdn. Bhd.	49	49	Rendering of forwarding and warehouse services and sales diesel.

The investment in Ferrottrans 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	
	2005 RM	2004 RM
Unquoted shares, at cost	-	150,000

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

10. Deferred Tax Assets

	Group	
	2005 RM	2004 RM
At 1 January	-	-
Recognised in income statement (Note 30)	95,938	-
	95,938	-
At 31 December	95,938	-

The components of the deferred tax assets and deferred tax liability are as follows:-

	Group	
	2005 RM	2004 RM
Deferred tax assets:-		
Inventories	50,761	-
Unabsorbed capital allowances	157,623	-
Tax losses	25,769	-
	234,153	-
Deferred tax liability:		
Property, plant and equipment	(138,215)	-
	95,938	-

11. Inventories

	Group	
	2005 RM	2004 RM
At Cost		
Raw materials	2,399,192	1,694,667
Work-in-progress	8,363,134	10,646,876
Finished goods	5,193,643	2,409,300
Consumable stores	464,268	567,869
	16,420,237	15,318,712
At Net Realisable Value		
Finished goods	1,401,601	2,525,451
Work-in-progress	43,990	-
	1,445,591	2,525,451
	17,865,828	17,844,163

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

12. Trade Receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	23,396,807	34,425,293	386,955	237,720
Allowance for doubtful debts				
At 1 January	(6,840,071)	(6,788,232)	-	-
Allowance for the financial year	(614,251)	(529,303)	-	-
Reversal of allowance no longer required	282,269	137,988	-	-
Amount written off	-	339,476	-	-
At 31 December	(7,172,053)	(6,840,071)	-	-
	16,224,754	27,585,222	386,955	237,720

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

13. Other Receivables, Deposits And Prepayments

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables, deposits and prepayments	83,370,470	81,454,207	1,318,531	3,245,762
Allowance for doubtful debts				
At 1 January	(9,660,279)	(9,043,341)	(616,938)	-
Allowance for the financial year	(343,938)	(616,938)	(343,938)	(616,938)
At 31 December	(10,004,217)	(9,660,279)	(960,876)	(616,938)
	73,366,253	71,793,928	357,655	2,628,824

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM71,551,454 (2004 - RM67,995,493). These represent advances made for future supply of timber logs.

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

14. Amount Owing By/To Subsidiaries

	Company	
	2005 RM	2004 RM
Amount owing by subsidiaries	27,289,807	31,937,944
Allowance for doubtful debts		
At 1 January	(2,234,709)	(2,234,709)
Allowance for the financial year	(9,564)	-
At 31 December	(2,244,273)	(2,234,709)
	25,045,534	29,703,235
Amount owing to subsidiaries	19,640	2,519

The amount owing comprises the following:-

	Company	
	2005 RM	2004 RM
Amount owing by subsidiaries		
- Trade	1,019,064	2,023,787
- Non-trade		
- Interest-bearing at 3% per annum	-	29,914,157
- Interest-free	26,270,743	-
	27,289,807	31,937,944
Amount owing to subsidiaries		
- Non-trade	19,640	2,519

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

15. Amount Owing By An Associate

	Group/Company	
	2005 RM	2004 RM
Amount owing by an associate	983,691	980,288
Allowance for doubtful debts		
At 1 January	(974,850)	(974,850)
Allowance for the financial year	(8,841)	-
At 31 December	(983,691)	(974,850)
	-	5,438

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

15. Amount Owing By An Associate (Cont'd)

The amount owing comprises the following:-

Amount owing by an associate:-

- Trade
- Non-trade

Group/Company	
2005 RM	2004 RM
974,850	974,850
8,841	5,438
983,691	980,288

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

16. 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% (2004 - 3.7%) per annum. The maturity period of the fixed deposits at the balance sheet date was one year.

17. Trade Payables

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

18. Amount Owing To Directors

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

19. Hire Purchase Payables

Minimum hire purchase payments:

- not later than one year
- later than one year and not later than five years

Future finance charges

Present value of hire purchase payables

Current:

- not later than one year

Non-current:

- later than one year and not later than five years

Group	
2005 RM	2004 RM
52,860	34,914
4,385	-
57,245	34,914
(1,729)	(702)
55,516	34,212
51,150	34,212
4,366	-
55,516	34,212

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

19. Hire Purchase Payables (Cont'd)

The hire purchase payables bore interest at the balance sheet date at the rate of 2.9% (2004 - 3.7% to 4.1%) per annum.

20. Bankers' Acceptances

The effective interest rates applicable to the bankers' acceptances at the balance sheet date of the previous financial year ranged from 2.8% to 3.1% per annum.

The bankers' acceptances were secured as follows:-

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

21. Bank Overdrafts

The bank overdrafts bore interest at the balance sheet date in the previous financial year at rates ranging from 7.8% - 7.9% per annum and were secured in the same manner as the bankers' acceptances disclosed in Note 20 above.

22. Share Capital

	Company			
	2005	2004	2005	2004
	Number Of Shares		RM	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

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

23. Retained Profits

	Pre-Merger Profit/(Loss)			
	The Company And Its Subsidiaries Accounted Under Acquisition Method Of Accounting RM	Subsidiaries Accounted Under Merger Accounting RM	Post-Merger Profit RM	Total RM
Group				
Balance at 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 31.12.2004/1.1.2005	(24,879,904)	51,806,955	37,222,361	64,149,412
Current year profit	-	-	4,366,837	4,366,837
Balance at 31.12.2005	(24,879,904)	51,806,955	41,589,198	68,516,249

24. Other Reserves

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 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	-	-
Set-off against goodwill relating to additional investment in a subsidiary	-	(204,922)	-	-
At 31 December	-	-	-	-
	31,087,611	31,087,611	29,941,041	29,941,041
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
	14,717,383	14,717,383	15,153,639	15,153,639

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

24. Other Reserves (Cont'd)

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.

25. Merger Deficit

	Group	
	2005 RM	2004 RM
Non-Distributable		
Arising from the merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd.	(109,628,623)	(109,628,623)

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.

26. Deferred Tax Liabilities

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January	2,176,591	2,271,300	1,490,000	1,490,000
Recognised in the income statement (Note 30)	(643,650)	(94,709)	-	-
At 31 December	1,532,941	2,176,591	1,490,000	1,490,000

The components of the deferred tax liabilities are as follows:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accelerated capital allowances	42,941	686,591	-	-
Revaluation surplus of properties	1,490,000	1,490,000	1,490,000	1,490,000
	1,532,941	2,176,591	1,490,000	1,490,000

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

27. Revenue

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of timber	134,383,222	252,202,784	-	-
Mobile crane services	8,710,909	7,544,837	-	-
Trading	758,042	2,185,292	-	-
Warehousing and other services	235,648	270,693	-	-
Rental income	854,730	799,963	1,283,930	1,272,363
Management fee	-	-	452,400	198,400
Gross dividend income	-	-	10,100,000	-
	144,942,551	263,003,569	11,836,330	1,470,763

28. Other Operating Income

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gain on disposal of plant and equipment	8,242,174	1,341,560	-	-
Interest income	449,236	719,762	186,800	354,985
Reversal of allowance for doubtful debts	282,269	137,988	-	-
Sawing charges	2,755,028	714,232	-	-
Others	401,511	243,005	72,553	6,037
	12,130,218	3,156,547	259,353	361,022

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

29. Profit/(Loss) Before Tax

In addition to Note 28, the profit/(loss) before tax is arrived at after charging:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts	967,030	1,146,241	362,343	616,938
Audit fee				
- for the financial year	95,100	107,800	28,000	28,000
- (over)/underprovision in previous financial year	-	(14,456)	-	3,000
Bad debts written off	24,301	-	4,595	-
Depreciation of property, plant and equipment	4,720,137	5,449,180	416,711	461,634
Directors' fees	232,500	288,000	232,500	288,000
Directors' other emoluments	1,550,250	1,158,300	-	-
Impairment of asset	660,000	-	270,000	-
Impairment of goodwill	-	290,723	-	-
Interest expense				
- bank overdrafts	9,646	29,175	-	-
- hire purchase	4,673	9,921	-	-
- others	24,477	111,337	-	-
Loss on disposal of property, plant and equipment	12,333	1,180,852	-	1,040,826
Loss on disposal of unquoted investment	50,000	-	50,000	-
Plant and equipment written off	-	16,790	-	-
Rental of equipment	-	2,900	-	-
Rental of premises	42,200	46,200	-	-
Termination benefit	634,167	-	-	-
Staff costs	8,121,765	7,312,633	249,292	215,787

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

30. Tax Expense

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense:				
- for the financial year	34,067	1,834,553	2,520,000	-
- overprovision in previous financial years	(53,193)	(51,057)	(54,071)	-
	(19,126)	1,783,496	2,465,929	-
Deferred tax expense:-				
- for the financial year	(925,591)	(94,709)	-	-
- overprovision in previous financial years	186,003	-	-	-
	(739,588)	(94,709)	-	-
	(758,714)	1,688,787	2,465,929	-

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	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before tax	3,631,698	3,766,984	9,734,413	(1,262,643)
Tax at the applicable statutory tax rate of 28%	1,016,875	1,002,360	2,725,636	(353,500)
Tax effects of:-				
Non-deductible expenses	838,664	858,843	145,364	563,300
Non-taxable gains	-	(16,416)	(308,000)	-
Utilisation of deferred tax assets not recognised in the previous financial year	(2,289,882)	(254,633)	(43,000)	(251,200)
Deferred tax assets not recognised during the financial year	23,846	225,960	-	41,400
Double deduction of expenses	(98,714)	(76,270)	-	-
Overprovision in previous financial years				
- current tax	(53,193)	(51,057)	(54,071)	-
- deferred tax	(186,003)	-	-	-
Differential in tax rates	(10,307)	-	-	-
Tax for the financial year	(758,714)	1,688,787	2,465,929	-

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

30. Tax Expense (Cont'd)

No deferred tax assets are recognised on the following items:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unutilised tax losses	6,622,000	14,141,000	-	153,000
Unabsorbed capital allowances	458,000	1,555,000	-	-
	7,080,000	15,696,000	-	153,000

31. Earnings Per Share

The basic earnings per share is calculated by dividing the profit after tax of the Group attributable to shareholders of RM4,366,837 (2004 - RM2,283,378) by the number of ordinary shares in issue during the financial year of 189,238,348 (2004 - 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.

32. Purchase Of Property, Plant And Equipment

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cost of property, plant and equipment purchased	245,901	5,274,449	31,399	31,543
Amount financed through hire purchase	(100,000)	-	-	-
Cash disbursed for the purchase of property, plant and equipment	145,901	5,274,449	31,399	31,543

33. Cash And Cash Equivalents

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	807,587	778,698	-	-
Cash and bank balances	32,327,458	14,657,391	18,988,522	4,600,960
Bank overdrafts	-	(426,037)	-	-
	33,135,045	15,010,052	18,988,522	4,600,960

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

34. 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:-

Group	No. Of Director	Directors' Fee RM	No. Of Director	Directors' Other Emoluments RM	Total RM
2005					
- Below RM50,000	8	232,500	-	-	232,500
- Between RM400,001 and 450,000	-	-	1	438,750	438,750
- Between RM550,001 and 600,000	-	-	2	1,111,500	1,111,500
2004					
- Below RM50,000	8	288,000	-	-	288,000
- Between RM300,001 and RM350,000	-	-	1	315,900	315,900
- Between RM400,001 and RM450,000	-	-	2	842,400	842,400
Company					
2005					
- Below RM50,000	8	232,500	-	-	232,500
2004					
- Below RM50,000	8	288,000	-	-	288,000

35. Significant Related Company Transactions

Transactions with subsidiaries:-

	Company 2005 RM	2004 RM
Interest income	-	262,849
Rental income	429,200	472,400
Management fee	452,400	198,400
Other sundry income	2,400	3,400

Notes To The Financial Statements For The Financial Year Ended 31 December 2005 (cont'd)

36. Significant Related Party Transactions/Balances

Name Of Related Party	Nature Of Transactions	Value Of Transactions		Group	
		2005 RM	2004 RM	Amount Receivable 2005 RM	2004 RM
Rintisan Bumi Sdn. Bhd.	Purchase of logs	16,463,479	45,694,057	-	-
	Long purchase advances	-	-	-	6,991,447
	Sales of sawn timber	-	21,600	-	-
	Office rental payable	36,000	24,000	-	-
	Interest receivable on overdue account	233,059	600,000	-	-

The related party refers to a company in which a brother of Tan Sri Datuk Chai Kin Kong is a director.

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 2005 (cont'd)

37. Segmental Information

	Timber		Mobile Cranes		Others		Group	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue								
Total revenue	134,383	252,203	9,699	8,019	10,675	4,299	154,757	264,521
Inter-segment revenue	-	-	(988)	(474)	(8,827)	(1,043)	(9,815)	(1,517)
Total external revenue	134,383	252,203	8,711	7,545	1,848	3,256	144,942	263,004
Results								
Segment results (external)	(2,228)	5,787	7,077	159	(1,611)	(2,735)	3,238	3,211
Finance costs							(55)	(164)
Interest income							449	720
Profit from ordinary activities before taxation							3,632	3,767
Taxation							759	(1,689)
Profit from ordinary activities after taxation							4,391	2,078
Minority interests							(24)	205
Net profit for the year							4,367	2,283
Other Information								
Segment assets	126,698	133,932	9,460	14,149	54,459	43,000	190,617	191,081
Unallocated assets							970	869
							191,587	191,950
Segment liabilities	5,796	7,903	2,811	1,235	652	1,115	9,259	10,253
Unallocated liabilities							2,611	6,371
							11,870	16,624
Capital expenditure	191	4,744	22	494	33	36	246	5,274
Impairment loss	-	-	390	-	270	-	660	-
Depreciation and amortisation	3,248	3,195	631	1,739	181	515	4,060	5,449

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 2005 (cont'd)

38. Number Of Employees

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Number of employees at the balance sheet date	442	478	9	5

39. Foreign Exchange Rates

The principal 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:-

	Company	
	2005 RM	2004 RM
United States Dollar	3.80	3.80
Singapore Dollar	2.30	2.34

40. Fair Values

Fair values is defined as the amount at which the financial instrument 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 instruments of the Group and of the Company:-

(a) Amounts Owning By/(To) Subsidiaries

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries due principally to no fixed terms of repayment. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(b) Hire Purchase Payables

The carrying amounts approximates the fair values of these instruments. The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar types of instruments at the balance sheet date.

(c) Cash and Bank Balances, Other Short Term Receivables/Payables

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

Shareholding Statistics As At 11 May 2006

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 11 May 2006 are as follows:-

Name of Substantial Shareholders	Direct	%	Indirect	%
	No of shares		No of shares	
Capital Unicorn Holdings Sdn Bhd	15,351,600	8.11	-	-

DIRECTORS' SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 11 May 2006 are as follows:-

Name of Directors	Direct	%	Indirect	%
	No of shares		No of shares	
Dato' Noorazman bin Adnan	461,000	0.24	-	-
Dato' Chua Tiong Moon	4,845,162	2.56	2,198,113	1.16
Tan Sri Datuk Chai Kin Kong	4,925,070	2.60	2,198,113	1.16
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Lee Gee Huy @ Lee Kong Fee, JP	-	-	-	-
Boey Tak Kong	-	-	-	-
Ir. Zainurin bin Karman	-	-	-	-

* Deemed interest by virtue of Dato' Chua Tiong Moon and Tan Sri Datuk Chai Kin Kong having not less than fifteen percent of the voting shares in Equal Accord Sdn Bhd which has a direct interest in the Company.

Shareholding Statistics As At 11 May 2006 (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	13	0.16
100 – 1,000	1,667,240	0.88	1,706	21.22
1,001 – 10,000	23,713,602	12.53	4,825	60.00
10,001 – 100,000	41,157,057	21.75	1,347	16.75
100,001 – 9,461,916	107,348,482	56.73	149	1.85
9,461,917 and Above	15,351,600	8.11	1	0.02
	<u>189,238,348</u>	<u>100.00</u>	<u>8,041</u>	<u>100.00</u>

THIRTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	No. of Shares	% of Issued Capital
1. OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CAPITAL UNICORN HOLDINGS SDN BHD	15,351,600	8.11
2. CIMSEC NOMINEES (ASING) SDN BHD CIMB-GK SECURITIES PTE LTD FOR PIVOTAL GROUP LIMITED (68385)	9,220,000	4.87
3. CIMSEC NOMINEES (ASING) SDN BHD CIMB-GK SECURITIES PTE LTD FOR ZETAMAX HOLDINGS LIMITED (68381)	9,217,000	4.87
4. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EVERGREEN 2000 SDN BHD (D)	8,462,600	4.47
5. CIMSEC NOMINEES (ASING) SDN BHD CIMB-GK SECURITIES PTE LTD FOR ABLEPRO INVESTMENTS LIMITED	7,010,600	3.70
6. CIMSEC NOMINEES (ASING) SDN BHD CIMB-GK SECURITIES PTE LTD FOR GRANDEVER GROUP LIMITED	5,914,400	3.13
7. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG (D)	4,925,000	2.60
8. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON (D)	4,485,100	2.56
9. RIMBUNAN JADI SDN BHD	4,168,800	2.20
10. CHIONG KIAU	2,539,000	1.34
11. CHOO CHEE CHIEN	2,501,000	1.32
12. OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	2,198,100	1.16
13. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOLID DIVIDEND SDN BHD (D)	2,101,300	1.11
14. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG NAM	2,078,500	1.10

Shareholding Statistics As At 11 May 2006 (cont'd)

15. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAHAYA KELANA SDN BHD	2,020,000	1.07
16. GAN AH AI	2,000,000	1.06
17. CIMSEC NOMINEES (ASING) SDN BHD CIMB-GK SECURITIES PTE LTD FOR BIOVENTURE LIMITED (68419)	1,799,000	0.95
18. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI KIEW @ TAI CHOON CHYE (MLK)	1,176,000	0.62
19. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SAW THONG (B)	1,041,000	0.55
20. CARBATAN NOMINEES (ASING) SDN BHD CREDIT INDUSTRIEL ET COMMERCIAL, SINGAPORE FOR MERTON PROFITS LIMITED	1,000,000	0.53
21. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LEE KEAT SEONG (T-731217)	1,000,000	0.53
22. SIAH GIM ENG	1,000,000	0.53
23. M & A SECURITIES SDN BHD IVT (B)	901,600	0.48
24. GAM SEONG LIAM	800,000	0.42
25. PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAP JEMPOL TROPIKS (MALACCA) SDN BHD (D)	785,200	0.41
26. TAN CHOR THENG	743,000	0.39
27. HSBC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEN MEE LIN	730,000	0.39
28. CHAN KAM LIN	700,000	0.37
29. SIAH GIM ENG	618,600	0.33
30. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' RAMLI BIN YUSUFF (471794)	500,000	0.26
TOTAL	97,347,400	51.43

Particulars Of Properties Held

Summary of landed properties owned as at 31 December 2005.

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (Years)	NBV as at 31.12.05 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	28	5,297	31 December 2005
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	27	5,184	31 December 2005
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	15	3,347	31 December 2005
SHB	Lot 850 Mukim 6 Seberang Prai Tengah	Freehold	Heavy vehicle parking area	49,048	N.A.	1,397	31 December 2005
SHB	Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah	Freehold	Warehouse with annexed office & storage yard	317,944	12	10,946	31 December 2005
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626	N.A.	615	31 December 2005
SHB	Lot 1619 Mukim 6 Seberang Prai Tengah	Freehold	Vacant land	43,734	N.A.	3,459	31 December 2005
SHB	Lot 1590, 1595 & 1598 Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	441,263	N.A.	1,410	31 December 2005

Particulars Of Properties Held (cont'd)

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (Years)	NBV as at 31.12.05 RM'000	Last revaluation date
SHB	Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	>50	887	31 December 2005
EMC Cranes Sdn Bhd	Lot 451 Mukim 17 Sg Lembu Seberang Prai Tengah	Freehold	Vacant land	795,231	N.A.	2,150	31 December 2005
SHB	Plot 34 H.S. (M) 16/1977 Mukim of Mergong Kota Setar, Kedah	Leasehold - sub-lease expiring on 14 May 2037 - 32 years remaining	2 storey office with annexed workshop	34,000	29	710	31 December 2005
Sanbumi Sawmill Sdn Bhd	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold - expiring on 31 December 2052 - 47 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	6-14	4,485	24 May 2000

Proxy Form

CDS account no. of authorised nominee ⁽¹⁾

I/We (name of shareholder as per NRIC, in capital letters)
NRIC No. (new) (old)/ID No./Company No.
of(full address)
being a member(s) of the abovenamed Company, hereby appoint
(name of proxy as per NRIC, in capital letters) NRIC No. (new)
(old) or failing him/her (name of proxy as per NRIC, in capital letters)
NRIC No. (new) (old) 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-Seventh Annual General Meeting
of the Company to be held at the Conference Room, Second Floor, Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang on
Friday, 30 June 2006 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

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' Chua Tiong Moon		
Resolution 4	- Mr Lee Gee Huy @ Lee Kong Fee, JP		
Resolution 5	- Ir. Zainurin bin Karman		
Resolution 6	- Re-appointment of Messrs Horwath as Auditors and to authorise the Directors to determine their remuneration		
Resolution 7	- Proposed amendment to the Memorandum of Association of the Company		
Resolution 8	- Authority to allot shares		
Resolution 9	- Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	- Proposed Share Buy-Back		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this day of 2006

Number of shares held

For appointment of more than one proxy, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%

.....
Signature/Common Seal of Appointer

NOTES:

1. Applicable to shares held through a nominee account.
2. In accordance with Paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. 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.
4. If the space provided in the form proxy is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
5. 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.
6. 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.
7. 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.
8. 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.
9. Those proxy forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted.

Please fold here to seal

Stamp

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

Please fold here to seal