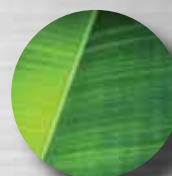
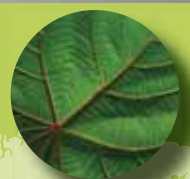




SANBUMI HOLDINGS BERHAD
(8386 P)



2006 annual report





SANBUMI HOLDINGS BERHAD
(8386 P)

Reg Off:

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

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Eighth 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, 29 June 2007 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 2006 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 2006. (Resolution 2)
3. To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:-

Tan Sri Datuk Chai Kin Kong (Resolution 3)
Mr Boey Tak Kong (Resolution 4)
4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. (Resolution 5)

AS SPECIAL BUSINESS

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

Special Resolution

5. **Proposed Amendments to the Articles of Association of the Company** (Resolution 6)

"THAT the Proposed Amendments to the Articles of Association of the Company as set out in Part A of the Circular to Shareholders dated 7 June 2007 be and are hereby approved and adopted."

Ordinary Resolutions

6. **Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 7)

"THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 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 does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."
7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** (Resolution 8)
 - (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 Part B of the Circular to Shareholders dated 7 June 2007, provided that such transactions are of:-

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- a. recurrent transactions of a revenue or trading nature;
 - b. necessary for the day-to-day operations; and
 - c. carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public, are undertaken on arms' length basis and are not detrimental to the minority 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 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); 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 Part B 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 Part B of the Circular to Shareholders dated 7 June 2007."

8. Proposed Renewal of Share Buy-Back Authority

(Resolution 9)

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant authority, the Directors of the Company be and are hereby unconditionally and generally authorized to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:-

- (i) The maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital for the time being of the Company ("Sanbumi Shares")
- (ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Sanbumi Shares shall not exceed the share premium account of the Company amounting to RM14,787,402.00 as at 31 December 2006.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

(iii) The authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authority; and

(iv) Upon completion of the purchase(s) of the Sanbumi Shares by the Company, the Directors of the Company be hereby authorised to deal with the Sanbumi Shares in the following manner:-

- a. cancel the Sanbumi Shares so purchased; or
- b. retain the Sanbumi Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
- c. retain part of the Sanbumi Shares so purchased as treasury shares and cancel the remainder,

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the Sanbumi Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required by the relevant authorities."

9. 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: 7 June 2007

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. 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.
3. 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.
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. 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. 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 6 – Proposed Amendments to the Articles of Association of the Company

The Special Resolution proposed under item 5 of the agenda, if passed, will update the Articles of Association of the Company to reflect the current provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and to provide clarity to the provisions of certain existing Articles of Association.

For further information on the Proposed Amendments to the Articles of Association of the Company, please refer to the Circular to Shareholders dated 7 June 2007.

2. Resolution 7 - Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution proposed under item 6 of the agenda, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

3. Resolution 8 – Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature

The Ordinary Resolution proposed under item 7 of the agenda, if passed, will renew the Shareholders' Mandate approved by the shareholders of the Company on 30 June 2006. For further information on the Proposed Renewal of Shareholders' Mandate, please refer to the Circular to Shareholders dated 7 June 2007.

4. Resolution 9 – Proposed Renewal of Share Buy-Back Authority

The Ordinary Resolution proposed under item 8 of the agenda, 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 dated 7 June 2007.

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. Tan Sri Datuk Chai Kin Kong
- b. Mr Boey Tak Kong

2. Details of attendance of Directors at Board Meetings

The details are set out on page 18 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, 29 June 2007 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 75 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 DIRECTOR

- **Tan Sri Datuk Chai Kin Kong**
(Appointed 23/02/2001)

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 26/08/2005)

NON-EXECUTIVE DIRECTOR

- **Dato' Rahadian Mahmud Bin Mohammad Khalil**
(Appointed 23/02/2001)

AUDIT COMMITTEE

CHAIRMAN

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

MEMBERS

- **Dato' Chua Tiong Moon**
- **Boey Tak Kong**
- **Ir. Zainurin Bin Karman**

NOMINATION COMMITTEE

CHAIRMAN

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

MEMBERS

- **Boey Tak Kong**
- **Ir. Zainurin Bin Karman**

REMUNERATION COMMITTEE

CHAIRMAN

- **Dato' Noorazman Bin Adnan**

MEMBERS

- **Lee Gee Huy @ Lee Kong Fee, JP**
- **Ir. Zainurin Bin Karman**

COMPANY SECRETARY

- **Molly Gunn Chit Geok**
(MAICSA 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

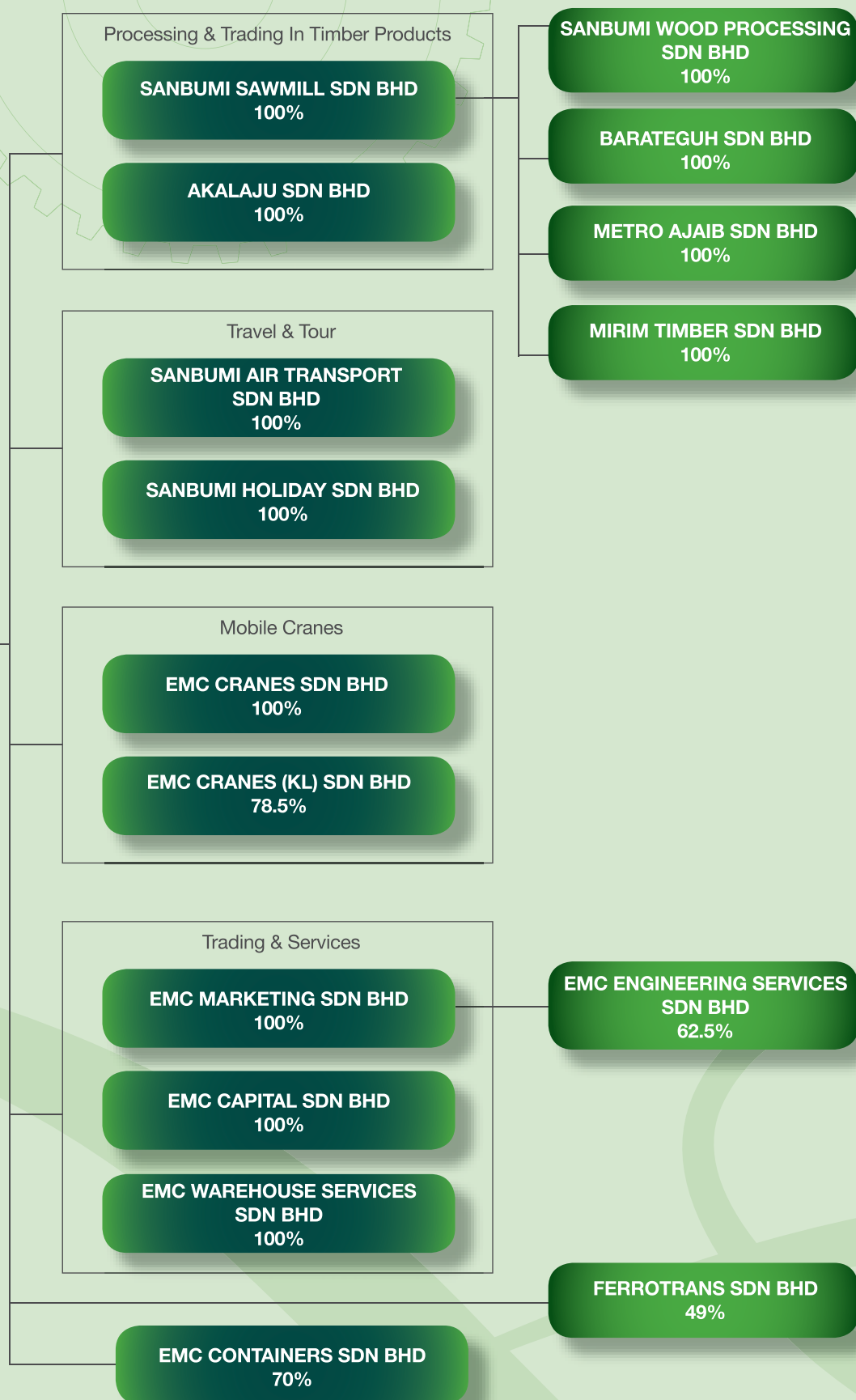
Malayan Banking Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Board Of
Bursa Malaysia Securities Berhad

- Stock Name : Sanbumi
- Stock Code : 9113

CORPORATE STRUCTURE





CORPORATE HIGHLIGHTS

- **17 November 2006**

The Company acquired the entire issued and paid-up capital of two newly incorporated companies, Sanbumi Holiday Sdn Bhd ("SH") and Sanbumi Air Transport Sdn Bhd ("SAT") for a total cash consideration of RM2.00 each respectively and subsequently increased the issued and paid-up capital to 200,000 ordinary shares of RM1.00 each respectively. SH and SAT are expected to participate in the travel and tourism industry by carrying out businesses of inbound and outbound tours and ticketing agent.

- **5 January 2007**

Sanbumi Holiday Sdn Bhd received an approval letter from the Ministry of Tourism Malaysia to carry on the businesses of inbound tour and ticketing agent in Kuala Lumpur.

- **24 January 2007**

Sanbumi Holiday Sdn Bhd received an approval letter from the Ministry of Tourism Malaysia to carry on the business of outbound tour in Kuala Lumpur.

Sanbumi Air Transport Sdn Bhd received an approval letter from the Ministry of Tourism Malaysia to carry on the businesses of inbound and outbound tours and ticketing agent in Kuala Lumpur.

- **31 January 2007**

Sanbumi Air Transport Sdn Bhd received a Letter of Offer from Far Eastern Air Transport Corp. of Taiwan to enter into a business collaboration to provide flight services to tour passengers for the following routes:

- Taipei – Kota Kinabalu – Taipei
- Taipei – Langkawi – Taipei
- Taipei – Terengganu – Taipei
- Taipei – Penang – Taipei
- Taipei – Kuantan – Taipei

- **23 February 2007**

The official opening of the business premises of Sanbumi Holiday Sdn Bhd and Sanbumi Air Transport Sdn Bhd and the official launch of the 'Kenali Malaysia' brochure by the Honorable Minister of Transport and the Minister of Tourism respectively.

Sanbumi Air Transport Sdn Bhd entered into an Aircraft Charter Agreement, as the Charterer, with Far Eastern Air Transport Corp. of Taiwan, as the Carrier, subject to terms and conditions as agreed upon.

- **14 March 2007**

Sanbumi Holiday Sdn Bhd and Sanbumi Air Transport Sdn Bhd received the respective business licences from the Ministry of Tourism Malaysia to carry on the business of inbound and outbound tours and ticketing services. The licences are valid for the period from 15 March 2007 to 14 March 2008.

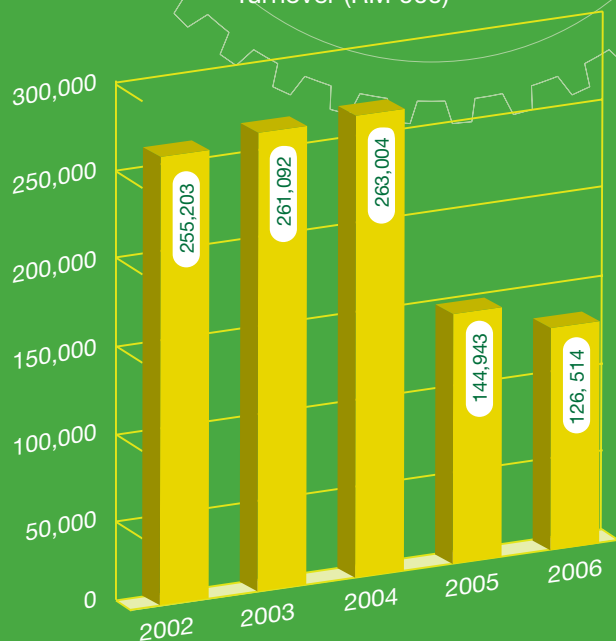
- **15 April 2007**

The arrival of the chartered aircraft on its maiden voyage from Taipei to Kota Kinabalu.

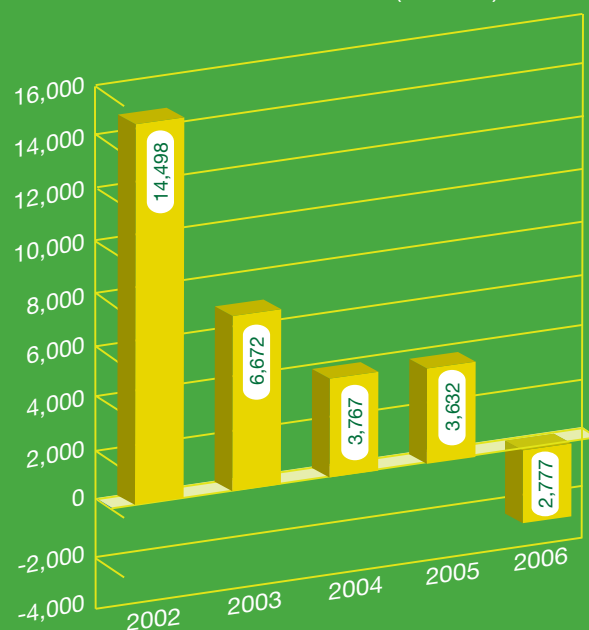
FINANCIAL HIGHLIGHTS

The Group's Five Years Financial Highlights

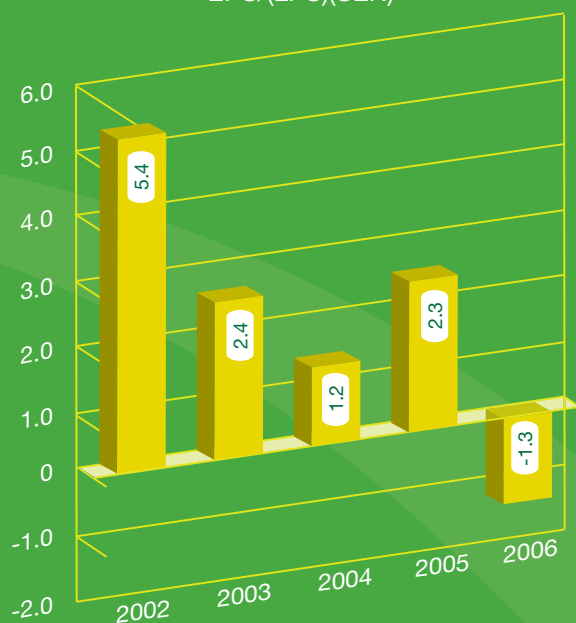
Turnover (RM'000)



Profit Before Taxation (RM'000)



EPS/(LPS)(SEN)



Shareholders Equity (RM'000)





PROFILE OF THE BOARD OF DIRECTORS

Dato' Noorazman Bin Adnan

Chairman

— Age : 50 — 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 : 48 — Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 29 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 : 48 — Nationality : Malaysian

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 34 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. 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.

Lee Gee Huy @ Lee Kong Fee, JP

Director

— Age : 59 — Nationality : Malaysian

Lee Gee Huy @ Lee Kong Fee, J.P. is a Barrister. He obtained his Licence-In-Law from Buckingham University, United Kingdom and Barrister-At-Law at Lincoln's Inn, London. He has over 20 years experience practicing as an Advocate & Solicitor.

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

PROFILE OF THE BOARD OF DIRECTORS (Cont'd)

Ir. Zainurin bin Karman

Director

— Age : 42 — 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 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.

Dato' Rahadian Mahmud bin Mohammad Khalil

Director

— Age : 33 — Nationality : Malaysian

Dato' Rahadian Mahmud bin Mohammad Khalil is a businessman. He is currently involved in the reforestation business in the timber industry as well as the construction and manufacturing sectors.

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, KYM Holdings Berhad and is the Executive Chairman of Permaju Industries Berhad.

Boey Tak Kong

Director

— Age : 53 — 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, Member of the Malaysian Institute of Management 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.

CHAIRMAN'S STATEMENT

“On behalf of the Board of Directors of Sanbumi Holdings Berhad, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2006.

”



CHAIRMAN'S STATEMENT (Cont'd)

General Overview

The global economic environment was reported to be favourable in 2006 despite some moderation towards the later part of the year in the United States (US). The global growth momentum remained resilient with the broadening of growth across the major economic regions, specifically with growing economic impetus in Europe, continued recovery in Japan and stronger expansion in the East Asia region as well as other developing economies. Economic growth in the East Asian region was sustained at a strong pace with PR China remaining as its key contributor to the regional expansion. [Source BNM Annual Report 2006].

The Malaysian economy, driven by the robust global growth and supported by strong domestic demand, was reported to have strengthened in 2006. Growth was generally private-sector driven with most sectors of the economy registering positive growth rates.



Financial Performance Overview

The economic indicators for 2006 continue to favour 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 continue achieving record high in 2006. Nevertheless, the scarcity of logs supply and the policy on conservation by implementing sustainable forest management practices has resulted in irregular supply of quality raw material, thus undermining 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 2006 dipped into negative for the first time since the financial year ended 31 December 2001. The Group recorded a loss before tax of RM2.77 Million for the financial year ended 31 December 2006 as compared to the profit before tax of RM3.63 Million which was achieved against the backdrop of significant gains arising from the disposal of mobile cranes.

CHAIRMAN'S STATEMENT (Cont'd)

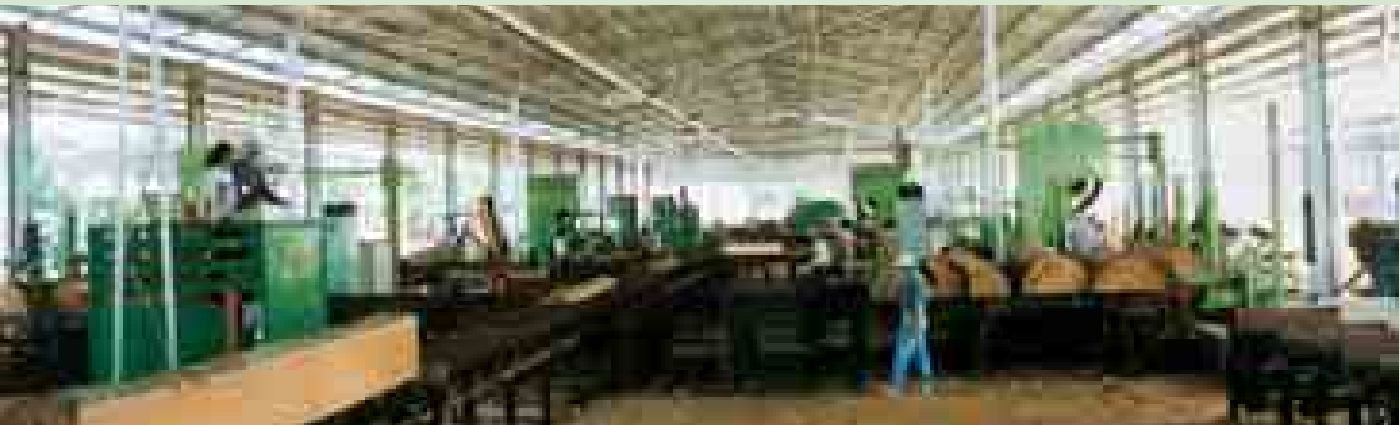
Operations Review

- Timber related business activities

The timber related business activities registered an annual turnover from external sales of RM124.43 Million and a pre-tax loss of RM1.35 Million for the year ended 31 December 2006. The turnover was marginally lower as compared to the preceding financial year by approximately 7.4%, mainly attributed to decline in the sales volume of sawn timber. On the contrary, the pre-tax loss also recorded a decline of approximately 31.5% as compared to the preceding financial year as a result of the favourable selling prices recorded on sale of timber logs.

- Non-timber related business activities

Year 2006 has been a subtle year for the non-timber related business activities. Following the Group's rationalisation exercise of the mobile crane service business, the non-timber related business activities provided negative contributions, mainly attributed to the fixed costs and additional allowances made for debts doubtful of collections, to the Group's results.



Corporate Development

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

The Group has in-principle concluded the rationalisation exercise undertaken to streamline all its non-core business assets and to realise non-revenue or non-profit generating properties, plant and equipment. Following this and as part of an effort to diversify its existing earning base, towards end of financial year 2006 the Group ventured into the travel and tourism sector. The Group's participation in this sector is through its two newly acquired subsidiary companies, Sanbumi Holiday Sdn Bhd and Sanbumi Air Transport Sdn Bhd. These subsidiary companies have obtained the

business licences to operate the business of inbound and outbound tours and ticketing agent. Despite the late entry into this sector, the venture is expected to provide a positive contribution towards the results of the Group for the year 2007 as it coincides with the Visit Malaysia Year 2007.

CHAIRMAN'S STATEMENT (Cont'd)

Outlook

Going forward, the local economic outlook for 2007 is expected to grow positively from where it was in 2006 in tandem with the favourable global scenario. Global growth is expected to broaden across the major economies, with Japan and Europe expected to play a more significant role as moderation is anticipated in the US. Growth in the East Asian region is also expected to be continuing its strong run. Nonetheless it will certainly be another challenging year for the local business community as external factors primarily undermines performances. Although oil price has declined from the recent peaks, geo-political developments could reverse this trend. In addition rising interest rates, rising cost of raw materials and preponderance of natural disasters continue to provide uncertainties that may dampen the robust global economic growth.



As for the Group, the year 2007 will be a great test of its ability to reverse its lackluster performance and improve on its returns. The venture into the tourism sector is expected to fill the vacuum left by certain contributing components which were realised under the rationalisation exercise. It is anticipated that the performance of the Group will continue to depend largely on the performance of the timber-related businesses and the Group will continue to implement appropriate business strategies to improve its position and take complete advantage of any favourable situations. The Board will continue in its effort to seek new business opportunities to enhance the Group's earning base and closely monitor the Group's existing activities so as to ensure that it will be able to sustain the desired results.

Appreciation

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

I would also wish to thank our shareholders, bankers, customers and business associates for all the support and cooperation extended throughout the year 2006 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 ("the Board") of Sanbumi Holdings Berhad has always been supportive of the adoption of the principles and best practices as set out in the Code. 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 ("Bursa Securities") throughout the year save where otherwise identified.

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 2006.

A. THE BOARD OF DIRECTORS

(i) 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.

(ii) Board Composition

The current Board 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 separated and clearly defined. Generally, the Chairman is responsible for encouraging debate on issues and brings to the Board a healthy level of deliberation and independence, whilst the Managing Director has primary responsibilities for the day to day operations of the Company in ensuring that strategies, policies and matters approved by the Board and/or the respective Board Committees are effectively implemented. There is proper balance in the Board because of the presence of Independent Non-Executive Directors of the calibre and experience necessary to carry sufficient weight in Board decisions. A brief profile of each Director is set out in the Directors' Profile in this Annual Report.

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(iii) Board meetings

The annual calendar of at least four meetings is agreed at the beginning of each 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 acquisitions and disposals, appointment of Directors are discussed and decided by the Board.

During the financial year ended 31 December 2006, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		#01	#02	#03	#04	#05		
Directors	Position	Attendance					Total	%
Dato' Noorazman Bin Adnan	Chairman	•	•	X	X	•	3/5	60
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	5/5	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	•	•	•	•	5/5	100
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	•	•	•	•	•	5/5	100
Lee Gee Huy @Lee Kong Fee, JP	Director	•	•	•	•	X	4/5	80
Boey Tak Kong	Director	•	•	•	•	•	5/5	100
Ir. Zainurin bin Karman	Director	•	•	•	•	•	5/5	100

Total number of meetings held:

5

(iv) Supply of Information

All Directors are provided with an agenda and a set of Board papers issued in sufficient time prior to the Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

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 and are updated on new statutory, regulations or requirements concerning their duties and responsibilities. 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)

(v) Appointments to the Board

The Nomination Committee comprises 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:

- (i) recommending to the Board and assessing the nominees for directorship and Board committee members
- (ii) recommending on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution
- (iii) 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

During the financial year ended 31 December 2006, the Nomination Committee had a meeting on 24 February 2006 which was attended by all members.

(vi) 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.

The names of Directors who are standing for re-election at the Thirty-Eighth Annual General Meeting of the Company to be held on 29 June 2007 are contained in the Statement Accompanying Notice of Annual General Meeting.

(vii) Directors' Training

As required under the Listing Requirements of Bursa Securities, all the Directors have attended the Directors' Mandatory Accreditation Programme. They have also participated in the Continuing Education Programme ("CEP") organized by the relevant regulatory authorities and professional bodies and have all obtained the requisite CEP points within the stipulated time frame.

The Board shall determine the training needs of the Directors on a continuous basis. The Directors are encouraged to actively participate further in the accredited seminars and conferences and to undergo other relevant training programmes to equip themselves with broad knowledge and understanding of various provisions, rules, regulations and the latest development in the industries to effectively discharge their duties and obligations.

For the financial year ended 31 December 2006, the Directors have attended an in-house senior management programme on Improving Budgeting Process and one Director has attended the Directors' Continuing Education Programme which covered topics on the new Financial Reporting Standards, the role of corporate social responsibility, implementation and preparation for goods and services tax and outlook for the Malaysian and Regional economies over the next 3 years, etc.

B. DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee comprises 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).

During the financial year ended 31 December 2006, two meetings were held.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(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 2006 are as follows:-

(All figures in RM)	Executive Directors	Non-Executive Directors
Salary	702,000	-
Fees	72,000	180,000
Bonus	468,000	-
Benefits-in-kind	-	-
Total	1,242,000	180,000

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
RM600,001 – RM650,000	2	-
Total	2	5

The Board is of the opinion that the disclosure of Directors' remuneration through the "band disclosure" is sufficient to meet the objectives of the Code. They feel that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

C. 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 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. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders. 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)

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 28 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 29 to 30.

(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 27 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 2006 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 2006.

b) *Share buybacks*

The Company purchased its own shares during the financial year ended 31 December 2006, details of which are disclosed below. All shares purchased were retained as treasury shares and none of these shares were resold or cancelled during the financial year.

Month of purchase	No. of shares purchased and retained as Treasury Shares	Purchase price Per share (RM)		Average Cost per share RM	Total consideration RM
		Lowest	Highest		
August	733,800	0.4300	0.4600	0.4506	332,329.86
September	5,000	0.4550	0.4550	0.4550	2,292.56
October	3,970,000	0.7400	0.8400	0.7900	3,148,122.64
TOTAL	4,708,800	0.4300	0.8400	0.7368	3,482,745.06

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 2006.

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 2006.

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 2006:

- 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 RM25,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.
- ii) Service Agreement dated 16 December 2004 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chua Tiong Moon whereby Sanbumi agreed to employ Chua Tiong Moon as the Executive Chairman of Sanbumi for a term of 3 years with effect from 1 July 2004. The remuneration of the Executive Chairman shall be a fixed salary of RM20,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

The Company was not imposed any sanctions and/or penalties by regulatory authorities during the financial year ended 31 December 2006.

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

The Company did not issue any profit guarantee during the financial year ended 31 December 2006.

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 2006.

i) **Conviction for offences**

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

j) **Non-audit fee**

There were no fees paid/payable to the external auditors for non-audit services provided during the financial year ended 31 December 2006.

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 30 June 2006 up to 9 May 2007, 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")	Rental payable to RBM by SSSB for office space rented	33
SSSB	Totalink Holdings Sdn Bhd ("TH")	ID CKK and CTM PC CKL and Chai Kim Chong ("CKC")	Rental payable to TH by SSSB for rental of log yard	33
TOTAL				66

Note:

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

AUDIT COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Lee Gee Huy @ Lee Kong Fee, JP
Dato' Chua Tiong Moon
Boey Tak Kong
Ir. Zainurin bin Karman

Chairman (Independent Non-Executive Director)
Member (Managing Director)
Member (Independent Non-Executive Director)
Member (Independent Non-Executive Director)

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 I 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.

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.

AUDIT COMMITTEE REPORT (Cont'd)

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.

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.

AUDIT COMMITTEE REPORT (Cont'd)

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;

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 2006, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Audit Committee Meeting		Feb 06	Apr 06	May 06	Aug 06	Nov 06		
Committee Members	Position	Attendance					Total	%
Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	X	4/5	80
Dato' Chua Tiong Moon	Member	•	•	•	•	•	5/5	100
Boey Tak Kong	Member	•	•	•	•	•	5/5	100
Ir. Zainurin bin Karman	Member	•	•	•	•	•	5/5	100

Total number of meetings held:

5

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2006:-

- (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.

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 Sanbuni Holdings Berhad hereby acknowledge that, in the opinion of the Directors, the accompanying financial statements are 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 the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date.

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)

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

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.

6. Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2006 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.



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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 2006.

Principal Activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
(Loss)/Profit after taxation for the financial year	(2,668,574)	632,526
Attributable to:		
Equity holders of the Company	(2,466,177)	632,526
Minority interests	(202,397)	-
	(2,668,574)	632,526

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.

DIRECTORS' REPORT (Cont'd)

Treasury Shares

During the financial year, the Company purchased 4,708,800 of its issued ordinary shares from the open market at an average price of RM0.74 per share. The total consideration paid for the purchase including transaction cost was RM3,482,745. The shares purchased were retained as treasury shares in accordance with Section 67A of the Companies Act, 1965 and presented as a deduction from shareholders' equity.

As at 31 December 2006, the Company held as treasury shares a total of 4,708,800 of its 189,238,348 issued ordinary shares. The treasury shares are held at a carrying amount of RM3,482,745. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

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 the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

Current Assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their 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.

DIRECTORS' REPORT (Cont'd)

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

Pursuant to Article 93 of the Articles of Association of the Company, Tan Sri Datuk Chai Kin Kong and Boey Tak Kong retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (Cont'd)

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 1.1.2006	Bought	Sold	At 31.12.2006
Direct Interests				
Tan Sri Datuk Chai Kin Kong	3,177,170	10,341,800	-	13,518,970
Dato' Noorazman Bin Adnan	461,000	-	-	461,000
Dato' Chua Tiong Moon	3,157,762	6,297,200	-	9,454,962
Indirect Interests				
Tan Sri Datuk Chai Kin Kong	2,198,113	5,094,000	-	7,292,113
Dato' Chua Tiong Moon	2,198,113	5,094,000	-	7,292,113

The other directors holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a person connected to 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 27 April 2007

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 38 to 74 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 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 27 April 2007

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 38 to 74 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Dato' Chua Tiong Moon, at Kuala Lumpur in the Federal Territory
on this 27 April 2007

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 38 to 74. 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 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 8 to the financial statements.

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

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

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur
27 April 2007

Lee Kok Wai
Approval No: 2760/06/08 (J)
Partner

BALANCE SHEETS AT 31 DECEMBER 2006

	NOTE	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM (Restated)
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	28,677,379	49,929,179	12,707,627	33,493,748
Investment properties	7	22,099,000		22,099,000	
Investments in subsidiaries	8	-	-	131,365,382	130,965,382
Investment in an associate	9	-	-	-	-
Deferred tax assets	10	388,910	95,938	-	-
		51,165,289	50,025,117	166,172,009	164,459,130
CURRENT ASSETS					
Inventories	11	26,578,109	17,865,828	-	-
Trade receivables	12	27,943,622	16,290,754	455,497	386,955
Other receivables, deposits and prepayments	13	62,079,132	73,300,253	458,046	357,655
Amount owing by subsidiaries	14	-	-	20,505,402	25,045,534
Amount owing by an associate	15	-	-	-	-
Tax refundable		2,395,279	970,001	-	91,306
Fixed deposits with licensed banks	16	-	807,587	-	-
Cash and bank balances		25,523,957	32,327,458	20,712,151	18,988,522
		144,520,099	141,561,881	42,131,096	44,869,972
TOTAL ASSETS		195,685,388	191,586,998	208,303,105	209,329,102

The annexed notes form an integral part of these financial statements

BALANCE SHEETS

AT 31 DECEMBER 2006 (Cont'd)

	NOTE	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM (Restated)
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	189,238,348	189,238,348	189,238,348	189,238,348
Retained profits/ (Accumulated losses)	18	75,478,189	68,516,249	(1,318,256)	(11,378,899)
Treasury shares	19	(3,482,745)	-	(3,482,745)	-
Other reserves	20	22,726,465	31,087,611	21,143,639	29,504,785
Merger deficit	21	(109,628,623)	(109,628,623)	-	-
SHAREHOLDERS' EQUITY		174,331,634	179,213,585	205,580,986	207,364,234
MINORITY INTERESTS		300,786	503,183	-	-
TOTAL EQUITY		174,632,420	179,716,768	205,580,986	207,364,234
NON-CURRENT LIABILITIES					
Hire purchase payables	22	564,300	4,366	-	-
Deferred tax liabilities	23	1,904,934	1,532,941	1,904,934	1,490,000
		2,469,234	1,537,307	1,904,934	1,490,000
CURRENT LIABILITIES					
Trade payables	24	14,086,281	4,428,186	-	-
Other payables and accruals		2,808,655	4,433,113	489,271	455,228
Amount owing to directors	25	-	342,042	-	-
Amount owing to subsidiaries	14	-	-	299,914	19,640
Hire purchase payables	22	592,366	51,150	-	-
Provision for taxation		1,096,432	1,078,432	28,000	-
		18,583,734	10,332,923	817,185	474,868
TOTAL LIABILITIES		21,052,968	11,870,230	2,722,119	1,964,868
TOTAL EQUITY AND LIABILITIES		195,685,388	191,586,998	208,303,105	209,329,102

The annexed notes form an integral part of these financial statements

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Group		Company	
	NOTE	2006 RM	2005 RM	2006 RM	2005 RM
REVENUE	26	126,514,123	144,942,551	1,567,850	11,836,330
COST OF SALES		(120,270,645)	(136,104,299)	-	-
GROSS PROFIT		6,243,478	8,838,252	1,567,850	11,836,330
OTHER INCOME	27	5,397,834	12,130,218	489,087	259,353
		11,641,312	20,968,470	2,056,937	12,095,683
DISTRIBUTION COSTS		(5,876,998)	(6,787,392)	(93,584)	(53,517)
ADMINISTRATIVE EXPENSES		(7,180,408)	(8,115,049)	(1,296,527)	(1,620,815)
OTHER EXPENSES		(1,341,421)	(2,379,074)	(6,300)	(686,938)
FINANCE COSTS		(19,928)	(55,257)	-	-
(LOSS)/PROFIT BEFORE TAXATION	28	(2,777,443)	3,631,698	660,526	9,734,413
INCOME TAX EXPENSE	29	108,869	758,714	(28,000)	(2,465,929)
(LOSS)/PROFIT AFTER TAXATION		(2,668,574)	4,390,412	632,526	7,268,484
ATTRIBUTABLE TO:-					
Equity holders of the Company		(2,466,177)	4,366,837	632,526	7,268,484
Minority Interests		(202,397)	23,575	-	-
		(2,668,574)	4,390,412	632,526	7,268,484
(LOSS)/EARNINGS PER SHARE (SEN)					
- Basic	30	(1.31)	2.31		
- Diluted	30	Not applicable	Not applicable		

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

Group	Attributable to Equity Holders of the Company							Minority Interests RM	Total RM
	Share Capital RM	Share Premium RM	Treasury Shares RM	Non - Distributable Capital Reserve RM	Revaluation Reserve RM	Merger Deficit RM	Retained Profits RM		
Balance at 1.1.2005	189,238,348	14,787,402	-	1,582,826	14,717,383	(109,628,623)	64,149,412	479,608	175,326,356
Profit after taxation	-	-	-	-	-	-	4,366,837	23,575	4,390,412
Balance at 31.12.2005/ 1.1.2006	189,238,348	14,787,402	-	1,582,826	14,717,383	(109,628,623)	68,516,249	503,183	179,716,768
Effects of adopting FRS 140	-	-	-	-	(8,361,146)	-	9,428,117	-	1,066,971
As restated	189,238,348	14,787,402	-	1,582,826	6,356,237	(109,628,623)	77,944,366	503,183	180,783,739
Treasury shares acquired	-	-	(3,482,745)	-	-	-	-	(3,482,745)	(3,482,745)
Loss after taxation	-	-	-	-	-	-	(2,466,177)	(202,397)	(2,668,574)
Balance at 31.12.2006	189,238,348	14,787,402	(3,482,745)	1,582,826	6,356,237	(109,628,623)	75,478,189	300,786	174,632,420

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

Company	Non - Distributable Reserves					Accumulated Losses RM	Total RM
	Share capital RM	Share Premium RM	Treasury Shares RM	Revaluation Reserve RM			
Balance at 1.1.2005	189,238,348	14,787,402	-	15,153,639	(18,647,383)	200,532,006	
Effects of adopting FRS 127	-	-	-	(436,256)	-	(436,256)	
As restated	189,238,348	14,787,402	-	14,717,383	(18,647,383)	200,095,750	
Profit attributable to shareholders	-	-	-	-	7,268,484	7,268,484	
Balance at 31.12.2005/1.1.2006 – As restated	189,238,348	14,787,402	-	14,717,383	(11,378,899)	207,364,234	
Effects of adopting FRS 140	-	-	-	(8,361,146)	9,428,117	1,066,971	
As restated	189,238,348	14,787,402	-	6,356,237	(1,950,782)	208,431,205	
Treasury shares acquired	-	-	(3,482,745)	-	-	(3,482,745)	
Profit attributable to shareholders	-	-	-	-	632,526	632,526	
Balance at 31.12.2006	189,238,348	14,787,402	(3,482,745)	6,356,237	(1,318,256)	205,580,986	

The annexed notes form an integral part of these financial statements

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(2,777,443)	3,631,698	660,526	9,734,413
Adjustments for:-				
Allowance for doubtful debts	907,129	967,030	-	362,343
Allowance for slow-moving inventories	22,462	-	-	-
Bad debts written off	6,300	24,301	6,300	4,595
Depreciation of property, plant and equipment	3,233,569	4,720,137	169,026	416,711
Impairment of asset	-	660,000	-	270,000
Interest expense	19,928	38,796	-	-
Inventories written down	294,123	-	-	-
Loss on disposal of unquoted investment	-	50,000	-	50,000
Plant and equipment written off	1,079	-	-	-
Unrealised loss on foreign exchange	60,489	-	-	-
Gross dividend income	-	-	-	(10,100,000)
Net gain on disposal of property, plant and equipment	(207,580)	(8,229,841)	-	-
Interest income	(477,119)	(449,236)	(481,287)	(186,800)
Reversal of allowance for doubtful debts	(305,325)	(282,269)	-	-
Operating profit before working capital changes	777,612	1,130,616	354,565	551,262
Increase in inventories	(9,028,862)	(21,665)	-	-
(Increase)/Decrease in trade and other receivables	(1,100,340)	9,087,922	(175,233)	1,773,401
Increase/(Decrease) in trade and other payables	8,033,633	1,307,934	34,043	(453,051)
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES	(1,317,957)	11,504,807	213,375	1,871,612
Income tax (paid)/refunded	(1,634,322)	(3,197,438)	91,306	18,694
Interest paid	(19,928)	(38,796)	-	-
Interest received	477,119	449,236	481,287	186,800
NET CASH (FOR)/FROM OPERATING ACTIVITIES CARRIED FORWARD	(2,495,088)	8,717,809	785,968	2,077,106

The annexed notes form an integral part of these financial statements

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

	NOTE	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
NET CASH (FOR)/FROM OPERATING ACTIVITIES BROUGHT FORWARD		(2,495,088)	8,717,809	785,968	2,077,106
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Repayment from subsidiaries		-	-	4,540,132	4,648,137
Acquisition of subsidiaries	31	-	-	(400,000)	-
Dividend received		-	-	-	7,580,000
Purchase of property, plant and equipment	32	(1,679,151)	(145,901)	-	(31,399)
Proceeds from disposal of property, plant and equipment		486,788	11,432,169	-	-
Proceeds from disposal of unquoted investment		-	100,000	-	100,000
Advances to an associate		-	(3,403)	-	(3,403)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,192,363)	11,382,865	4,140,132	12,293,335
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	280,274	17,121
Repayment of hire purchase obligations		(98,850)	(78,696)	-	-
Repayment of bankers' acceptances		-	(2,000,004)	-	-
(Repayment to)/Advances from directors		(342,042)	103,019	-	-
Treasury shares acquired		(3,482,745)	-	(3,482,745)	-
NET CASH (FOR)/ FROM FINANCING ACTIVITIES		(3,923,637)	(1,975,681)	(3,202,471)	17,121
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(7,611,088)	18,124,993	1,723,629	14,387,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		33,135,045	15,010,052	18,988,522	4,600,960
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	25,523,957	33,135,045	20,712,151	18,988,522

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

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 27 April 2007.

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 8 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 market, credit, liquidity and cash flow risks. The overall financial risk management objective of the Company and the Group is to maximize 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) Market Risk

(i) 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 in Ringgit Malaysia, the directors are of the opinion that the Group's exposure to currency risk is not significant.

(ii) 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.

(iii) Price Risk

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

(b) 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 66% (2005 – 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 2006 (Cont'd)

3. Financial Risk Management Policies (Cont'd)

(c) 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 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 in compliance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

The adoption of these new and revised FRS does not have any material financial effects on the financial statements of the Group and of the Company except for:

- (a) FRS 127 – Consolidated and Separate Financial Statements
- (b) FRS 140 – Investment Properties

The effects of adopting the above FRS on the accounting policies are disclosed in Notes 5(e), 5(j) and 40 to the financial statements.

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for the Company's financial statements for the financial year ending 31 December 2007:-

- FRS 117 Leases
- FRS 124 Related Party Disclosures

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by the MASB. This new standard establishes principles for recognising and measuring financial assets, the financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and may have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and usage factors which could change significantly.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. However, changes in the expected level of usage and related commercial factors may impact the economic useful lives of these assets, leading to future depreciation charges to be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(v) *Allowance for Doubtful Debts on Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where there is objective evidence or changes in circumstances that indicate the carrying amounts may not be recoverable. Management specifically analyses historical trends, customer concentrations and creditworthiness, current economic trends and changes in customer payment pattern terms when making a judgement on the adequacy of the allowance for doubtful debts on receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group or the Company 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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group or the Company 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) Functional and Foreign Currency

(i) *Functional and Presentation Currency*

The functional currency of the Company or the Group is measured using the currency of the primary economic environment in which the Group operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

(ii) *Transactions and Balances*

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2006.

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 purchase 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. These subsidiaries were consolidated prior to 1 July 2001 in accordance with the Malaysian Accounting Standards 2 - Accounting for Acquisitions and Mergers, which was the generally accepted accounting principles prevailing at that time. The Sanbumi Sawmill Group adopted the purchase method of accounting in consolidating the subsidiaries of Sanbumi Sawmill Sdn. Bhd.

Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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.

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.

Minority interests in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(e) Investments in Subsidiaries

Prior to 1 January 2006, investments in subsidiaries were stated at cost and valuation in the balance sheet of the Company. The investments were also reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that the carrying values may not be recoverable.

Surpluses arising from the revaluation of the investments in subsidiaries were credited to the revaluation reserve. Deficits arising from the revaluation, to the extent that they were not supported by any previous revaluation surpluses, were charged to the income statement. In the year of disposal of a subsidiary, the attributable revaluation surplus was transferred from the revaluation reserve to retained earnings.

During the financial year, the Company has changed the accounting policy in compliance with FRS 127 - Consolidated and Separate Financial Statements. The investments in subsidiaries are now stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

The financial effects of the change in the accounting policy are disclosed in Note 40 to the financial statements.

(f) Investment in Associates

An associate is an entity in which the Company or the Group has a long-term equity interest and over whose financial and operating policies the Company or the Group has the power to exercise significant influence through board representation. Investments in associates are stated at cost in the balance sheets of the Company and of the Group and are reviewed for impairment at the end of the year if events or changes in circumstances indicate that their carrying values may not be recoverable. The results of the associates are accounted for under the equity method, based on the financial statements of the associates made up to 31 December 2006.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(g) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost or valuation less accumulated depreciation or amortisation and impairment losses, if any. Freehold land is stated at valuation less impairment losses, if any and is not depreciated.

Depreciation or amortisation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. 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.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(h) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that 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 the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

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 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(i) 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(g) 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.

(j) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Prior to 1 January 2006, all investment properties were classified as property, plant and equipment and were stated at valuation. Upon the adoption of FRS 140 - Investment Properties, investment properties are now classified separately and are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Upon derecognition, the difference between the net disposal proceeds and the carrying amount is recognized in the income statement; and all attributable revaluation reserve relating to that investment property is transferred to retained earnings.

The change in this accounting policy has been applied prospectively as allowed under the transitional provisions of FRS 140, as the Group did not disclose the fair value information in its previous financial statements.

The effects of the change on the opening balances as at 1 January 2006 are disclosed in Note 40 to the financial statements.

(k) Revaluation Reserve

Surpluses arising from the revaluation of properties are credited to the revaluation reserve account. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

In the year of disposal of the revalued asset, the attributable remaining revaluation surplus is transferred from the revaluation reserve account to retained profits.

(l) Inventories

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(m) 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.

(n) 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.

(o) Income Taxes

Income taxes for the year comprise 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 future 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. 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 future 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 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(p) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(q) Share Buy-back

When the share capital recognised as equity is bought-back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in shareholders' equity.

(r) 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.

(s) Revenue Recognition

- (i) *Sale of Goods*
Revenue is recognised upon delivery of goods and customers' acceptance, and where applicable, net of sales tax returns and trade discounts.
- (ii) *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) *Management Fee*
Management fee is recognised on an accrual basis.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(u) Segmental Information

Segment revenue 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 property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

6. Property, Plant And Equipment

Group	Freehold Land And Buildings RM	Short-Term 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	Total RM
Net book value as at 1.1.2006	14,785,704*	4,484,599*	-	7,395,981	1,548,610	1,097,190	29,312,084*
Additions	-	-	208,000	291,436	2,329,304	50,411	2,879,151
Disposals	-	-	-	(541)	(278,667)	-	(279,208)
Written off				(1,079)	-	-	(1,079)
Depreciation charge	(45,765)	(774,746)	(13,867)	(1,693,590)	(482,748)	(222,853)	(3,233,569)
Net book value as at 31.12.2006	14,739,939	3,709,853	194,133	5,992,207	3,116,499	924,748	28,677,379
As at 31.12.2006							
At cost	-	-	423,482	29,226,246	6,930,607	3,279,235	39,859,570
At valuation - 2005	15,284,885	14,065,031	-	-	-	-	29,349,916
Accumulated depreciation	(544,946)	(10,355,178)	(229,349)	(23,234,039)	(3,814,108)	(2,354,487)	(40,532,107)
Net book value	14,739,939	3,709,853	194,133	5,992,207	3,116,499	924,748	28,677,379

* The opening balances were restated after incorporating the effects of adopting FRS 140 - Investment Properties, as disclosed in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

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

Group	Freehold Land And Buildings RM	Short-Term 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	Total RM
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	<u>(1,841,046)</u>	<u>(9,720,472)</u>	<u>(215,482)</u>	<u>(21,551,349)</u>	<u>(3,932,693)</u>	<u>(2,131,634)</u>	<u>(39,392,676)</u>
Net book value	<u>34,692,839</u>	<u>5,194,559</u>	<u>-</u>	<u>7,395,981</u>	<u>1,548,610</u>	<u>1,097,190</u>	<u>49,929,179</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at							
- 31.12.2006	10,753,473	3,709,853	-	-	-	-	14,463,326
- 31.12.2005	<u>18,284,838</u>	<u>4,579,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,864,767</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

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

Company	Freehold Land And Buildings RM	Short-Term Leasehold Land And Building RM	Motor Vehicles RM	Office Equipment, Furniture And Fittings RM	Total RM
Net book value as at 1.1.2006	12,635,703*	- *	60,742	180,208	12,876,653*
Depreciation charge	(45,765)	-	(56,070)	(67,191)	(169,026)
Net book value as at 31.12.2006	<u>12,589,938</u>	<u>-</u>	<u>4,672</u>	<u>113,017</u>	<u>12,707,627</u>
As at 31.12.2006					
At cost	-	-	388,050	986,032	1,374,082
At valuation - 2005	13,134,885	-	-	-	13,134,885
Accumulated depreciation	(544,947)	-	(383,378)	(873,015)	(1,801,340)
Net book value	<u>12,589,938</u>	<u>-</u>	<u>4,672</u>	<u>113,017</u>	<u>12,707,627</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)
	<u>32,542,838</u>	<u>709,960</u>	<u>60,742</u>	<u>180,208</u>	<u>33,493,748</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at					
- 31.12.2006	6,736,885	-	-	-	6,736,885
- 31.12.2005	14,268,249	95,330	-	-	14,363,579

* The opening balances were restated after incorporating the effects of adopting FRS 140 – Investment Properties, as disclosed in Note 40 to the financial statements.

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 23 to the financial statements.

The short-term leasehold land and buildings of the Group are pledged as security for bank borrowings.

Included in the net book value of property, plant and equipment of the Group at the balance sheet date are motor vehicles amounting to RM2,143,462 (2005 - RM123,333) acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

7. Investment Properties

At fair value:-

Freehold land and building

Short-term leasehold land and buildings

Group/Company 2006 RM	2005 RM
21,249,000	-
850,000	-
22,099,000*	-

* The opening balances were restated after incorporating the effects of adopting FRS 140 - Investment Properties, as disclosed in Note 40 to the financial statements.

Investment properties represent commercial properties leased to third parties.

8. Investments In Subsidiaries

Unquoted shares
- at cost

Company 2006 RM	2005 RM (Restated)
131,365,382	130,965,382

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

Name Of Company	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

8. Investments In Subsidiaries (Cont'd)

Name Of Company	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
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.
Sanbumi Holiday Sdn. Bhd.	100	-	Dormant.
Sanbumi Air Transport Sdn. Bhd.	100	-	Dormant.

* Interest held by Sanbumi Sawmill Sdn. Bhd.
 ** Interest held by EMC Marketing Sdn. Bhd.
 # Not audited by Messrs. Horwath.

9. Investment In An Associate

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	637,000	637,000	637,000	637,000
Impairment loss	-	-	(637,000)	(637,000)
	637,000	637,000	-	-
Share of post-acquisition accumulated losses	(637,000)	(637,000)	-	-
	-	-	-	-

The summarised financial information of the associate is as follows:-

	2006 RM	2005 RM
Assets and Liabilities		
Non-current assets	-	-
Current assets	64,241	61,838
	64,241	61,838
Non-current liabilities	-	-
Current liabilities	1,374,424	1,370,913
	1,374,424	1,370,913
Results		
Revenue	-	-
Loss for the financial year	(1,108)	(4,203)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

9. Investment In An Associate (Cont'd)

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

Name Of Company	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
Ferrotrans Sdn. Bhd.	49	49	Rendering of forwarding and warehouse services and sale of diesel.

The Group has discontinued the recognition of its share of losses of the associate because the share of losses has exceeded the Group's interest in the associate. The Group's unrecognised share of losses of the associate for the current financial year and cumulatively were RM543 (2005 – RM2,059) and RM25,364 (2005 – RM24,821) respectively.

10. Deferred Tax Assets

	Group 2006 RM	2005 RM
At 1 January	95,938	-
Recognised in income statement (Note 29)	292,972	95,938
At 31 December	388,910	95,938

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

	Group 2006 RM	2005 RM
Deferred tax assets:-		
Property, plant and equipment	281,413	-
Inventories	57,262	50,761
Unabsorbed capital allowances	6,181	157,623
Tax losses	50,866	25,769
	395,722	234,153
Deferred tax liability:		
Property, plant and equipment	(6,812)	(138,215)
	388,910	95,938

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

11. Inventories

	Group 2006 RM	2005 RM
At Cost		
Raw materials	8,495,921	2,399,192
Work-in-progress	13,898,618	8,363,134
Finished goods	2,504,939	5,193,643
Consumable stores	379,099	464,268
	25,278,577	16,420,237
At NET REALISABLE VALUE		
Finished goods	1,299,532	1,401,601
Work-in-progress	-	43,990
	1,299,532	1,445,591
	26,578,109	17,865,828

12. Trade Receivables

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Trade receivables	35,914,880	23,596,808	455,497	386,955
Allowance for doubtful debts				
At 1 January	(7,306,054)	(6,840,071)	-	-
Allowance for the financial year	(907,129)	(614,251)	-	-
Reversal of allowance no longer required	241,925	148,268	-	-
At 31 December	(7,971,258)	(7,306,054)	-	-
	27,943,622	16,290,754	455,497	386,955

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

13. Other Receivables, Deposits And Prepayments

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Other receivables, deposits and prepayments	71,581,849	82,866,370	1,418,922	1,318,531
Allowance for doubtful debts				
At 1 January	(9,566,117)	(9,648,179)	(960,876)	(616,938)
Allowance for the financial year	-	(343,938)	-	(343,938)
Amount written off	-	292,000		
Reversal of allowance no longer required	63,400	134,000	-	-
At 31 December	(9,502,717)	(9,566,117)	(960,876)	(960,876)
	62,079,132	73,300,253	458,046	357,655

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM59,608,238 (2005 - RM71,551,454). These represent advances made for future supply of timber logs and sawn timber. These advances shall be recovered through deduction from cost of timber logs and sawn timber to be supplied.

14. Amount Owning By/To Subsidiaries

	Company 2006 RM	2005 RM
Amount owing by subsidiaries	22,749,675	27,289,807
Allowance for doubtful debts		
At 1 January	(2,244,273)	(2,234,709)
Allowance for the financial year	-	(9,564)
At 31 December	(2,244,273)	(2,244,273)
	20,505,402	25,045,534
Amount owing to subsidiaries	299,914	19,640

The amount owing comprises the following:-

	Company 2006 RM	2005 RM
Amount owing by subsidiaries		
- Trade	875,064	1,019,064
- Non-trade	21,874,611	26,270,743
	22,749,675	27,289,807
Amount owing to subsidiaries		
- Trade	4,425	-
- Non-trade	295,489	19,640
	299,914	19,640

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

15. Amount Owing By An Associate

	Group/Company 2006 RM	2005 RM
Amount owing by an associate	983,691	983,691
Allowance for doubtful debts		
At 1 January	(983,691)	(974,850)
Allowance for the financial year	-	(8,841)
At 31 December	(983,691)	(983,691)
	-	-

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

16. Fixed Deposits With Licensed Banks

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

The effective interest rate and maturity period of the fixed deposits at the balance sheet date of the previous financial year were 3.7% per annum and one year respectively.

17. Share Capital

	2006 Number Of Shares	Company 2005	2006 RM	2005 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 2006 (Cont'd)

18. Retained Profits

Group	Pre-Merger Profit/(Loss) The Company And Its Subsidiaries Accounted For Under Acquisition Method Of Accounting RM	Subsidiaries Accounted For Under Merger Accounting RM	Post- Merger Profit RM	Total RM
Balance at 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/ 1.1.2006	(24,879,904)	51,806,955	41,589,198	68,516,249
Effects of adopting FRS 140	-	-	9,428,117	9,428,117
As restated	(24,879,904)	51,806,955	51,017,315	77,944,366
Current year loss	-	-	(2,466,177)	(2,466,177)
Balance at 31.12.2006	(24,879,904)	51,806,955	48,551,138	75,478,189

19. Treasury Shares

The shareholders of the Company, by way of a special resolution passed in the General Meeting held on 30 June 2006, approved the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 4,708,800 of its issued ordinary shares from the open market at an average price of RM0.74 per share. Total consideration paid for the purchase was RM3,482,745, comprising consideration paid amounting to RM3,469,618 and transaction costs of RM13,127. The purchase transactions were financed by internally generated funds. The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 189,238,348 (2005 - 189,238,348) issued and fully paid-up ordinary shares as at 31 December 2006, 4,708,800 ordinary shares (2005 - Nil) are held as treasury shares by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

20. Other Reserves

	Group 2006 RM	2005 RM (Restated)	Company 2006 RM	2005 RM (Restated)
Share Premium	14,787,402	14,787,402	14,787,402	14,787,402
Revaluation Reserve	6,356,237*	14,717,383	6,356,237*	14,717,383
Capital Reserve	1,582,826	1,582,826	-	-
	22,726,465	31,087,611	21,143,639	29,504,785

* The opening balances were restated after incorporating the effects of adopting FRS 140 – Investment Properties, as disclosed in Note 40 to the financial statements.

The revaluation reserve comprises:-

Surplus on revaluation of property, plant and equipment

6,356,237	14,717,383	6,356,237	14,717,383
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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.

21. Merger Deficit

Non-Distributable
Arising from the merger with Sanbumi Sawmill
Sdn. Bhd. and Akalaju Sdn. Bhd.

Group 2006 RM	2005 RM
(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

22. 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 2006 RM	2005 RM
634,385	52,860
577,500	4,385
1,211,885	57,245
(55,219)	(1,729)
1,156,666	55,516
592,366	51,150
564,300	4,366
1,156,666	55,516

The hire purchase payables bore effective interest at the balance sheet date of between 4.7% to 5.4% (2005 - 3.7% to 4.1%) per annum.

23. Deferred Tax Liabilities

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
At 1 January	1,532,941	2,176,591	1,490,000	1,490,000
Effect of adopting FRS 140	414,934	-	414,934	-
As restated	1,947,875	2,176,591	1,904,934	1,490,000
Recognised in the income statement (Note 29)	(42,941)	(643,650)	-	-
At 31 December	1,904,934	1,532,941	1,904,934	1,490,000

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

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Accelerated capital allowances	-	42,941	-	-
Revaluation surplus of property, plant and equipment	586,240	1,490,000	586,240	1,490,000
Revaluation surplus of investment properties	1,318,694	-	1,318,694	-
	1,904,934	1,532,941	1,904,934	1,490,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

24. Trade Payables

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

25. Amount Owing To Directors

The amount owing in the previous financial year was unsecured, interest-free and not subject to fixed terms of repayment.

26. Revenue

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of timber	124,431,216	134,383,222	-	-
Mobile crane services	411,447	8,710,909	-	-
Trading	490,991	758,042	-	-
Warehousing and other services	285,019	235,648	-	-
Rental income	895,450	854,730	1,115,450	1,283,930
Management fee	-	-	452,400	452,400
Gross dividend income	-	-	-	10,100,000
	126,514,123	144,942,551	1,567,850	11,836,330

27. Other Income

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bad debts recovered	16,864	-	-	-
Gain on disposal of plant and equipment	306,438	8,242,174	-	-
Interest income - for the current financial year	481,287	449,236	481,287	186,800
- overprovision in previous financial year	(4,168)	-	-	-
Reversal of allowance for doubtful debts	305,325	282,269	-	-
Sawing charges	4,210,164	2,755,028	-	-
Others	81,924	401,511	7,800	72,553
	5,397,834	12,130,218	489,087	259,353

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

28. (Loss)/Profit Before Taxation

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

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Allowance for doubtful debts	907,129	967,030	-	362,343
Allowance for slow-moving inventories	22,462	-	-	-
Audit fee	86,700	95,100	28,000	28,000
Bad debts written off	6,300	24,301	6,300	4,595
Depreciation of property, plant and equipment	3,233,569	4,720,137	169,026	416,711
Directors' fees	252,000	232,500	252,000	232,500
Directors' other emoluments	1,638,000	1,550,250	-	-
Impairment of asset	-	660,000	-	270,000
Interest expense				
- bank overdrafts	12,755	9,646	-	-
- hire purchase	6,510	4,673	-	-
- others	663	24,477	-	-
Inventories written down	294,123	-	-	-
Loss on disposal of property, plant and equipment	98,858	12,333	-	-
Loss on disposal of unquoted investment	-	50,000	-	50,000
Plant and equipment written off	1,079	-	-	-
Unrealised loss on foreign exchange	60,489	-	-	-
Rental of premises	383,910	42,200	-	-
Termination benefits	362,303	634,167	-	-
Staff costs	5,327,058	8,121,765	300,324	249,292

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

29. Income Tax Expense

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Current tax expense:				
- for the financial year	227,044	34,067	28,000	2,520,000
- overprovision in previous financial years	-	(53,193)	-	(54,071)
	227,044	(19,126)	28,000	2,465,929
Deferred tax expense:-				
- relating to originating and reversing of temporary differences	(341,350)	(925,591)	-	-
- overprovision in previous financial years	5,437	186,003	-	-
	(335,913)	(739,588)	-	-
	(108,869)	(758,714)	28,000	2,465,929

A reconciliation of the income tax expense applicable to the (loss)/profit before taxation 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 2006 RM	2005 RM	Company 2006 RM	2005 RM
(Loss)/Profit before taxation	(2,777,443)	3,631,698	660,526	9,734,413
Tax at the applicable statutory tax rate of 28%	(777,684)	1,016,875	184,947	2,725,636
Tax effects of:-				
Non-deductible expenses	599,306	838,664	77,192	145,364
Non-taxable gains	-	-	-	(308,000)
Utilisation of deferred tax assets not recognised in the previous financial year	(303,477)	(2,289,882)	(234,139)	(43,000)
Deferred tax assets not recognised during the financial year	510,228	23,846	-	-
Double deduction of expenses	(131,805)	(98,714)	-	-
Overprovision in previous financial years				
- current tax	-	(53,193)	-	(54,071)
- deferred tax	(5,437)	(186,003)	-	-
Differential in tax rates	-	(10,307)	-	-
Tax for the financial year	(108,869)	(758,714)	28,000	2,465,929

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

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Unutilised tax losses	10,286,000	9,520,000	339,000	1,264,000
Unabsorbed capital allowances	2,386,000	2,388,000	2,004,000	1,904,000
	12,672,000	11,908,000	2,343,000	3,168,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

30. (Loss)/Earnings Per Share

The basic loss/earnings per share is calculated by dividing the loss after tax of the Group attributable to shareholders of RM2,466,177 (2005 – Profit after taxation of RM4,366,837) by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year of 188,132,353 (2005 -189,238,348 ordinary shares in issue).

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

31. Acquisition Of Subsidiaries

On 21 November 2006, the Company acquired 200,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital for each of the two subsidiaries i.e. Sanbumi Holiday Sdn. Bhd. and Sanbumi Air Transport Sdn. Bhd. for a total cash consideration of RM400,000.

There were no material financial effects on the financial position and financial results of the Group for the financial year in respect of the acquisition of the above subsidiaries.

32. Purchase Of Property, Plant And Equipment

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Cost of property, plant and equipment purchased	2,879,151	245,901	-	31,399
Amount financed through hire purchase	(1,200,000)	(100,000)	-	-
Cash disbursed for the purchase of property, plant and equipment	1,679,151	145,901	-	31,399

33. Cash And Cash Equivalents

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

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Fixed deposits with licensed banks	-	807,587	-	-
Cash and bank balances	25,523,957	32,327,458	20,712,151	18,988,522
	25,523,957	33,135,045	20,712,151	18,988,522

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (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:-

	No. Of Directors	Directors' Fee RM	No. Of Directors	Directors' Other Emoluments RM	Total RM
Group					
2006					
- Below RM50,000	7	252,000	-	-	252,000
- Between RM400,001 and 450,000	-	-	1	468,000	468,000
- Between RM550,001 and 600,000	-	-	2	1,170,000	1,170,000
2005					
- Below RM50,000	8	232,500	-	-	232,500
- Between RM400,001 and RM450,00	-	-	1	438,750	438,750
- Between RM550,001 and RM600,000	-	-	2	1,111,500	1,111,500
Company					
2006					
- Below RM50,000	7	252,000	-	-	252,000
2005					
- Below RM50,000	8	232,500	-	-	232,500

35. Significant Related Company Transactions

	Company 2006 RM	2005 RM
Transactions with subsidiaries:-		
Rental received		
- EMC Cranes Sdn. Bhd.	24,000	213,200
- EMC Marketing Sdn. Bhd.	12,000	12,000
- EMC Engineering Services Sdn. Bhd.	4,000	24,000
- EMC Warehouse Services Sdn. Bhd.	180,000	180,000
Management fee received		
- EMC Cranes Sdn. Bhd.	93,600	93,600
- EMC Marketing Sdn. Bhd.	12,000	12,000
- EMC Cranes (K.L.) Sdn. Bhd.	60,000	60,000
- EMC Capital Sdn. Bhd.	10,800	10,800
- EMC Warehouse Services Sdn. Bhd.	12,000	12,000
- Sanbumi Sawmill Sdn. Bhd.	264,000	264,000
Other income received		
- EMC Cranes Sdn. Bhd.	2,400	2,400

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

36. Significant Related Party Transactions/Balances

Name Of Related Party	Nature Of Transactions	Value Of Transactions		Amount Receivable	
		2006 RM	2005 RM	2006 RM	2005 RM
Rintisan Bumi Sdn. Bhd.	Purchase of logs	2,829,341	16,463,479	-	-
	Sale of sawn timber	(161,872)	-	-	-
	Office rental payable	36,000	36,000	-	-
	Interest receivable on overdue account	-	233,059	-	-

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 mutually agreed between the parties.

37. Segmental Information

	Timber		Mobile Cranes		Others		Group	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
REVENUE								
Total revenue	124,431	134,383	411	9,699	2,403	10,675	127,245	154,757
Inter-segment revenue	-	-	-	(988)	(731)	(8,827)	(731)	(9,815)
Total external revenue	124,431	134,383	411	8,711	1,672	1,848	126,514	144,942
RESULTS								
Segment results (external)	(1,366)	(2,228)	(1,654)	7,077	(214)	(1,611)	(3,234)	3,238
Finance costs							(20)	(55)
Interest income							477	449
(Loss)/Profit from ordinary activities before taxation							(2,777)	3,632
Taxation							109	759
(Loss)/Profit from ordinary activities after taxation							(2,668)	4,391
Minority interests							202	(24)
Net (loss)/profit for the year							(2,466)	4,367

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

37. Segmental Information (Cont'd)

	Timber		Mobile Cranes		Others		Group	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
OTHER INFORMATION								
Segment assets	131,645	126,698	3,652	9,460	57,993	54,459	193,290	190,617
Unallocated assets							2,395	970
							195,685	191,587
Segment liabilities	17,077	5,796	363	2,811	611	652	18,051	9,259
Unallocated liabilities							3,002	2,611
							21,053	11,870
Capital expenditure	2,671	191	208	22	-	33	2,879	246
Impairment loss	-	-	-	390	-	270	-	660
Depreciation and amortisation	3,020	3,248	26	1,021	188	451	3,234	4,720

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

38. 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:-

	2006 RM	2005 RM
United States Dollar	3.53	3.80
Singapore Dollar	2.30	2.30

39. Fair Values Of Financial Instruments

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 Owing By/(To) Subsidiaries/An Associate

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries/ an associate 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (Cont'd)

39. Fair Values Of Financial Instruments (Cont'd)

(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.

40. Effects Arising From The Adoption Of New And Revised FRS

The effects on the financial statements as a result of the adoption of new and revised FRS are as follows:-

(a) Opening Balances

FRS 140 - Investment Properties

The Group has applied FRS 140 in accordance with the transitional provisions. The change in the accounting policy has no impact on amounts reported for 2005 or prior periods.

	As At 1 January 2006 RM	Effects of FRS 140 RM	As Restated After Incorporating Effects of FRS 140 RM
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Balance Sheet (Extract):-

Group

Property, plant and equipment	49,929,179	(20,617,095)	29,312,084
Investment properties	-	22,099,000	22,099,000
Retained profits	68,516,249	9,428,117	77,944,366
Revaluation reserves	14,717,383	(8,361,146)	6,356,237
Deferred tax liabilities	1,532,941	414,934	1,947,875

Company

Property, plant and equipment	33,493,748	(20,617,095)	12,876,653
Investment properties	-	22,099,000	22,099,000
Accumulated losses	(11,378,899)	9,428,117	(1,950,782)
Revaluation reserve	14,717,383 [#]	(8,361,146)	6,356,237
Deferred tax liabilities	1,490,000	414,934	1,904,934

After incorporating the effects of the adoption of FRS 127 as disclosed below.

(b) Comparative Figures

FRS 127 - Consolidated and Separate Financial Statements

	As Previously Reported RM	Effects of FRS 127 RM	As Restated RM
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Company			
Investment in subsidiaries	131,401,638	(436,256)	130,965,382
Revaluation reserve	15,153,639	(436,256)	14,717,383

SHAREHOLDING STATISTICS AS AT 8 MAY 2007

SHARE CAPITAL

Authorised Share Capital	:	RM250,000,000
Issued and Paid-up Capital	:	RM189,238,348 (Inclusive of 4,708,800 Treasury Shares)
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 8 May 2007 are as follows:-

Name of Substantial Shareholders	Direct No of shares	%	Indirect No of shares	%
Capital Unicorn Holdings Sdn Bhd	17,457,100	9.46	-	-
Tan Sri Datuk Chai Kin Kong	19,480,670	10.56	7,292,113*	3.95
Dato' Chua Tiong Moon	11,854,962	6.42	7,292,113*	3.95

* 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.

DIRECTORS' SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 8 May 2007 are as follows:-

Name of Directors	Direct No of shares	%	Indirect No of shares	%
Dato' Noorazman bin Adnan	761,000	0.41	-	-
Dato' Chua Tiong Moon	11,854,962	6.42	7,292,113*	3.95
Tan Sri Datuk Chai Kin Kong	19,480,670	10.56	7,292,113*	3.95
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.

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

	No. of Shares	% Over Total Shares	No. of Shareholders	% Over Total Shareholders
1 – 99 shares	355	0.00	12	0.15
100 – 1,000 shares	1,293,740	0.70	1,331	16.40
1,001 – 10,000 shares	25,332,331	13.73	4,940	60.89
10,001 – 100,000 shares	50,459,409	27.34	1,684	20.76
100,001 – 9,226,476	86,665,113	46.97	145	1.79
9,226,477 and Above	20,778,600	11.26	1	0.01
	184,529,548	100.00	8,113	100.00

SHAREHOLDING STATISTICS AS AT 8 MAY 2007 (Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

No.	Name of Shareholders	No. of Shares	%
1	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CAPITAL UNICORN HOLDINGS SDN BHD	20,778,600	11.26
2	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN SRI CHAI KIN KONG	8,666,700	4.70
3	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD (DEALER 072)	5,094,013	2.76
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG	5,025,300	2.72
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	5,009,800	2.71
6	OSK NOMINEES (ASING) SDN BERHAD OSK ASIA SECURITIES LTD FOR BIOVENTURE LIMITED	5,000,000	2.71
7	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON (D)	4,845,100	2.63
8	ES MARBLE SDN. BHD.	4,174,200	2.26
9	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI CHAI KIN KONG (M09)	3,978,600	2.16
10	OSK NOMINEES (ASING) SDN BERHAD OSK ASIA SECURITIES LTD FOR GRANDEVER GROUP LIMITED	2,375,400	1.29
11	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	2,198,100	1.19
12	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEW HOU (35813M)	2,055,000	1.11
13	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	2,000,000	1.08
14	CHIONG KIAU	1,500,000	0.81
15	LIM YEN NGIAP	1,400,000	0.76

SHAREHOLDING STATISTICS AS AT 8 MAY 2007 (Cont'd)

No.	Name of Shareholders	No. of Shares	%
16	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG (D)	1,305,000	0.71
17	CHOO CHEE CHIEN	1,091,000	0.59
18	MULTI COMPETE SDN. BHD.	1,000,000	0.54
19	SIAH GIM ENG	1,000,000	0.54
20	KWA ENG HSIONG	800,000	0.43
21	NOORAZMAN BIN ADNAN	755,000	0.41
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' RAMLI BIN YUSUFF (471794)	736,000	0.40
23	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG CHOY	700,000	0.38
24	TEOH HOOI BIN	684,100	0.37
25	YAP NAM HUAT	550,000	0.30
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HACONG (HARDWARE & ELECTRICAL) SDN BHD (E-SGM)	521,400	0.28
27	CHAI KIN KONG	505,000	0.27
28	YAP POH CHEE	500,000	0.27
29	KWA ENG HSIONG	500,000	0.27
30	THIEN JUN ONN	500,000	0.27
		<u>85,248,313</u>	<u>46.20</u>

PARTICULARS OF PROPERTIES HELD

Summary of landed properties owned as at 31 December 2006.

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (Years)	Fair Value as at 31.12.06 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	29	5,384	31 December 2005
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	28	5,256	31 December 2005
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	16	3,965	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	13	11,345	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
SHB	Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	>50	1,008	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 /05 2037 - 31 years remaining	2 storey office with annexed workshop	34,000	30	850	31 December 2005
Sanbumi Sawmill Sdn Bhd	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold – expiring on 31 /12/ 2052 -46 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	7-15	3,710	24 May 2000

Proxy Form

#CDS account no. of authorised nominee

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-Eighth 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, 29 June 2007 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	- Tan Sri Datuk Chai Kin Kong		
Resolution 4	- Mr Boey Tak Kong		
Resolution 5	- Re-appointment of Messrs Horwath as Auditors and to authorise the Directors to determine their remuneration		
Resolution 6	- Proposed Amendments to the Articles of Association of the Company		
Resolution 7	- Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 8	- Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	- Proposed Renewal of Share Buy-Back Authority		

(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 2007

Number of shares held

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

	<u>No. of shares</u>	<u>Percentage</u>
Proxy 1		%
Proxy 2		%

.....
Signature/Common Seal of Appointer

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. 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.
 2. 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. 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.
 4. 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.
 5. If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
 6. Those proxy forms which are indicated with "√" in the spaces provided to show how the votes are to be cast will also be accepted.
- # Applicable to shares held through a nominee account.

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