



SANBUMI HOLDINGS BERHAD
(8386 P)



2007 annual report





2007 annual report





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Ninth 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, 27 June 2008 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the financial year ended 31 December 2007 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 2007. (Resolution 2)
3. To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:-

| | |
|---|----------------|
| Dato' Noorazman bin Adnan | (Resolution 3) |
| Dato' Rahadian Mahmud bin Mohammad Khalil | (Resolution 4) |
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 Ordinary Resolutions:-

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

"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."
6. **Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital** (Resolution 7)

"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 authorised 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");

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (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 2007;
- (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."

- 7. 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: 6 June 2008



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 at least one (1) but not more than two (2) proxies (who need not be members of the Company) to attend and vote on his behalf.
2. Where a member appoints two (2) 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 (1) 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 forty-eight (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 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution proposed under item 5 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.

2. **Resolution 7 – Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital**

The Ordinary Resolution proposed under item 6 of the agenda, if passed, will empower the Company to purchase and/or hold up to ten per centum (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 Statement to Shareholders dated 6 June 2008.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)



The profile and shareholdings of the Directors who are standing for re-election are set out on pages 10 to 11 and 74 respectively of the annual report.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman / Non-executive Director

- **Dato' Noorazman Bin Adnan**
(Appointed 20/05/1999)

Managing Director

- **Dato' Chua Tiong Moon**
(Appointed 23/02/2001)

Executive 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

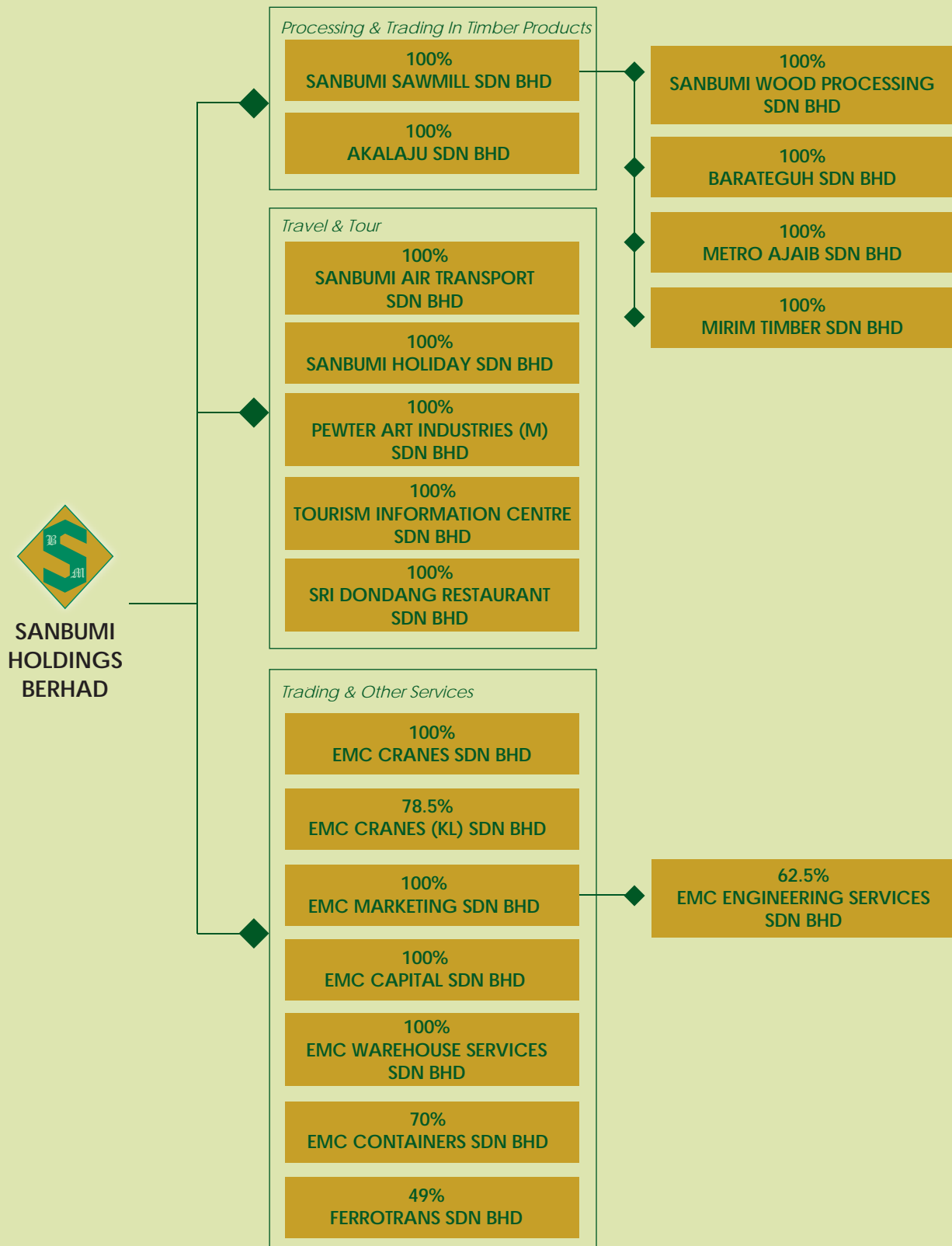
Malayan Banking Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Board Of
Bursa Malaysia Securities Berhad

- Stock Name : Sanbumi
- Stock Code : 9113

CORPORATE STRUCTURE (As at 15 May 2008)





CALENDAR OF SIGNIFICANT EVENTS

- **21 September 2007**

The Company acquired the entire issued and paid-up share capital of Tourism Information Centre Sdn Bhd ("TIC") and Pewter Art Industries (M) Sdn Bhd ("PAI") for a total cash consideration of RM2.00 each respectively. TIC and PAI are expected to participate in the tourism industry by providing tourism-related product and services.

- **17 January 2008**

The Company convened an Extraordinary General Meeting and obtained the approval of the shareholders on the proposed diversification of the Group's business into travel and tourism related business activities.

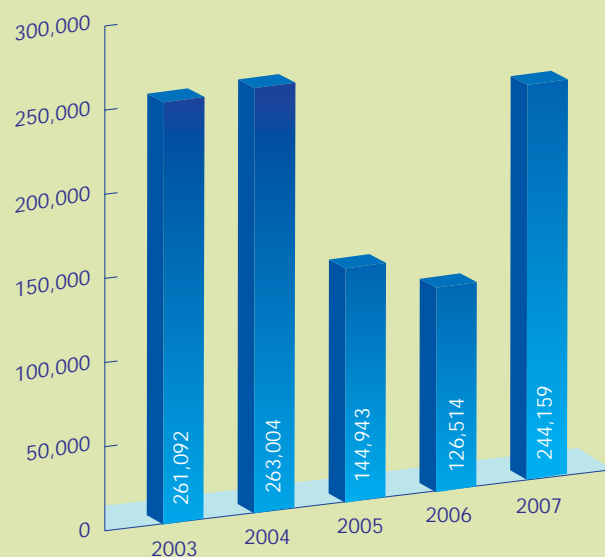
- **25 April 2008**

The Company acquired the entire issued and paid-up share capital of Sri Dondang Restaurant Sdn Bhd ("SDR") for a total cash consideration of RM2.00. SDR is expected to participate in the tourism industry by providing tourism-related services.

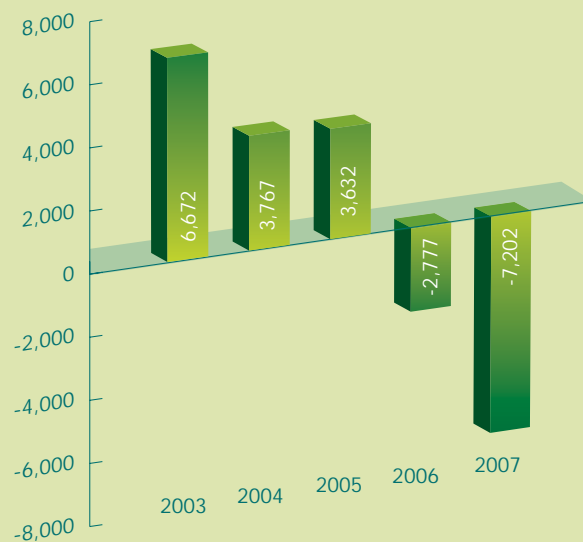
FINANCIAL HIGHLIGHTS

The Group's Five Years Financial Highlights

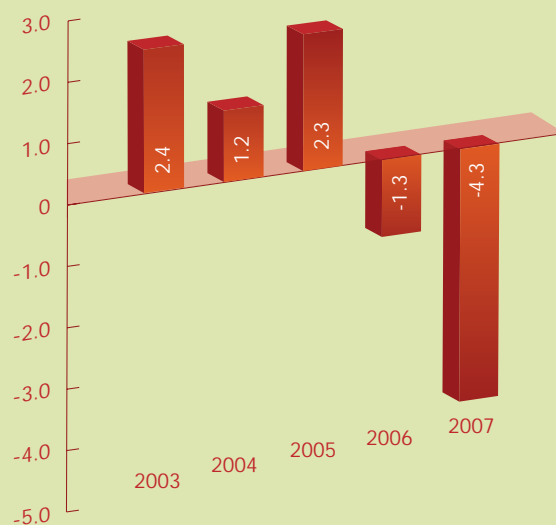
TURNOVER (RM'000)



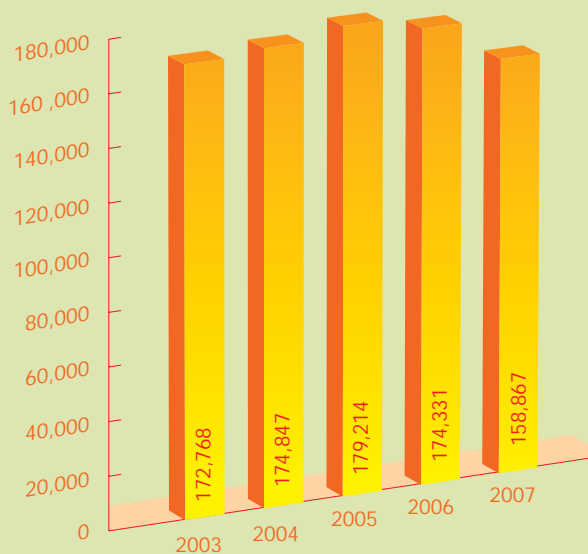
PROFIT BEFORE TAXATION (RM'000)



EPS/(LPS) (SEN)



SHAREHOLDERS EQUITY (RM'000)





PROFILE OF THE BOARD OF DIRECTORS

DATO' NOORAZMAN BIN ADNAN - CHAIRMAN

Age : 51 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 : 49 Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 30 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 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.

TAN SRI DATUK CHAI KIN KONG - EXECUTIVE DIRECTOR

Age : 49 Nationality : Malaysian

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 35 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 since 1994 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 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.

LEE GEE HUY @ LEE KONG FEE, J.P. - DIRECTOR

Age : 60 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 24 years experience practicing as an Advocate & Solicitor. In 2007, he obtained his L.L.M.(Master in Law) from the Universiti Kebangsaan Malaysia.

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 boards of Fajarbaru Builder Group Bhd (formerly known as Fajar Baru Capital Berhad) and Minply Holdings (M) Berhad.

PROFILE OF THE BOARD OF DIRECTORS (Cont'd)

IR. ZAINURIN BIN KARMAN - DIRECTOR

Age : 43 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 does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years.

DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL - DIRECTOR

Age : 34 Nationality : Malaysian

Dato' Rahadian Mahmud bin Mohammad Khalil is a businessman. He started his career with Innovest Berhad as a Property Executive. He is currently a Director of several private limited companies.

Dato' Rahadian Mahmud bin Mohammad Khalil has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of Kinsteel Berhad, Permaju Industries Berhad and KYM Holdings Berhad.

BOEY TAK KONG - DIRECTOR

Age : 54 Nationality : Malaysian

Boey Tak Kong is a Chartered Accountant. 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, a Member of the Malaysian Institute of Management and an Associate of the Institute of Marketing Malaysia. He has 23 years of financial and general management working experience with six public-listed companies in Malaysia. He is presently the Managing Director of Terus Mesra Sdn Bhd, a strategic business and leadership training company.

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, Green Packet Berhad and Gadang Holdings Berhad.



CHAIRMAN'S STATEMENT



“On behalf of the Board of Directors of Sanbumi Holdings Berhad, I present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2007.”

CHAIRMAN'S STATEMENT (Cont'd)

General Overview

The global economic environment was reported to have recorded a strong growth in 2007, driven by the above-trend growth in most industrial economies and buoyant growth in emerging market economies despite moderation in the United States (US) economy, higher oil prices and the onset of financial market turbulence. The strong consumption, rising investment activities and the record high commodity prices that benefited many resource-producing economies were also the major contributing factors to the global growth. In the Asian region, the strong growth momentum was reported to be supported by rising domestic demands which more than compensated the moderation in the electronics exports and developments in the US.

The Malaysian economy, despite facing a weaker external economic environment, was reported to have continued its strong growth momentum mainly driven by the strong domestic demand in 2007. The diversified economic base has been the key factor that strengthened the domestic economy's resilience to the external environment. The service sector has notably been identified as the new main driver of growth. *[Source: BNM Annual Report 2007].*

Financial Performance Overview

The local economic indicators for 2007 generally recorded growth across all key sectors of the economy. However, the logging activities under the forestry sub-sector showed a declining trend with output of logs contracting. This development is in tandem with the conservation efforts implemented as part of sustainable forest management. In addition to this the decline in demand for logs and sawn timber, particularly from Japan, resulted in the drop in export price of logs. *[Source: BNM Annual Report 2007].*

As for the Group, the aforementioned unfavourable underlying factors and the pressing need to provide shareholders with fair value for their investments became a key driving force to seek and diversify its existing earning base. Accordingly, the Group ventured into the travel and tourism sector during the year 2007 as a new business pillar. However, the manufacturing and trading of sawn, moulded timber and timber logs continues to be the Group's core business contributing substantially towards the revenue of the Group for the year 2007

The Group's consolidated financial results for the financial year ended 31 December 2007 recorded a loss before tax of RM7.2 million as compared to the loss before tax of RM2.8 million recorded in the previous year.





CHAIRMAN'S STATEMENT (Cont'd)

Operations Review

- Timber related business activities

The timber related business activities registered annual revenue from external sales of RM235.55 million for the year ended 31 December 2007. The revenue was significantly higher as compared to the preceding financial year by approximately 89.3%, mainly due to the increase in the sales volume of timber logs. Despite the favourable growth, the Group recorded a pre-tax loss of RM6.71 million as opposed to the RM1.37 million pre-tax loss recorded in the preceding financial year. The higher losses were mainly attributed by the lower contribution margins and higher operating expenses incurred.

- Travel and tour related business activities

The Group commenced its tourism related business activities in the second quarter of 2007. Nonetheless, the tourism related business activities managed to register revenue from external sales of RM7.02 million and a pre-tax loss of RM0.36 million for the financial year ended 31 December 2007.

- Trading and other services related business activities

The trading and other services related business activities of the Group managed to register revenue from external sales of RM1.59 million and a pre-tax loss of RM0.30 million for the financial year ended 31 December 2007.

Corporate Development

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

Corporate responsibility

As a corporate citizen of Malaysia, the Group is fully aware of the impact of its operations to the society and is committed to work towards minimising adversities that may be caused without compromising the interests of its shareholders, customers and employees. Through proper corporate governance, the Group ensures that its businesses are conducted in compliance with all applicable legal and regulatory requirements. To the extent possible the Group strives towards achieving a balance in creating value for investments for its shareholders, fulfill its customer demands and provide for its employee needs within its means. In the spirit of fulfilling its social responsibility to the community, the Group continuously extends financial support by way of sponsorships and donations towards community related activities, schools, charity homes etc.



CHAIRMAN'S STATEMENT (Cont'd)

Outlook

Going forward, the Malaysian economy is expected to enter a period of heightened global uncertainties in 2008. It is expected that the economic slowdown in the crisis affected economies will be more pronounced and protracted earlier than expected. Slower growth in some of the largest economies is likely to lead to a moderation in global trade.

As for the Group, the year 2008 will continue to be a great test of its ability to improve on its performance. The venture into the travel and tour related sector is expected to be more significant in line with expansion and growth in the services sector. It is anticipated that the performance of the Group will continue to largely depend on the timber-related businesses. However, the Group also expects to achieve positive growth from its investments in the tourism industry related business activities, being the Group's new business pillar. Nevertheless, the Board will continue its effort to seek other business opportunities to enhance the Group's earning base as well as closely monitor the Group's existing activities so as to ensure that it will be able to sustain a better performance going forward.

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 2007 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 2007.

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 2007, eight (8) Board Meetings were held. The attendance record of each Director is as follows:-

| Board of Directors' Meeting | | #01 | #02 | #03 | #04 | #05 | #06 | #07 | #08 | | |
|---|--------------------|------------|-----|-----|-----|-----|-----|-----|-----|-------|--------|
| Directors | Position | Attendance | | | | | | | | Total | % |
| Dato' Noorazman Bin Adnan | Chairman | • | X | • | • | • | • | • | • | 7/8 | 87.50 |
| Dato' Chua Tiong Moon | Managing Director | • | • | • | • | • | • | • | • | 8/8 | 100.00 |
| Tan Sri Datuk Chai Kin Kong | Executive Director | • | • | • | • | • | • | • | • | 8/8 | 100.00 |
| Dato' Rahadian Mahmud bin Mohammad Khalil | Director | • | • | • | • | • | • | • | • | 8/8 | 100.00 |
| Lee Gee Huy @ Lee Kong Fee, JP | Director | • | • | • | • | • | • | • | • | 8/8 | 100.00 |
| Boey Tak Kong | Director | • | • | • | • | • | • | • | X | 7/8 | 87.50 |
| Ir. Zainurin bin Karman | Director | • | • | • | X | • | • | • | • | 7/8 | 87.50 |

Total number of meetings held:

8

(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 2007, the Nomination Committee had a meeting on 23 February 2007 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-Ninth Annual General Meeting of the Company to be held on 27 June 2008 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 2007, the Directors have attended a Directors' Continuing Education Programme on Malaysian Code of Corporate Governance (Revised 2007) and one Director has attended the Directors' Continuing Education Programme 2007, the Blue Ocean Leadership Program, 2007 National Conference on Internal Auditing and Regional Conference 2007 -Southern Malaysia: Driving Regional Economic Growth.

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 2007, two meetings were held.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

B. DIRECTORS' REMUNERATION (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 2007 are as follows:-

| (All figures in RM) | Executive Directors | Non-Executive Directors |
|---------------------|---------------------|-------------------------|
| Salary | 702,000 | - |
| Fees | 72,000 | 180,000 |
| Bonus | - | - |
| Benefits-in-kind | - | - |
| Total | 774,000 | 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 |
| RM350,001 – RM400,000 | 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. INVESTOR RELATIONS WITH SHAREHOLDERS COMMUNICATION

The Company recognises the importance of timely and effective 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 27 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 financial and risk management, 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 28 to 29.

(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 approved Financial Reporting 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 23 to 26 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 2007 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 2007.

b) *Share buybacks*

- (i) The Company purchased its own shares during the financial year ended 31 December 2007, details of which are disclosed below:

| 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 | | |
| May | 8,670,000 | 0.7300 | 0.7960 | 0.7698 | 6,674,342.15 |
| June | 1,628,000 | 0.7150 | 0.7300 | 0.7274 | 1,184,224.42 |
| TOTAL | 10,298,000 | 0.7150 | 0.7960 | 0.7631 | 7,858,566.57 |

- (ii) All shares purchased were retained as treasury shares and none of these shares were resold or cancelled during the financial year.

- (iii) Details of shares retained as treasury shares during the financial year ended 31 December are as follows:

| | No. of shares retained as Treasury Shares |
|------------------------------|---|
| As at 1 January 2007 | 4,708,800 |
| Acquisitions during the year | 10,298,000 |
| As at 31 December 2007 | 15,006,800 |

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 2007.

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 2007.

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 2007:

- i) Service Agreement dated 31 December 2007 between Sanbumi Holdings Berhad ("the Company") and Tan Sri Datuk Chai Kin Kong whereby the Company agrees to employ Tan Sri Datuk Chai Kin Kong as Executive Director of the Company for a term of 5 years with effect from 1 November 2007. The remuneration of the Executive 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 29 August 2007 between Sanbumi Holdings Berhad ("the Company") and Dato' Chua Tiong Moon whereby the Company agrees to employ Dato' Chua Tiong Moon as the Managing Director of the Company for a term of 3 years with effect from 1 July 2007. 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.



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 2007.

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

The Company did not issue any profit guarantee during the financial year ended 31 December 2007.

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 2007.

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 2007.

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 15 May 2008, being the latest practicable date prior to the printing of the Annual Report, are as follows:

| Company | Transacting Party | Interested Directors (ID) /Interested Major Shareholders (IMS) /Persons Connected (PC) | Nature of Transaction | Amount Transacted RM'000 |
|----------------------------------|-----------------------------------|---|--|--------------------------|
| Sanbumi Sawmill Sdn Bhd ("SSSB") | Rintisan Bumi (M) Sdn Bhd ("RBM") | <u>ID / IMS</u> Tan Sri Datuk Chai Kin Kong ("CKK") and Dato' Chua Tiong Moon ("CTM") <u>PC</u> Dato' Chai Kin Loong ("CKL") | Rental payable to RBM by SSSB for office space located at 4 th Floor, TB 231, Lot No.8 Bangunan MAA Fajar, 91000 Tawau, Sabah | 33 |
| SSSB | Totalink Holdings Sdn Bhd ("TH") | <u>ID / IMS</u> CKK and CTM <u>PC</u> CKL and Chai Kim Chong ("CKC") | Rental payable to TH by SSSB for log yard site at KM 96 Kalabakan, Tawau, Sabah | 33 |

TOTAL 66

Note:

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

AUDIT COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

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

TERMS OF REFERENCE

1. 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, a majority of whom must be independent directors;
 - (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
 - (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- 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 the Exchange 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.

The Audit Committee will comply with its terms of reference in respect of its membership by 31 January 2009.

2. 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.



AUDIT COMMITTEE REPORT (Cont'd)

2.3 Secretary

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

2.4 Attendance

- 2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall normally attend meetings.
- 2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 2.4.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

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. RIGHTS

- 3.1 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;
 - (e) be able to obtain independent professional or other advice; and
 - (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT (Cont'd)

4. 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 are 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, competency and resources of the internal audit functions 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;
- (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; and
- (f) to report directly to the Audit Committee.

4.5 To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

4.6 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 2007, there were seven(7) Audit Committee Meetings held. The details of the attendance of each member are as follows:-

| Audit Committee Meeting | | #01 | #02 | #03 | #04 | #05 | #06 | #07 | | |
|-----------------------------------|----------|------------|-----|-----|-----|-----|-----|-----|-------|--------|
| Committee Members | Position | Attendance | | | | | | | Total | % |
| Lee Gee Huy @ Lee Kong Fee, JP | Chairman | • | • | • | • | • | • | • | 7/7 | 100.00 |
| Dato' Chua Tiong Moon | Member | • | • | • | • | • | • | • | 7/7 | 100.00 |
| Boey Tak Kong | Member | • | • | • | • | • | • | X | 6/7 | 85.71 |
| Ir. Zainurin bin Karman | Member | • | • | • | X | • | • | • | 6/7 | 85.71 |

Total number of meetings held:

| |
|---|
| 7 |
|---|

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 2007:-

- (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 Sanburi 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 Financial Reporting 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 2007 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 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 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.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2007 was RM100,800.

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 2007 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.

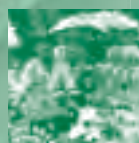


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DIRECTORS' REPORT

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 2007.

Principal Activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

| | Group RM'000 | Company RM'000 |
|--|-----------------|-------------------|
| Loss after taxation for the financial year | <u>(7,707)</u> | <u>(1,819)</u> |
| Attributable to: | | |
| Equity holders of the Company | (7,606) | (1,819) |
| Minority interests | <u>(101)</u> | <u>-</u> |
| | <u>(7,707)</u> | <u>(1,819)</u> |

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

Dividends

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

Reserves And Provisions

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

Issues Of Shares And Debentures

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.



DIRECTORS' REPORT (Cont'd)

Treasury Shares

During the financial year, the Company purchased 10,298,000 of its issued ordinary shares from the open market at an average price of RM0.76 per share. The total consideration paid for the purchase including transaction costs was RM7,858,566. 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 2007, the Company held as treasury shares a total of 15,006,800 of its 189,238,348 issued ordinary shares. The treasury shares are held at a carrying amount of RM11,341,312. 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

The contingent liability is disclosed in Note 37 to the financial statements. In the interval between the end of the financial year and the date of this report, there does not exist:-

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

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

Change Of Circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items Of An Unusual Nature

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

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



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 1.1.2007 | Bought | Sold | At 31.12.2007 |
| Direct Interests | | | | |
| Tan Sri Datuk Chai Kin Kong | 13,518,970 | 5,961,700 | 5,283,600 | 14,197,970 |
| Dato' Noorazman Bin Adnan | 461,000 | 300,000 | - | 761,000 |
| Dato' Chua Tiong Moon | 9,454,962 | 2,400,000 | 3,063,000 | 8,791,962 |
| Indirect Interests | | | | |
| Tan Sri Datuk Chai Kin Kong | 7,292,113 | - | 5,094,000 | 2,198,113 |
| Dato' Chua Tiong Moon | 7,293,113 | - | 5,094,000 | 2,198,113 |

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

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a person connected to a director is a director as disclosed in Note 35 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 25 April 2008

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 Sanburi Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 37 to 73 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 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 25 April 2008

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 Sanburi Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 73 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Dato' Chua Tiong Moon
at Kuala Lumpur in the Federal Territory
on this 25 April 2008

DATO' CHUA TIONG MOON

Before me

MOHD RADZI BIN YASIN (NO. W-327)
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 37 to 73. The preparation of the financial statements is the responsibility of the Company's directors.

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

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

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2007 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 9 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
25 April 2008

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

BALANCE SHEETS

AT 31 DECEMBER 2007

| | | Group | | Company | |
|---|------|----------------|------------------------------|----------------|----------------|
| | NOTE | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 6 | 30,145 | 28,489 | 12,619 | 12,708 |
| Prepaid lease payments | 7 | 184 | 188 | - | - |
| Investment properties | 8 | 21,299 | 22,099 | 21,299 | 22,099 |
| Investments in subsidiaries | 9 | - | - | 131,365 | 131,365 |
| Investment in an associate | 10 | - | - | - | - |
| Deferred tax assets | 11 | - | 389 | - | - |
| | | 51,628 | 51,165 | 165,283 | 166,172 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | 29,774 | 26,578 | - | - |
| Trade receivables | 13 | 36,290 | 27,944 | 279 | 456 |
| Other receivables, deposits and prepayments | 14 | 38,186 | 62,079 | 544 | 458 |
| Amount owing by subsidiaries | 15 | - | - | 26,431 | 20,505 |
| Amount owing by an associate | 16 | 18 | - | 18 | - |
| Tax refundable | | 2,450 | 2,395 | - | - |
| Cash and bank balances | | 16,787 | 25,524 | 6,461 | 20,712 |
| | | 123,505 | 144,520 | 33,733 | 42,131 |
| TOTAL ASSETS | | 175,133 | 195,685 | 199,016 | 208,303 |

The annexed notes form an integral part of these financial statements



BALANCE SHEETS

AT 31 DECEMBER 2007 (Cont'd)

| NOTE | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Share capital | 17 | 189,238 | 189,238 | 189,238 |
| Retained profits/ (Accumulated losses) | 18 | 67,872 | (3,137) | (1,318) |
| Treasury shares | 19 | (11,341) | (11,341) | (3,483) |
| Other reserves | 20 | 22,726 | 21,144 | 21,144 |
| Merger deficit | 21 | (109,628) | - | - |
| SHAREHOLDERS' EQUITY | | 158,867 | 195,904 | 205,581 |
| MINORITY INTERESTS | | 200 | - | - |
| TOTAL EQUITY | | 159,067 | 195,904 | 205,581 |
| NON-CURRENT LIABILITIES | | | | |
| Hire purchase payables | 22 | 673 | - | - |
| Deferred tax liabilities | 23 | 2,009 | 1,905 | 1,905 |
| | | 2,682 | 1,905 | 1,905 |
| CURRENT LIABILITIES | | | | |
| Trade payables | 24 | 8,223 | - | - |
| Other payables and accruals | | 2,482 | 513 | 489 |
| Amount owing to subsidiaries | 15 | - | 663 | 300 |
| Hire purchase payables | 22 | 1,581 | - | - |
| Provision for taxation | | 1,095 | 31 | 28 |
| Bank overdraft | 25 | 3 | - | - |
| | | 13,384 | 1,207 | 817 |
| TOTAL LIABILITIES | | 16,066 | 3,112 | 2,722 |
| TOTAL EQUITY AND LIABILITIES | | 175,133 | 199,016 | 208,303 |

The annexed notes form an integral part of these financial statements

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

| | NOTE | Group | | Company | |
|-------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| REVENUE | 26 | 244,159 | 126,514 | 1,293 | 1,568 |
| COST OF SALES | | (237,426) | (120,271) | - | - |
| GROSS PROFIT | | 6,733 | 6,243 | 1,293 | 1,568 |
| OTHER INCOME | 27 | 4,697 | 5,398 | 822 | 489 |
| | | 11,430 | 11,641 | 2,115 | 2,057 |
| DISTRIBUTION COSTS | | (8,729) | (5,877) | (67) | (94) |
| ADMINISTRATIVE EXPENSES | | (8,949) | (7,180) | (1,504) | (1,296) |
| OTHER EXPENSES | | (861) | (1,341) | (2,360) | (6) |
| FINANCE COSTS | | (93) | (20) | - | - |
| (LOSS)/PROFIT BEFORE TAXATION | 28 | (7,202) | (2,777) | (1,816) | 661 |
| INCOME TAX EXPENSE | 29 | (505) | 109 | (3) | (28) |
| (LOSS)/PROFIT AFTER TAXATION | | (7,707) | (2,668) | (1,819) | 633 |
| ATTRIBUTABLE TO:- | | | | | |
| Equity holders of the Company | | (7,606) | (2,466) | (1,819) | 633 |
| Minority Interests | | (101) | 202 | - | - |
| | | (7,707) | (2,668) | (1,819) | 633 |
| LOSS PER SHARE (SEN) | | | | | |
| - Basic | 30 | (4.26) | (1.31) | | |
| - Diluted | 30 | Not applicable | Not applicable | | |

The annexed notes form an integral part of these financial statements



STATEMENTS OF CHANGES IN EQUITY

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | | | | | | | | | | | | |
|--------------------------------|---|--------|---------------|--------|-----------------|----------|-----------------|--------|-----------------------------|---------|----------------|-----------|------------------|---------|----------------------|---------|--------------------|--------|--------|---------|
| | SHARE CAPITAL | | SHARE PREMIUM | | TREASURY SHARES | | CAPITAL RESERVE | | NON - DISTRIBUTABLE RESERVE | | MERGER DEFICIT | | RETAINED PROFITS | | SHAREHOLDERS' EQUITY | | MINORITY INTERESTS | | TOTAL | |
| GROUP | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at 1.1.2006 | 189,238 | | 14,788 | | | | | 1,582 | | 14,717 | | (109,628) | | 68,516 | | 179,213 | | 503 | | 179,716 |
| Effects of adopting FRS 140 | - | | - | | - | | - | | | (8,361) | | - | | 9,428 | | 1,067 | | - | | 1,067 |
| As restated | 189,238 | | 14,788 | | | | 1,582 | | | 6,356 | | (109,628) | | 77,944 | | 180,280 | | 503 | | 180,783 |
| Treasury shares acquired | - | | - | | | (3,483) | | - | | - | | - | | - | | (3,483) | | - | | (3,483) |
| Loss after taxation | - | | - | | | - | | - | | - | | - | | (2,466) | | (2,466) | | (202) | | (2,668) |
| Balance at 31.12.2006/1.1.2007 | 189,238 | | 14,788 | | | (3,483) | | 1,582 | | 6,356 | | (109,628) | | 75,478 | | 174,331 | | 301 | | 174,632 |
| Treasury shares acquired | - | | - | | | (7,858) | | - | | - | | - | | - | | (7,858) | | - | | (7,858) |
| Loss after taxation | - | | - | | | - | | - | | - | | - | | (7,606) | | (7,606) | | (101) | | (7,707) |
| Balance at 31.12.2007 | 189,238 | | 14,788 | | | (11,341) | | 1,582 | | 6,356 | | (109,628) | | 67,872 | | 158,867 | | 200 | | 159,067 |

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

| COMPANY | SHARE CAPITAL RM'000 | NON - DISTRIBUTABLE RESERVES | | | ACCUMULATED LOSSES RM'000 | TOTAL RM'000 |
|-------------------------------------|----------------------------|---------------------------------|------------------------------|----------------------------------|---------------------------------|-----------------|
| | | SHARE PREMIUM RM'000 | TREASURY SHARES RM'000 | REVALUATION RESERVE RM'000 | | |
| Balance at 1.1.2006 | 189,238 | 14,788 | - | 14,717 | (11,379) | 207,364 |
| Effects of adopting FRS 140 | - | - | - | (8,361) | 9,428 | 1,067 |
| As restated | 189,238 | 14,788 | - | 6,356 | (1,951) | 208,431 |
| Treasury shares acquired | - | - | (3,483) | - | - | (3,483) |
| Profit attributable to shareholders | - | - | - | - | 633 | 633 |
| Balance at 31.12.2006/ 1.1.2007 | 189,238 | 14,788 | (3,483) | 6,356 | (1,318) | 205,581 |
| Treasury shares acquired | - | - | (7,858) | - | - | (7,858) |
| Loss attributable to shareholders | - | - | - | - | (1,819) | (1,819) |
| Balance at 31.12.2007 | 189,238 | 14,788 | (11,341) | 6,356 | (3,137) | 195,904 |

The annexed notes form an integral part of these financial statements



CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

| | Group | | Company | |
|---|--------------|----------------|-------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES | | | | |
| (Loss)/Profit before taxation | (7,202) | (2,777) | (1,816) | 661 |
| Adjustments for:- | | | | |
| Allowance for doubtful debts | 1,939 | 907 | 2,360 | - |
| Allowance for slow-moving inventories | - | 22 | - | - |
| Amortisation of prepaid lease payments | 4 | - | - | - |
| Bad debts written off | - | 6 | - | 6 |
| Depreciation of property, plant and equipment | 3,332 | 3,234 | 95 | 169 |
| Interest expense | 93 | 20 | - | - |
| Inventories written down | 783 | 294 | - | - |
| Plant and equipment written off | - | 1 | - | - |
| Unrealised loss on foreign exchange | 42 | 60 | - | - |
| Net gain on disposal of property, plant and equipment | (135) | (208) | (10) | - |
| Gain on disposal of investment properties | (550) | - | (550) | - |
| Interest income | (256) | (477) | (254) | (481) |
| Reversal of allowance for doubtful debts | (189) | (305) | - | - |
| Operating (loss)/profit before working capital changes | (2,139) | 777 | (175) | 355 |
| Increase in inventories | (3,979) | (9,029) | - | - |
| Decrease/(Increase) in trade and other receivables | 13,755 | (1,100) | 91 | (175) |
| (Decrease)/Increase in trade and other payables | (6,190) | 8,034 | 24 | 34 |
| CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES | 1,447 | (1,318) | (60) | 214 |
| Income tax (paid)/ refunded | (69) | (1,634) | - | 91 |
| Interest paid | (93) | (20) | - | - |
| Interest received | 256 | 477 | 254 | 481 |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD | 1,541 | (2,495) | 194 | 786 |

The annexed notes form an integral part of these financial statements

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

| | NOTE | Group | | Company | |
|---|------|----------------|----------------|-----------------|----------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| NET CASH FROM/(FOR) | | | | | |
| OPERATING ACTIVITIES BROUGHT FORWARD | | 1,541 | (2,495) | 194 | 786 |
| CASH FLOWS (FOR)/ | | | | | |
| FROM INVESTING ACTIVITIES | | | | | |
| (Advances to)/Repayment from subsidiaries | | - | - | (8,286) | 4,540 |
| Acquisition of subsidiaries | 31 | - | - | - | (400) |
| Purchase of investment properties | | (50) | - | (50) | - |
| Purchase of property, plant and equipment | 32 | (2,468) | (1,679) | (6) | - |
| Proceeds from disposal of property, plant and equipment | | 135 | 487 | 10 | - |
| Proceeds from disposal of investment properties | | 1,400 | - | 1,400 | - |
| Advances to an associate | | (18) | - | (18) | - |
| NET CASH (FOR)/FROM | | | | | |
| INVESTING ACTIVITIES | | (1,001) | (1,192) | (6,950) | 4,140 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | | | | |
| Advances from subsidiaries | | - | - | 363 | 280 |
| Repayment of hire purchase obligations | | (1,422) | (99) | - | - |
| Repayment to directors | | - | (342) | - | - |
| Treasury shares acquired | | (7,858) | (3,483) | (7,858) | (3,483) |
| NET CASH FOR FINANCING ACTIVITIES | | (9,280) | (3,924) | (7,495) | (3,203) |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | | (8,740) | (7,611) | (14,251) | 1,723 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 25,524 | 33,135 | 20,712 | 18,989 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 33 | 16,784 | 25,524 | 6,461 | 20,712 |

The annexed notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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 25 April 2008.

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 9 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's exposure to price risk arises mainly from price fluctuation in timber logs and finished goods prices.

The Group manages the sale of sawn timber and procurement of its timber logs closely to minimise the impact on the Group.

(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 41% (2006 - 66%) 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 2007 (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 and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the current financial year, the Group and the Company have adopted the following new and revised Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"):

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

| | |
|---------|---------------------------|
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

| | |
|-------------------------|--|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS 119 ₂₀₀₄ | Amendment to FRS 119 ₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures |

The effects of adopting FRS 117 and FRS 124 on the accounting policies are disclosed in Note 35 and Note 40 to the financial statements respectively.

The adoption of FRS 6 and Amendment to FRS 119₂₀₀₄ are not relevant to the Group and the Company's operations.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company have applied this Framework from the financial year ended 31 December 2007 onwards.

The Group and the Company have not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

4. Basis Of Preparation (Cont'd)

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group and the Company's financial statements for the financial year ending 31 December 2008:-

| | |
|---------|--|
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |

The above FRSs align the MASB's FRSs with the equivalent International Accounting Standards ("IASs"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group and the Company will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This FRS aligns the MASB's FRSs with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group and the Company will apply this FRS from the financial year ending 31 December 2008 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. This amendment is not relevant to the Group and the Company's operations.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137₂₀₀₄ and an increase that reflects the passage of time. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 2 - Member's Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

4. Basis Of Preparation (Cont'd)

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specially some or all of the goods or services received. Where the fair value of the share-based payment is excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. This interpretation is not relevant to the Group and the Company's operations.

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 2007 (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 Group or the Company 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 RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at 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 2007 (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 2007.

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.

(e) Investments in Subsidiaries

The investments in subsidiaries are 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(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 2007.

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.

(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% |
| Renovation | 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. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(h) Impairment of Assets (Cont'd)

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.

(i) Prepaid Lease Payments

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land. The lease payments are amortised on a straight line basis over the lease terms. Prior to 1 January 2007, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117 - Leases, the unamortised amount of leasehold interest in land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117 - Leases. The financial effects of adopting FRS 117 - Leases are disclosed in Note 40 to the financial statements.

(j) 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.

(k) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are 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.

(l) 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(m) 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.

(n) 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.

(o) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(p) Income Taxes (Cont'd)

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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(u) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

6. Property, Plant And Equipment

| Group | Freehold Land And Buildings RM' 000 | Short-Term Leasehold Buildings RM' 000 | Mobile Cranes And Heavy Vehicles RM' 000 | Plant, Machinery, Tools And Equipment RM' 000 | Barges, Motor Vehicles And Forklifts RM' 000 | Office Equipment, Furniture And Fittings RM' 000 | Total RM' 000 |
|---|--|---|---|--|---|---|------------------|
| Net book value as at 1.1.2007 | 14,740 | 3,522 | 194 | 5,992 | 3,116 | 925 | 28,489 |
| Additions | - | - | - | 80 | 4,074 | 834 | 4,988 |
| Depreciation charge | (46) | (764) | (21) | (1,540) | (694) | (267) | (3,332) |
| Net book value as at 31.12.2007 | 14,694 | 2,758 | 173 | 4,532 | 6,496 | 1,492 | 30,145 |
| As at 31.12.2007 | | | | | | | |
| At cost | - | - | 345 | 29,306 | 10,428 | 4,113 | 44,192 |
| At valuation | | | | | | | |
| - 2005 | 15,285 | 13,877 | - | - | - | - | 29,162 |
| Accumulated depreciation | (591) | (11,119) | (172) | (24,774) | (3,932) | (2,621) | (43,209) |
| Net book value | 14,694 | 2,758 | 173 | 4,532 | 6,496 | 1,492 | 30,145 |
| Group (Restated) | | | | | | | |
| As at 31.12.2006 | | | | | | | |
| At cost | - | - | 423 | 29,226 | 6,930 | 3,280 | 39,859 |
| At valuation | | | | | | | |
| - 2005 | 15,285 | 13,877 | - | - | - | - | 29,162 |
| Accumulated depreciation | (545) | (10,355) | (229) | (23,234) | (3,814) | (2,355) | (40,532) |
| Net book value | 14,740 | 3,522 | 194 | 5,992 | 3,116 | 925 | 28,489 |
| Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at | | | | | | | |
| - 31.12.2007 | 10,735 | 2,758 | - | - | - | - | 13,493 |
| - 31.12.2006 | 10,753 | 3,522 | - | - | - | - | 14,275 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

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

| Company | Freehold Land And Buildings RM' 000 | Motor Vehicles RM' 000 | Office Equipment, Furniture And Fittings RM' 000 | Total RM' 000 |
|---|--|------------------------------|---|------------------|
| Net book value as at 1.1.2007 | 12,590 | 5 | 113 | 12,708 |
| Addition | - | - | 6 | 6 |
| Depreciation charge | (46) | (5) | (44) | (95) |
| Net book value as at 31.12.2007 | 12,544 | - | 75 | 12,619 |
| As at 31.12.2007 | | | | |
| At cost | - | 280 | 992 | 1,272 |
| At valuation - 2005 | 13,135 | - | - | 13,135 |
| Accumulated depreciation | (591) | (280) | (917) | (1,788) |
| Net book value | 12,544 | - | 75 | 12,619 |
| As at 31.12.2006 | | | | |
| At cost | - | 388 | 986 | 1,374 |
| At valuation - 2005 | 13,135 | - | - | 13,135 |
| Accumulated depreciation | (545) | (383) | (873) | (1,801) |
| | 12,590 | 5 | 113 | 12,708 |
| Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at | | | | |
| - 31.12.2007 | 6,718 | - | - | 6,718 |
| - 31.12.2006 | 6,737 | - | - | 6,737 |

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

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 RM5,844,484 (2006 - RM2,143,462) acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

7. Prepaid Lease Payments

| | Group | |
|-------------------------------------|----------------|------------------------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) |
| Short-term leasehold land | | |
| Carrying amount | 188 | 188 |
| Accumulated amortisation | (4) | - |
| Net book value | 184 | 188 |
| Accumulated amortisation:- | | |
| At 1 January | - | - |
| Amortisation for the financial year | 4 | - |
| At 31 December | 4 | - |

The prepaid lease payments of the Group represent short-term leasehold land and are pledged as security for bank borrowings.

8. Investment Properties

| | Group/Company | |
|---|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At fair value:- | | |
| Freehold land and building | | |
| At 1 January | 21,249 | 21,249 |
| Addition during the financial year | 50 | - |
| At 31 December | 21,299 | 21,249 |
| Short-term leasehold land and buildings | | |
| At 1 January | 850 | 850 |
| Disposal during the financial year | (850) | - |
| At 31 December | - | 850 |
| | 21,299 | 22,099 |

Investment properties represent commercial properties leased to third parties.

9. Investment In Subsidiaries

| | Company | |
|-----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares | | |
| - at cost | 131,365 | 131,365 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

9. Investment In Subsidiaries (Cont'd)

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

| Name Of Company | Effective Equity Interest | | Principal Activities |
|---------------------------------------|---------------------------|-----------|--|
| | 2007 % | 2006 % | |
| Sanbumi Sawmill Sdn. Bhd.# | 100 | 100 | Sawmillers and timber log traders. |
| Akalaju Sdn. Bhd.# | 100 | 100 | Trading of timber products. |
| Sanbumi Wood Processing Sdn. Bhd.# * | 100 | 100 | Manufacturer of downstream timber products. |
| Barateguh Sdn. Bhd.# * | 100 | 100 | Trading of timber logs. |
| Metro Ajaib Sdn. Bhd.# * | 100 | 100 | Trading of timber logs. |
| Mirim Timber Sdn. Bhd.# * | 100 | 100 | Trading of timber logs. |
| EMC Cranes Sdn. Bhd. | 100 | 100 | Rendering of mobile crane services. |
| EMC Cranes (K.L.) Sdn. Bhd. | 78.50 | 78.50 | Rendering of mobile crane services. |
| EMC Capital Sdn. Bhd. | 100 | 100 | Insurance agent. |
| EMC Containers Sdn. Bhd. | 70 | 70 | Hiring of vehicles. |
| EMC Warehouse Services Sdn. Bhd. | 100 | 100 | Rendering of warehouse services. |
| EMC Marketing Sdn. Bhd. | 100 | 100 | Trading in heavy machineries, industrial equipment, supplies and lubricants. |
| EMC Engineering Services Sdn. Bhd. ** | 62.50 | 62.50 | Sales of vehicle accessories and rendering of vehicle engineering services. |
| Sanbumi Holiday Sdn. Bhd. | 100 | - | Travel agent. |
| Sanbumi Air Transport Sdn. Bhd. | 100 | - | Carrier, transport provider and travel agent. |
| Pewter Art Industries (M) Sdn. Bhd. | 100 | - | Dormant. |
| Tourism Information Centre Sdn. Bhd. | 100 | - | Dormant. |

* Interest held by Sanbumi Sawmill Sdn. Bhd.

** Interest held by EMC Marketing Sdn. Bhd.

Not audited by Messrs. Horwath.

10. Investment In An Associate

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares, at cost | 637 | 637 | 637 | 637 |
| Impairment loss | - | - | 637 | (637) |
| | 637 | 637 | - | - |
| Share of post-acquisition accumulated losses | (637) | (637) | - | - |
| | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

10. Investment In An Associate (Cont'd)

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

| | 2007 RM'000 | 2006 RM'000 |
|-------------------------------|----------------|----------------|
| Assets and Liabilities | | |
| Non-current assets | - | - |
| Current assets | 190 | 64 |
| | 190 | 64 |
| Non-current liabilities | - | - |
| Current liabilities | 1,500 | 1,374 |
| | 1,500 | 1,374 |
| Results | | |
| Revenue | 15 | - |
| Loss for the financial year | - | (1) |

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

| Name Of Company | Effective Equity Interest | | Principal Activities |
|----------------------|---------------------------|-----------|--|
| | 2007 % | 2006 % | |
| 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 cumulative share of losses of the associate was RM25,315 (2006 - RM25,364) at the balance sheet date.

11. Deferred Tax Assets

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 389 | 96 |
| Recognised in income statement (Note 29) | (389) | 293 |
| At 31 December | - | 389 |

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

| | Group | |
|-------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Deferred tax assets:- | | |
| Property, plant and equipment | - | 282 |
| Inventories | - | 57 |
| Unabsorbed capital allowances | - | 6 |
| Tax losses | - | 51 |
| | - | 396 |
| Deferred tax liability: | | |
| Property, plant and equipment | - | (7) |
| | - | 389 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

12. Inventories

| | Group | |
|--------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At Cost | | |
| Raw materials | 4,193 | 8,496 |
| Work-in-progress | 19,287 | 13,899 |
| Finished goods | 4,356 | 2,505 |
| Consumable stores | 420 | 379 |
| | 28,256 | 25,279 |
| At Net Realisable Value | | |
| Finished goods | 1,518 | 1,299 |
| | 29,774 | 26,578 |

13. Trade Receivables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade receivables | 44,534 | 35,915 | 279 | 456 |
| Allowance for doubtful debts | | | | |
| At 1 January | (7,971) | (7,306) | - | - |
| Allowance for the financial year | (384) | (907) | - | - |
| Reversal of allowance no longer required | 111 | 242 | - | - |
| At 31 December | (8,244) | (7,971) | - | - |
| | 36,290 | 27,944 | 279 | 456 |

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

The foreign currency exposure profile of the trade receivables is as follows:-

| | Group | |
|----------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| United States Dollar | 339 | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

14. Other Receivables, Deposits And Prepayments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Other receivables, deposits and prepayments | 49,166 | 71,582 | 1,505 | 1,419 |
| Allowance for doubtful debts | | | | |
| At 1 January | (9,503) | (9,566) | (961) | (961) |
| Allowance for the financial year | (1,555) | - | - | - |
| Reversal of allowance no longer required | 78 | 63 | - | - |
| At 31 December | (10,980) | (9,503) | (961) | (961) |
| | 38,186 | 62,079 | 544 | 458 |

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM30,595,916 (2006 - RM59,608,238). These represent advances made for future supply of timber logs and sawn timber. These advances shall be recovered through the deduction from the cost of timber logs and sawn timber to be supplied.

15. Amounts Owning By/To Subsidiaries

| | Company | |
|----------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Amount owing by subsidiaries | 31,035 | 22,749 |
| Allowance for doubtful debts | | |
| At 1 January | (2,244) | (2,244) |
| Allowance for the financial year | (2,360) | - |
| At 31 December | (4,604) | (2,244) |
| | 26,431 | 20,505 |
| Amount owing to subsidiaries | 663 | 300 |

The amount owing comprises the following:-

| | Company | |
|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Amount owing by subsidiaries | | |
| - Trade | - | 875 |
| - Non-trade | 31,035 | 21,874 |
| | 31,035 | 22,749 |
| Amount owing to subsidiaries | | |
| - Trade | 5 | 5 |
| - Non-trade | 658 | 295 |
| | 663 | 300 |

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 2007 (Cont'd)

16. Amount Owing By An Associate

| | Group/Company | |
|----------------------------------|---------------|--------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Amount owing by an associate | 1,002 | 984 |
| Allowance for doubtful debt | | |
| At 1 January | (984) | (984) |
| Allowance for the financial year | - | - |
| At 31 December | (984) | (984) |
| | 18 | - |

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

17. Share Capital

| | Company | | | |
|-------------------------------|-------------------------|---------|---------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | Number Of Shares ('000) | | RM'000 | RM'000 |
| Ordinary Shares Of RM1 Each:- | | | | |
| Authorised | 250,000 | 250,000 | 250,000 | 250,000 |
| Issued and Fully Paid-Up | 189,238 | 189,238 | 189,238 | 189,238 |

18. Retained Profits

| | Pre-Merger Profit/(Loss) | | | |
|--------------------------------|---|--------|--|--------------|
| | The Company And Its Subsidiaries Accounted For Under Acquisition Method Of Accounting | | Subsidiaries Accounted For Under Merger Accounting | |
| | RM'000 | RM'000 | Post-Merger Profit RM'000 | Total RM'000 |
| Group | | | | |
| Balance at 1.1.2006 | (24,880) | 51,807 | 41,589 | 68,516 |
| Effects of adopting FRS 140 | - | - | 9,428 | 9,428 |
| As restated | (24,880) | 51,807 | 51,017 | 77,944 |
| Current year loss | - | - | (2,466) | (2,466) |
| Balance at 31.12.2006/1.1.2007 | (24,880) | 51,807 | 48,551 | 75,478 |
| Current year loss | - | - | (7,606) | (7,606) |
| Balance at 31.12.2007 | (24,880) | 51,807 | 40,945 | 67,872 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

19. Treasury Shares

The shareholders of the Company, by way of a special resolution passed in the General Meeting held on 29 June 2007, approved the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 10,298,000 of its issued ordinary shares from the open market at an average price of RM0.76 per share. Total consideration paid for the purchase was RM7,858,566, comprising consideration paid amounting to RM7,832,423 and transaction costs of RM26,143. The purchased 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 (2006 - 189,238,348) issued and fully paid-up ordinary shares as at 31 December 2007, 15,006,800 ordinary shares (2006 - 4,708,800) are held as treasury shares by the Company.

20. Other Reserves

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Share Premium | 14,788 | 14,788 | 14,788 | 14,788 |
| Revaluation Reserve | 6,356 | 6,356 | 6,356 | 6,356 |
| Capital Reserve | 1,582 | 1,582 | - | - |
| | 22,726 | 22,726 | 21,144 | 21,144 |
| The revaluation reserve comprises:- | | | | |
| Surplus on revaluation of property, plant and equipment | 6,356 | 6,356 | 6,356 | 6,356 |

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

| | Group | |
|---|------------------|------------------|
| | 2007 RM'000 | 2006 RM'000 |
| Non-Distributable | | |
| Arising from the merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd. | (109,628) | (109,628) |

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 2007 (Cont'd)

22. Hire Purchase Payables

| | Group | |
|---|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Minimum hire purchase payments: | | |
| - not later than one year | 1,682 | 634 |
| - later than one year and not later than five years | 713 | 577 |
| | 2,395 | 1,211 |
| Future finance charges | (141) | (55) |
| Present value of hire purchase payables | 2,254 | 1,156 |
| Current: | | |
| - not later than one year | 1,581 | 592 |
| Non-current: | | |
| - later than one year and not later than five years | 673 | 564 |
| | 2,254 | 1,156 |

The Group has hire purchase contracts for certain plant and equipment as disclosed in Note 6 to the financial statements. There are no restrictions imposed on the Group by the hire purchase arrangements and the Group has not entered into any arrangements for contingent rent payments.

The hire purchase payables bore effective interest at the balance sheet date of between 4.7% to 7.1% (2006 - 4.7% to 5.4%) per annum.

Certain hire purchase payables of the Group are secured by way of a corporate guarantee from the Company.

23. Deferred Tax Liabilities

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 1,905 | 1,533 | 1,905 | 1,490 |
| Effect of adopting FRS 140 | - | 415 | - | 415 |
| As restated | 1,905 | 1,948 | 1,905 | 1,905 |
| Recognised in the income statement (Note 29) | 104 | (43) | - | - |
| At 31 December | 2,009 | 1,905 | 1,905 | 1,905 |

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Accelerated capital allowances | 104 | - | - | - |
| Revaluation surplus of property, plant and equipment | 586 | 586 | 586 | 586 |
| Revaluation surplus of investment properties | 1,319 | 1,319 | 1,319 | 1,319 |
| | 2,009 | 1,905 | 1,905 | 1,905 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

24. Trade Payables

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

25. Bank Overdraft

The bank overdraft of the Group bore an effective interest rate of 8.5% (2006 – Nil) per annum at the balance sheet date and is secured by way of:-

- (i) a fixed and floating charge over all the assets of a subsidiary; and
- (ii) a corporate guarantee of the holding company.

26. Revenue

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Sale of timber | 235,549 | 124,431 | - | - |
| Mobile crane services | - | 411 | - | - |
| Trading | 564 | 492 | - | - |
| Warehousing and other services | 12 | 285 | - | - |
| Rental income | 1,006 | 895 | 933 | 1,116 |
| Management fee | 12 | - | 360 | 452 |
| Travel agent | 6,806 | - | - | - |
| Aircraft chartering | 210 | - | - | - |
| | 244,159 | 126,514 | 1,293 | 1,568 |

27. Other Income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Bad debts recovered | - | 17 | - | - |
| Commission income | 120 | - | - | - |
| Gain on disposal of property, plant and equipment | 135 | 307 | 10 | - |
| Gain on disposal of investment properties | 550 | - | 550 | - |
| Interest income | | | | |
| - for the current financial year | 256 | 481 | 254 | 481 |
| - overprovision in the previous financial year | - | (4) | - | - |
| Rental income | 490 | - | - | - |
| Reversal of allowance for doubtful debts | 189 | 305 | - | - |
| Sawing charges | 2,773 | 4,210 | - | - |
| Others | 184 | 82 | 8 | 8 |
| | 4,697 | 5,398 | 822 | 489 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

28. (Loss)/Profit Before Taxation

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Allowance for doubtful debts | 1,939 | 907 | 2,360 | - |
| Allowance for slow-moving inventories | - | 22 | - | - |
| Amortisation of prepaid lease payments | 4 | - | - | - |
| Audit fee | | | | |
| - for the current financial year | 100 | 87 | 33 | 28 |
| - underprovision in the previous financial year | - | - | 3 | - |
| Bad debts written off | - | 6 | - | 6 |
| Depreciation of property, plant and equipment | 3,332 | 3,234 | 95 | 169 |
| Directors' fees | 252 | 252 | 252 | 252 |
| Directors' other emoluments | 702 | 1,638 | 205 | - |
| Interest expense | | | | |
| - bank overdrafts | - | 13 | - | - |
| - hire purchase | 69 | 6 | - | - |
| - others | 24 | 1 | - | - |
| Inventories written down | 783 | 294 | - | - |
| Loss on disposal of property, plant and equipment | - | 99 | - | - |
| Plant and equipment written off | - | 1 | - | - |
| Realised loss on foreign exchange | 6 | - | - | - |
| Unrealised loss on foreign exchange | 42 | 60 | - | - |
| Rental of premises | 462 | 384 | 36 | - |
| Termination benefits | 116 | 362 | - | - |
| Staff costs | 5,162 | 5,327 | - | 300 |

29. Income Tax Expense

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Current tax expense: | | | | |
| - for the financial year | - | 227 | - | 28 |
| - underprovision in previous financial years | 12 | - | 3 | - |
| | 12 | 227 | 3 | 28 |
| Deferred tax expense: | | | | |
| - relating to origination and reversal of temporary differences | 104 | (341) | - | - |
| - underprovision in previous financial years | 389 | 5 | - | - |
| | 493 | (336) | - | - |
| | 505 | (109) | 3 | 28 |

During the financial year, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

29. Income Tax Expense (Cont'd)

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| (Loss)/Profit before taxation | (7,202) | (2,777) | (1,816) | 661 |
| Tax at the applicable statutory tax rate of 27% (2006 - 28%) | (1,945) | (778) | (490) | 185 |
| Tax effects of:- | | | | |
| Non-deductible expenses | 872 | 589 | 705 | 77 |
| Non-taxable gains | (100) | - | (148) | - |
| Utilisation of deferred tax assets not recognised in previous financial year | (73) | (303) | (67) | (234) |
| Deferred tax assets not recognised during the financial year | 1,685 | 510 | - | - |
| Double deduction of expenses | (335) | (132) | - | - |
| Underprovision in previous financial years | | | | |
| - current tax | 12 | - | 3 | - |
| - deferred tax | 389 | 5 | - | - |
| Tax for the financial year | 505 | (109) | 3 | 28 |

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

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unutilised tax losses | 14,951 | 10,689 | 32 | 356 |
| Unabsorbed capital allowances | 4,437 | 2,727 | 2,090 | 2,004 |
| | 19,388 | 13,416 | 2,122 | 2,360 |

30. Loss Per Share

The basic loss per share is calculated by dividing the loss after tax of the Group attributable to shareholders of RM7,605,764 (2006 - RM2,466,177) by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year of 178,490,819 (2006 - 188,132,353 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

31. Acquisition Of Subsidiaries

On 17 January 2007, the Company acquired 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital for each of the two subsidiaries i.e. Pewter Art Industries (M) Sdn. Bhd. and Tourism Information Centre Sdn. Bhd. for a total cash consideration of RM4.

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 | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cost of property, plant and equipment purchased | 4,988 | 2,879 | 6 | - |
| Amount financed through hire purchase | (2,520) | (1,200) | - | - |
| Cash disbursed for the purchase of property, plant and equipment | 2,468 | 1,679 | 6 | - |

33. Cash And Cash Equivalents

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

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash and bank balances | 16,787 | 25,524 | 6,461 | 20,712 |
| Bank overdraft | (3) | - | - | - |
| | 16,784 | 25,524 | 6,461 | 20,712 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (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 | | | | | |
| 2007 | | | | | |
| - Below RM50,000 | 7 | 252,000 | - | - | 252,000 |
| - Between RM350,001 and 400,000 | - | - | 2 | 702,000 | 702,000 |
| 2006 | | | | | |
| - Below RM50,000 | 7 | 252,000 | - | - | 252,000 |
| - Between RM400,001 and RM450,000 | - | - | 1 | 468,000 | 468,000 |
| - Between RM550,001 and RM600,000 | - | - | 2 | 1,170,000 | 1,170,000 |
| Company | | | | | |
| 2007 | | | | | |
| - Below RM50,000 | 7 | 252,000 | 2 | 79,750 | 331,750 |
| - Between RM50,001 and RM100,000 | - | - | 1 | 58,500 | 58,500 |
| - Between RM100,001 and RM150,000 | - | - | 1 | 146,250 | 146,250 |
| 2006 | | | | | |
| - Below RM50,000 | 7 | 252,000 | - | - | 252,000 |

35. Related Party Disclosures

(a) Identities of related parties

- (i) the Company has related party relationship with its subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) the directors who are the key management personnel; and
- (iii) entity controlled by certain key management personnel/directors/substantial shareholders.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

35. Related Party Disclosures (Cont'd)

- (b) The Group and the Company carried out the following transactions with its related parties during the financial year:

(i) Subsidiaries

| | Company | |
|--|---------|--------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Rental received from: | | |
| - EMC Cranes Sdn. Bhd. | - | 24 |
| - EMC Marketing Sdn. Bhd. | - | 12 |
| - EMC Engineering Services Sdn. Bhd. | - | 4 |
| - EMC Warehouse Services Sdn. Bhd. | 180 | 180 |
| Management fee received from: | | |
| - EMC Cranes Sdn. Bhd. | 24 | 94 |
| - EMC Marketing Sdn. Bhd. | 12 | 12 |
| - EMC Cranes (K.L.) Sdn. Bhd. | 24 | 60 |
| - EMC Capital Sdn. Bhd. | 12 | 11 |
| - EMC Warehouse Services Sdn. Bhd. | 12 | 12 |
| - Sanburi Sawmill Sdn. Bhd. | 264 | 264 |
| Rental paid to: | | |
| - EMC Cranes (KL) Sdn. Bhd. | 4 | - |
| Other income received from: | | |
| - EMC Cranes Sdn. Bhd. | 2 | 2 |
| Outstanding balances: | | |
| - EMC Cranes Sdn. Bhd. | 2,691 | 5,224 |
| - EMC Marketing Sdn. Bhd. | 13 | 21 |
| - EMC Container Sdn. Bhd. | 6 | 1 |
| - EMC Warehouse Services Sdn. Bhd. | 1,098 | 1,098 |
| - Sanburi Sawmill Sdn. Bhd. | 12,863 | 13,951 |
| - Sanburi Holiday Sdn. Bhd. | 6,512 | 5 |
| - Sanburi Air Transport Sdn. Bhd. | 3,242 | 205 |
| - Pewter Art Industries Sdn. Bhd. | 3 | - |
| - Tourism Information Centre Sdn. Bhd. | 3 | - |
| - EMC Cranes (KL) Sdn. Bhd. | (658) | (296) |
| - EMC Capital Sdn. Bhd. | (5) | (4) |

(ii) Key Management Personnel

| | Group | | Company | |
|------------------------------|--------|--------|---------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term employee benefits | 954 | 1,890 | 536 | 252 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

36. Segmental Information (Cont'd)

| | Timber | | Mobile Cranes | | Tour And Ticketing | | Others | | Group | |
|-------------------------------|----------------|----------------|----------------|----------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| OTHER INFORMATION | | | | | | | | | | |
| Segment assets | 116,098 | 131,645 | 2,710 | 3,652 | 11,841 | - | 42,034 | 57,993 | 172,683 | 193,290 |
| Unallocated assets | | | | | | | | | 2,450 | 2,395 |
| | | | | | | | | | 175,133 | 195,685 |
| Segment liabilities | 10,015 | 17,077 | 186 | 363 | 2,110 | - | 651 | 611 | 12,962 | 18,051 |
| Unallocated liabilities | | | | | | | | | 3,104 | 3,002 |
| | | | | | | | | | 16,066 | 21,053 |
| Capital expenditure | 111 | 2,671 | - | 208 | 4,871 | - | 6 | - | 4,988 | 2,879 |
| Depreciation and amortisation | 2,884 | 3,020 | 21 | 26 | 314 | - | 117 | 188 | 3,336 | 3,234 |

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

37. Contingent Liability – Unsecured

| | Company | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Corporate guarantee given to licensed banks for banking facilities granted to subsidiaries | 4,000 | - |

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:-

| | 2007 RM | 2006 RM |
|----------------------|------------|------------|
| United States Dollar | 3.31 | 3.53 |
| Singapore Dollar | - | 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

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

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

(a) Amounts Owning By/To Subsidiaries/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 approximate 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.

(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.

(d) Contingent Liability

The nominal amount and net fair value of contingent liability not recognised in the balance sheet of the Company is as follows:

| | Note | Nominal Amount RM'000 | Net Fair Value RM'000 |
|----------------------------|------|-----------------------------|-----------------------------|
| At 31 December 2007 | | | |
| Corporate guarantee | 37 | 4,000 | * |

* The net fair value of the contingent liability is estimated to be minimal as the subsidiary is expected to fulfill its obligations to repay its borrowings.

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

The following comparative figures have been restated as a result of adopting the new and revised FRS:-

| | As Previously Reported RM'000 | Effects of FRS 117 RM'000 | As Restated After Incorporating Effects of FRS 117 RM'000 |
|----------------------------------|--|---------------------------------|--|
| Balance Sheet (Extract):- | | | |
| Group | | | |
| Property, plant and equipment | 28,677 | (188) | 28,489 |
| Prepaid lease payments | - | 188 | 188 |



SHAREHOLDING STATISTICS

AS AT 8 MAY 2008

SHARE CAPITAL

| | | |
|----------------------------|---|---|
| Authorised Share Capital | : | RM250,000,000 |
| Issued and Paid-up Capital | : | RM189,238,348 (Inclusive of 15,006,800 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 2008 are as follows:-

| Name of Substantial Shareholders | Direct | | Indirect | |
|----------------------------------|--------------|------|--------------|------|
| | No of shares | % | No of shares | % |
| Tan Sri Datuk Chai Kin Kong | 14,197,070 | 8.15 | 2,198,113* | 1.26 |
| Dato' Chua Tiong Moon | 8,791,962 | 5.05 | 2,198,113* | 1.26 |

* Deemed interest by virtue of Tan Sri Datuk Chai Kin Kong and Dato' Chua Tiong Moon 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 2008 are as follows:-

| Name of Directors | No of shares | Direct | No of shares | Indirect |
|---|--------------|--------|--------------|----------|
| | | % | | % |
| Dato' Noorazman bin Adnan | 761,000 | 0.44 | - | - |
| Dato' Chua Tiong Moon | 8,791,962 | 5.05 | 2,198,113* | 1.26 |
| Tan Sri Datuk Chai Kin Kong | 14,197,070 | 8.15 | 2,198,113* | 1.26 |
| Dato' Rahadian Mahmud bin Mohammad Khalil | - | - | - | - |
| Lee Gee Huy @ Lee Kong Fee, J.P | - | - | - | - |
| 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

| SIZE OF HOLDINGS | NO OF SHARES | % OF ISSUED CAPITAL | NO OF SHAREHOLDERS | % OVER TOTAL SHAREHOLDERS |
|---------------------|--------------|---------------------|--------------------|---------------------------|
| 1 - 99 | 366 | - | 12 | 0.15 |
| 100 - 1,000 | 1,205,240 | 0.69 | 1,245 | 14.93 |
| 1,001 - 10,000 | 26,819,331 | 15.39 | 5,092 | 61.07 |
| 10,001 - 100,000 | 55,934,811 | 32.11 | 1,792 | 21.49 |
| 100,001 - 8,711,576 | 90,271,800 | 51.81 | 197 | 2.36 |
| 8,711,577 and above | - | - | - | - |
| Total | 174,231,548 | 100.00 | 8,338 | 100.00 |

SHAREHOLDING STATISTICS

AS AT 8 MAY 2008 (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 TAN SRI CHAI KIN KONG | 8,666,700 | 4.97 |
| 2 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON | 6,791,900 | 3.90 |
| 3 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG | 5,025,300 | 2.88 |
| 4 | OSK NOMINEES (ASING) SDN BERHAD OSK ASIA SECURITIES LTD FOR BIOVENTURE LIMITED | 5,000,000 | 2.87 |
| 5 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOKE MOY | 3,317,700 | 1.90 |
| 6 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHU YOKE HUA | 3,077,000 | 1.77 |
| 7 | OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD | 2,198,100 | 1.26 |
| 8 | OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON | 2,000,000 | 1.15 |
| 9 | PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOLID DIVIDEND SDN BHD (D) | 1,981,600 | 1.14 |
| 10 | KE-ZAN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DELTA CYCLE SDN BHD | 1,389,700 | 0.80 |
| 11 | CHEUNG WAI MEE | 1,213,000 | 0.70 |
| 12 | MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KING HUO @ WONG KING HUAT | 904,900 | 0.52 |
| 13 | TEOH HOOI BIN | 900,000 | 0.52 |
| 14 | YAP NAM HUAT | 869,500 | 0.50 |



SHAREHOLDING STATISTICS

AS AT 8 MAY 2008 (Cont'd)

| No | Name of Shareholders | No. of Shares | % |
|--------------|--|-------------------|--------------|
| 15 | CHENG POON SANG | 800,000 | 0.46 |
| 16 | MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAN SINGH A/L SHAM SINGH | 781,100 | 0.45 |
| 17 | CHOY FOONG LIN | 768,400 | 0.44 |
| 18 | NOORAZMAN BIN ADNAN | 755,000 | 0.43 |
| 19 | YAP POH CHEE | 750,000 | 0.43 |
| 20 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' RAMLI BIN YUSUFF (471794) | 736,000 | 0.42 |
| 21 | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SII HEE KANG (STA 1) | 704,000 | 0.40 |
| 22 | CHOCK KOK HUAT | 695,000 | 0.40 |
| 23 | CHEW POO | 668,000 | 0.38 |
| 24 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LEE LEONG LAI (T-471274) | 650,000 | 0.37 |
| 25 | GAN MING LIAK | 610,000 | 0.35 |
| 26 | WANG NAM | 600,000 | 0.35 |
| 27 | CHONG HORNG EN | 596,000 | 0.34 |
| 28 | THIEN JUN ONN | 590,000 | 0.34 |
| 29 | HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOLID DIVIDEND SDN BHD (M01) | 570,500 | 0.33 |
| 30 | CHAI KIN KONG | 505,000 | 0.29 |
| Total | | 54,114,400 | 31.06 |

PARTICULARS OF PROPERTIES HELD

Summary of landed properties owned as at 31 December 2007.

| Owner | Location | Tenure | Existing Use | Land area Sq.ft. | Approx. age of building (Years) | Fair Value as at 31.12.07 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 | 30 | 5,345 | 31 December 2005 |
| SHB | Lot 1511 Mukim 6 Seberang Prai Tengah | Freehold | Staff quarters, workshop and store | 111,601 | 29 | 5,300 | 31 December 2005 |
| SHB | Lot 3424 Mukim 6 Seberang Prai Tengah | Freehold | Bonded warehouse with annexed office | 36,678 | 17 | 3,964 | 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 | 14 | 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 |
| 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 | 8-16 | 2,942 | 24 May 2000 |

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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-Ninth 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, 27 June 2008 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

| Resolutions | | For | Against |
|--------------|--|-----|---------|
| Resolution 1 | - Receiving of statutory financial statements and reports of Directors and Auditors | | |
| Resolution 2 | - Approval of Directors' fees | | |
| | Re-election of Directors: | | |
| Resolution 3 | - Dato' Noorazman bin Adnan | | |
| Resolution 4 | - Dato' Rahadian Mahmud bin Mohammad Khalil | | |
| Resolution 5 | - Re-appointment of Messrs Horwath as Auditors and to authorise the Directors to determine their remuneration | | |
| Resolution 6 | - Approval for issuance of new ordinary shares pursuant to Section 132D of Companies Act, 1965 | | |
| Resolution 7 | - Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital | | |

(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 2008

| | |
|-----------------------|--|
| Number of shares held | |
|-----------------------|--|

For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-

| | No. of shares | Percentage |
|---------|---------------|------------|
| Proxy 1 | | % |
| Proxy 2 | | % |

.....
Signature/Common Seal of Appointer

NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint at least one (1) but not more than two (2) proxies (who need not be members of the Company) to attend and vote on his behalf. Where a member appoints two (2) 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 (1) 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 forty-eight (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

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SANBUMI HOLDINGS BERHAD
(8386 P)

Reg Off:

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