



SANBUMI HOLDINGS BERHAD
(8386 P)

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(8386 P)

Annual Report 2008



ANNUAL REPORT 2008



SANBUMI HOLDINGS BERHAD
(8386 P)



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth 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, 5 June 2009 at 10.00 a.m. for the following purposes:-

AGENDA

- | | | |
|----|---|---------------------------|
| 1. | To receive the Statutory Financial Statements for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon. | Please refer to
Note A |
|----|---|---------------------------|

AS ORDINARY BUSINESS

- | | | |
|----|--|--|
| 2. | To approve the payment of Directors' fees for the financial year ended 31 December 2008. | (Resolution 1) |
| 3. | To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:-

Dato' Chua Tiong Moon
Dato' Lee Gee Huy @ Lee Kong Fee, JP
Ir Zainurin bin Karman | (Resolution 2)
(Resolution 3)
(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

"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." | (Resolution 6) |
| 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

"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"); | (Resolution 7) |

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 2008;
- (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: 14 May 2009

Note A

This Agenda Item is meant for discussion only as the provision of Section 169 (1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.



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 14 May 2009.

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 11 to 12 and 79 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

- **Dato' 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

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

Members

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

NOMINATION COMMITTEE

Chairman

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

Members

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

REMUNERATION COMMITTEE

Chairman

- **Dato' Noorazman Bin Adnan**

Members

- **Dato' 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
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Fax: 604 - 397 9311 / 390 3636

SHARE REGISTRAR

Tenaga Koperat Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 603 - 2264 3883
Fax: 603 - 2282 1886

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 5 May 2009)



CALENDAR OF SIGNIFICANT EVENTS

- **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.

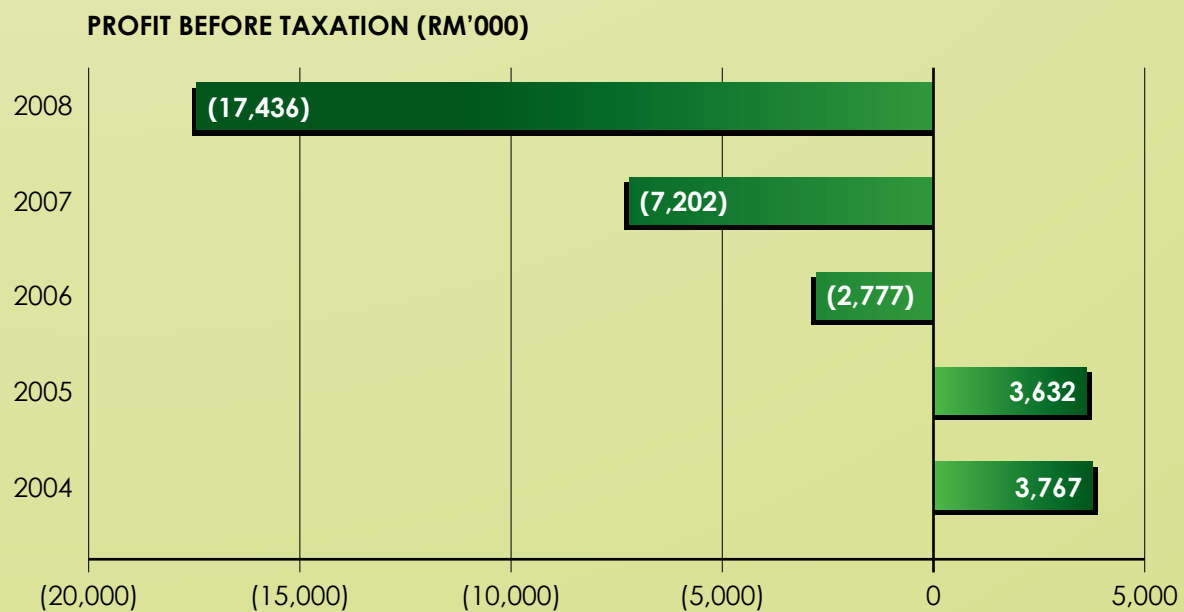
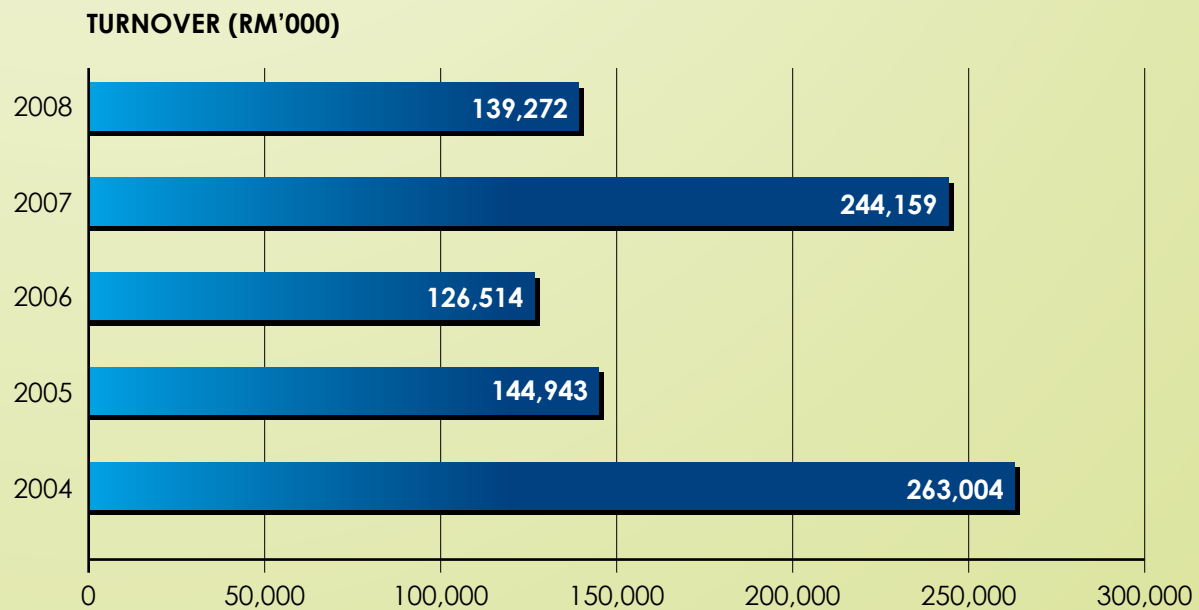
- **25 April 2008**

The Company acquired the entire issued and paid-up 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

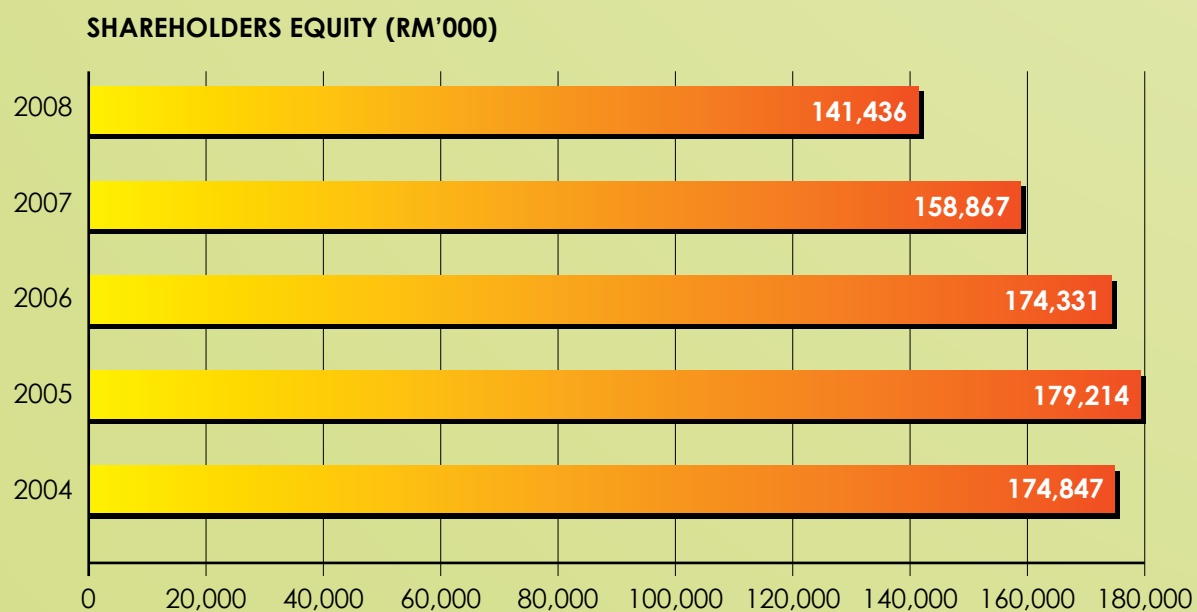
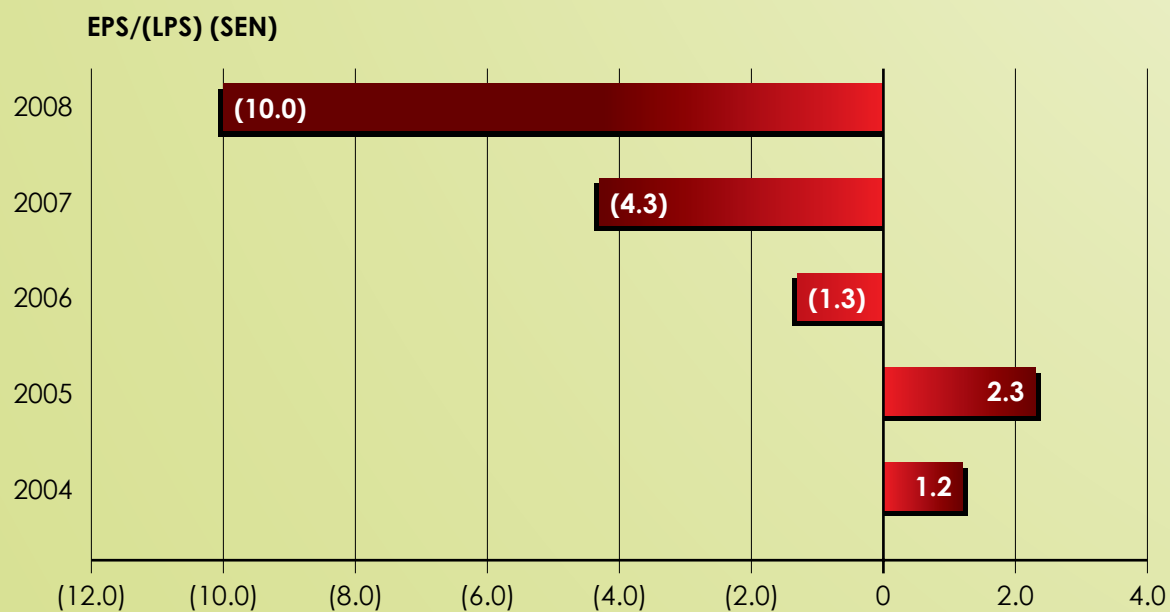
The Group's Five Years Financial Highlights





FINANCIAL HIGHLIGHTS

The Group's Five Years Financial Highlights (Cont'd)



PROFILE OF THE BOARD OF DIRECTORS

DATO' NOORAZMAN BIN ADNAN - CHAIRMAN

Age : 52 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 Sanburi 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 : 50 Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 31 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 Sanburi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 1995 as well as Director in several private limited companies under the Sanburi 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 : 50 Nationality : Malaysian

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 36 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. He is also a Director in several private limited companies under the Sanburi Group as well as other private limited companies.

Tan Sri Datuk Chai Kin Kong has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the Board of KLC Forest Plantation Berhad.

DATO' LEE GEE HUY @ LEE KONG FEE, JP - DIRECTOR

Age : 61 Nationality : Malaysian

Dato' Lee Gee Huy @ Lee Kong Fee, JP is a Barrister. He obtained his Licence-In-Law from Buckingham University, United Kingdom, Barrister-At-Law at Lincoln's Inn, London and Master in Law (LL.M) from Universiti Kebangsaan Malaysia. He has over 25 years experience practicing as an Advocate & Solicitor.

Dato' Lee Gee Huy @ Lee Kong Fee, JP has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the Boards of Fajarbaru Builder Group Bhd and Minply Holdings (M) Berhad.



PROFILE OF THE BOARD OF DIRECTORS (Cont'd)

IR. ZAINURIN BIN KARMAN - DIRECTOR

Age : 44 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 compaines 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 : 35 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 KYM Holdings Berhad, Magna Prima Berhad and Permaju Industries Berhad.

BOEY TAK KONG - DIRECTOR

Age : 55 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 24 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 management and leadership development 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 Dutch Lady Milk Industries Berhad, Gadang Holdings Berhad, Green Packet Berhad, IJM Land Berhad (formerly known as RB Land Holdings Berhad) and Permaju Industries Berhad.

CHAIRMAN'S STATEMENT



“ On behalf of the Board of Directors of Sanburi 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 2008.

”



CHAIRMAN'S STATEMENT (Cont'd)

General Overview

The global economic environment in 2008 was characterised by two distinct periods with the first half year experiencing intense inflationary pressures and the second half year shifting rapidly towards severe economic contraction. The sharp increase in prices of oil, food and a broad spectrum of commodities contributed towards the inflationary pressures whilst the widespread crisis in the financial markets developed into a systemic failure of the financial system that led advanced economies into synchronized recession. As a result of the spillover effects, emerging economies namely Asia experienced export-led recessions and moderation in growth.

The Malaysian economy was reported to have registered a growth in 2008 amidst the international financial turmoil and rapid deterioration in global economic conditions. Growth in the first half year was driven by the robust performance of the services sector as a result of strong domestic demand and the expansion in trade and tourism activities and the higher exports of resource-based products that benefited from rising commodity prices. Nonetheless growth moderated in the second half year following deterioration in global demand and sharp correction in commodity prices. [Source: BNM Annual Report 2008].

Financial Performance Overview

The Malaysian economy entered 2008 with favourable growth across all major sectors but eventually weakened following sharp deterioration in the global economic conditions. In the forestry sub-sector, logging activities continued declining further in 2008 with output of logs contracting, in line with the sustainable forest management policy as set by the International Tropical Timber Organisation. As for the tourism sector, despite greater regional competitions and higher cost of travels, tourist arrivals increased in 2008. Increased air service connectivity, particularly by low cost carriers, facilitated travel in the region. [Source: BNM Annual Report 2008].

The Group's core business of trading of timber logs and the production of sawn timber and moulded timber products continue to dominate and contribute substantially towards the revenue for the year 2008. The Group has also continued to aggressively expand its business venture into the tourism sector in the same period to take advantage of its growth factor.

Despite the effort, the Group's consolidated financial results for the financial year ended 31 December 2008 continued to be negative for the third consecutive financial year. The Group recorded a loss before tax of RM17.4 million for the financial year ended 31 December 2008 as compared to the loss before tax of RM7.2 million recorded in the previous year.



CHAIRMAN'S STATEMENT (Cont'd)

Operations Review

- Timber Trading and Processing Services

The timber related business activities registered annual revenue from external sales of RM113.2 million for the year ended 31 December 2008. The revenue was significantly lower as compared to the preceding financial year by approximately 51.9%, mainly due to the drop in the sales volume of timber logs. The Group recorded a pre-tax loss of RM13.7 million as opposed to the RM6.7 million pre-tax loss recorded in the preceding financial year. The higher losses were mainly due to negative contribution margins recorded coupled with the effects of high fixed costs.

- Travel and Tourism Services

The Group's tourism related business activities completed its first full year financial cycle for the financial year ended 31 December 2008. The tourism related business activities register revenue from external sales of RM24.4 million as compared to RM7.0 million recorded in the preceding financial year. Despite the favourable revenue, the Group recorded a pre-tax loss of RM2.6 million as opposed to the RM0.4 million pre-tax loss recorded in the preceding financial year. The losses for the year were mainly due to the high operating expenses incurred as these companies are at its early operational stages.

- General Trading and Other Services

The general trading and other services activities of the Group managed to register revenue from external sales of RM2.0 million and a pre-tax loss of RM1.1 million for the financial year ended 31 December 2008.

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 applicable legal and regulatory requirements. To the extent possible the Group strives towards striking 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 experience the full impact of the global downturn in 2009. It is also anticipated that the recession in the advanced economies could be prolonged by the longer-than-expected resolution and restoration of confidence on the global financial system and markets which will have significant implications on the regional economies.

As for the Group, the year 2009 will present a great test of its sustainability and its ability to improvise on its performance given the adverse environment. Emphasis will continue to be placed on the venture into the tourism sector where moderate growth is expected in general in line with positive indicators on the services sector. Nonetheless, the performance of the Group will continue to largely depend on the timber-related businesses. The Board will continue its effort to rationalise and consolidate the Group's business and optimize all available resources.

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 2008 and look forward to their continued support.

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 Sanburi 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 2008.

A. THE BOARD OF DIRECTORS

(i) The Board

Sanburi 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.

(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.



CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. THE BOARD OF DIRECTORS (cont'd)

(iii) Board meetings (cont'd)

During the financial year ended 31 December 2008, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		Feb '08	Apr '08	May '08	Aug '08	Nov '08		
Directors	Position	Attendance					Total	%
Dato' Noorazman bin Adnan	Chairman	•	X	•	•	•	4/5	80
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	5/5	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	•	•	X	•	4/5	80
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	•	•	•	•	•	5/5	100
Dato' Lee Gee Huy @ Lee Kong Fee, JP	Director	•	•	•	•	•	5/5	100
Boey Tak Kong	Director	•	X	•	•	•	4/5	80
Ir. Zainurin bin Karman	Director	•	•	•	•	•	5/5	100

Total number of meetings held:

5

(iv) Supply of Information

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

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of financial results and forecasts, reports on matters raised at the meetings of the Audit Committee, other major operational, financial and legal issues, corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

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

(v) Appointments to the Board

The Nomination Committee comprises Dato' 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:

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. THE BOARD OF DIRECTORS (cont'd)

(v) Appointments to the Board (cont'd)

During the financial year ended 31 December 2008, the Nomination Committee had two meetings on 29 February 2008 and 27 November 2008 respectively which were 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 Fortieth Annual General Meeting of the Company to be held on 5 June 2009 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. 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 2008, the Directors have attended a Directors' Continuing Education Programme on Corporate Stewardship and Governance Best Practices.

B. DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee comprises Dato' Noorazman bin Adnan (Chairman) who is a Non-Independent Non-Executive Director, Dato' 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 2008, the Remuneration Committee had a meeting on 27 November 2008 which was attended by all members.

(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.



CORPORATE GOVERNANCE STATEMENT (Cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

(iii) Details of the Directors' remuneration

The details of the remuneration of the Directors on Group basis for the financial year ended 31 December 2008 are as follows:-

(All figures in RM)	Executive Directors	Non-Executive Directors
Salary	702,000	-
Fees	72,000	180,000
Bonus	175,500	-
Benefits-in-kind	-	-
Total	949,500	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
RM450,001 – RM500,000	2	-
Total	2	5

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

C. RELATIONS WITH SHAREHOLDERS

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

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

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

Dato' Lee Gee Huy @ : Senior Independent Non-Executive Director
 Lee Kong Fee, JP
 Telephone number : 06-762 9770
 Facsimile number : 06-763 2286

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

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 28 of this Annual Report.

(ii) Internal Control

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

The information on the Group's internal control is presented in the Statement on Internal Control set out on pages 29 to 30 of this Annual Report.

(iii) Relationship with the External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External Auditors to meet their professional requirements and seeking professional advice and ensuring compliance with accounting standards. In the course of audit of the Group's operation, the External Auditors have highlighted to the Audit Committee and the Board on matters that require the Board's attention. The role of the Audit Committee in relation to the External Auditors is described on pages 24 to 27 of this Annual Report.



ADDITIONAL COMPLIANCE INFORMATION

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

There are no material differences in the actual results of the Group and the Company for the financial year ended 31 December 2008 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 2008.

b) *Share buybacks*

- (i) The Company did not purchase any of its own shares during the financial year ended 31 December 2008.
- (ii) All shares previously purchased are 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 2008 are as follows:

	No. of shares retained as Treasury Shares
As at 1 January 2008	15,006,800
Movements during the year	-
As at 31 December 2008	<u>15,006,800</u>

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 2008.

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 2008.

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 2008:

- 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 2008.

g) Comparison of profit achieved with the profit guarantee

The Company did not issue any profit guarantee during the financial year ended 31 December 2008.

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 2008.

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 2008.

k) Recurrent related party transactions

There were no recurrent transactions entered into by the Company or its subsidiary companies with related parties during the financial year ended 31 December 2008.



AUDIT COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Dato' Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director)	- Chairman
Boey Tak Kong (Independent Non-Executive Director)	- Member
Ir. Zainurin bin Karman (Independent Non-Executive Director)	- Member
Dato' Chua Tiong Moon (Managing Director)	- Member (Resigned w.e.f. 1 December 2008)

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 I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) 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 audit committee, the Board of Directors shall within three months of that event fill the vacancy.
- 1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. 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 believe 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;
- (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 and that it reports directly to the Audit Committee;
- (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (c) to review any appraisal or assessment of the performance of members of the internal audit function;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 To promptly report such matter to the 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 2008, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Audit Committee Meeting		Feb '08	Apr '08	May '08	Aug '08	Nov '08		
Committee Members	Position	Attendance					Total	%
Dato' Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	•	5/5	100
Boey Tak Kong	Member	•	X	•	•	•	4/5	80
Ir. Zainurin bin Karman	Member	•	•	•	•	•	5/5	100
Dato' Chua Tiong Moon (Resigned w.e.f. 1 December 2008)	Member	•	•	•	•	•	5/5	100

Total number of meetings held:

5

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2008:-

- (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 Sanbumi Holdings Berhad hereby acknowledge that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2008 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

Sanburi 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 Sanburi 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 2008 was RM121,806

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.

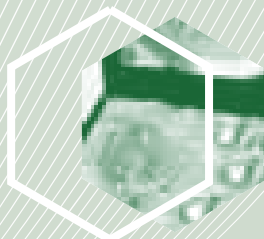
6. Review of the Statement by External Auditors

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 2008 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 2008.

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	(17,436)	(7,775)
Attributable to:		
Equity holders of the Company	(17,431)	(7,775)
Minority interests	(5)	-
	(17,436)	(7,775)

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

As at 31 December 2008, 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 20 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 39 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 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
Dato' 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 1.1.2008	Bought	Sold	At 31.12.2008
Direct Interests				
Tan Sri Datuk Chai Kin Kong	14,197,070	-	(203,000)	13,994,070
Dato' Noorazman Bin Adnan	761,000	-	-	761,000
Dato' Chua Tiong Moon	8,791,962	5,013,800	(200,000)	13,605,762
Indirect Interests				
Tan Sri Datuk Chai Kin Kong	2,198,113	-	-	2,198,113
Dato' Chua Tiong Moon	2,198,113	-	-	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 benefits included in the aggregate amounts 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.

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 24 April 2009

DATO' NOORAZMAN BIN ADNAN
Director

DATO' CHUA TIONG MOON
Director



STATEMENT BY DIRECTORS

We, Dato' Noorazman Bin Adnan and Dato' Chua Tiong Moon, being two of the directors of Sanbumi Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 39 to 78 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 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 24 April 2009

DATO' NOORAZMAN BIN ADNAN
Director

DATO' CHUA TIONG MOON
Director

STATUTORY DECLARATION

I, Dato' Chua Tiong Moon, being the director primarily responsible for the financial management of Sanbumi Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 39 to 78 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 24 April 2009

DATO' CHUA TIONG MOON

Before me

MOHD RADZI BIN YASIN (NO. W - 327)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANBUMI HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Sanbumi Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 78.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANBUMI HOLDINGS BERHAD (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Horwath

Firm No: AF 1018
Chartered Accountants

Kuala Lumpur
24 April 2009

Lee Kok Wai

Approval No: 2760/06/10 (J)
Partner

BALANCE SHEETS

AT 31 DECEMBER 2008

		Group		Company	
	NOTE	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	32,535	30,145	12,564	12,619
Prepaid lease payments	7	1,673	184	-	-
Investment properties	8	21,299	21,299	21,299	21,299
Investments in subsidiaries	9	-	-	124,860	131,365
Investment in an associate	10	-	-	-	-
Deferred tax assets	11	-	-	-	-
		55,507	51,628	158,723	165,283
CURRENT ASSETS					
Inventories	12	24,212	29,774	-	-
Trade receivables	13	46,966	36,290	171	279
Other receivables, deposits and prepayments	14	22,084	38,186	492	544
Amount owing by subsidiaries	15	-	-	28,560	26,431
Amount owing by an associate	16	-	18	-	18
Tax refundable		2,312	2,450	-	-
Fixed deposit with a licensed bank	17	800	-	-	-
Cash and bank balances		7,107	16,787	2,631	6,461
		103,481	123,505	31,854	33,733
TOTAL ASSETS		158,988	175,133	190,577	199,016

The annexed notes form an integral part of these financial statements



BALANCE SHEETS

AT 31 DECEMBER 2008 (Cont'd)

NOTE	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	18	189,238	189,238	189,238
Retained profits/ (Accumulated losses)	19	50,441	67,872	(10,912)
Treasury shares	20	(11,341)	(11,341)	(11,341)
Other reserves	21	22,726	22,726	21,144
Merger deficit	22	(109,628)	(109,628)	-
		141,436	158,867	188,129
SHAREHOLDERS' EQUITY				
		141,436	158,867	195,904
MINORITY INTERESTS		93	200	-
		141,529	159,067	188,129
TOTAL EQUITY				
		141,529	159,067	195,904
NON-CURRENT LIABILITIES				
Hire purchase payables	23	392	673	-
Deferred tax liabilities	24	2,009	2,009	1,905
		2,401	2,682	1,905
CURRENT LIABILITIES				
Trade payables	25	9,602	8,223	-
Other payables and accruals		2,103	2,482	507
Amount owing to subsidiaries	15	-	-	5
Hire purchase payables	23	1,145	1,581	-
Provision for taxation		1,095	1,095	31
Bank overdraft	26	1,113	3	-
		15,058	13,384	543
TOTAL LIABILITIES				
		17,459	16,066	2,448
TOTAL EQUITY AND LIABILITIES				
		158,988	175,133	190,577

The annexed notes form an integral part of these financial statements

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	NOTE	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
REVENUE	27	139,272	244,159	1,294	1,293
COST OF SALES		(144,410)	(237,426)	-	-
GROSS (LOSS)/PROFIT		(5,138)	6,733	1,294	1,293
OTHER INCOME	28	4,033	4,697	110	822
		(1,105)	11,430	1,404	2,115
DISTRIBUTION COSTS		(5,666)	(8,729)	(49)	(67)
ADMINISTRATIVE EXPENSES		(8,122)	(8,949)	(2,273)	(1,504)
OTHER EXPENSES		(2,435)	(861)	(6,857)	(2,360)
FINANCE COSTS		(108)	(93)	-	-
LOSS BEFORE TAXATION	29	(17,436)	(7,202)	(7,775)	(1,816)
INCOME TAX EXPENSE	30	-	(505)	-	(3)
LOSS AFTER TAXATION		(17,436)	(7,707)	(7,775)	(1,819)
ATTRIBUTABLE TO:-					
Equity holders of the Company		(17,431)	(7,606)	(7,775)	(1,819)
Minority interests		(5)	(101)	-	-
		(17,436)	(7,707)	(7,775)	(1,819)
LOSS PER SHARE (SEN)					
- Basic	31	(10.00)	(4.26)		
- Diluted	31	Not applicable	Not applicable		

The annexed notes form an integral part of these financial statements



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

GROUP	Attributable to Equity Holders of the Company							
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Merger Deficit RM'000	Retained Profits RM'000	Shareholders' Equity RM'000
Balance at 1.1.2007	189,238	14,788	(3,483)	1,582	6,356	(109,628)	75,478	174,331
Treasury shares acquired	-	-	(7,858)	-	-	-	-	(7,858)
Loss after taxation	-	-	-	-	-	-	(7,606)	(101)
Balance at 31.12.2007 / 1.1.2008	189,238	14,788	(11,341)	1,582	6,356	(109,628)	67,872	158,867
Loss after taxation	-	-	-	-	-	-	(17,431)	(17,431)
Disposal of a subsidiary	-	-	-	-	-	-	-	(102)
Balance at 31.12.2008	189,238	14,788	(11,341)	1,582	6,356	(109,628)	50,441	141,436
								Minority Interests RM'000
								301
								Total RM'000
								174,632
								(7,858)
								(7,707)
								159,067
								(17,436)
								(102)
								93
								141,529

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (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 1.1.2007	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/ 1.1.2008	189,238	14,788	(11,341)	6,356	(3,137)	195,904
Loss attributable to shareholders	-	-	-	-	(7,775)	(7,775)
Balance at 31.12.2008	189,238	14,788	(11,341)	6,356	(10,912)	188,129

The annexed notes form an integral part of these financial statements



CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES				
Loss before taxation	(17,436)	(7,202)	(7,775)	(1,816)
Adjustments for:-				
Allowance for doubtful debts	231	1,939	46	2,360
Amortisation of prepaid lease payments	111	4	-	-
Bad debts written off	3	-	3	-
Depreciation of property, plant and equipment	3,330	3,332	67	95
Impairment loss on investment in subsidiaries	-	-	6,805	-
Impairment loss on purchased goodwill	987	-	-	-
Interest expense	108	93	-	-
Inventories written down	3,551	783	-	-
Plant and equipment written off	252	-	3	-
Unrealised (gain)/loss on foreign exchange	(104)	42	-	-
Net loss/(gain) on disposal of property, plant and equipment	3	(135)	-	(10)
Gain on disposal of investment properties	-	(550)	-	(550)
Gain on disposal of investment in a subsidiary	(3)	-	-	-
Interest income	(112)	(256)	(110)	(254)
Reversal of allowance for doubtful debts	(81)	(189)	-	-
Operating loss before working capital changes	(9,160)	(2,139)	(961)	(175)
Decrease/(Increase) in inventories	2,011	(3,979)	-	-
Decrease in trade and other receivables	5,404	13,755	149	91
Increase/(Decrease) in trade and other payables	1,000	(6,190)	(11)	24
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES	(745)	1,447	(823)	(60)
Income tax refunded/ (paid)	138	(69)	-	-
Interest paid	(108)	(93)	-	-
Interest received	112	256	110	254
NET CASH (FOR)/FROM OPERATING ACTIVITIES CARRIED FORWARD	(603)	1,541	(713)	194

The annexed notes form an integral part of these financial statements

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

	NOTE	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
NET CASH (FOR)/FROM OPERATING ACTIVITIES BROUGHT FORWARD		(603)	1,541	(713)	194
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Additional investment in subsidiaries		-	-	(300)	-
Disposal of a subsidiary	32	(99)	-	-	-
Purchase goodwill		(987)	-	-	-
Purchase of investment properties		-	(50)	-	(50)
Purchase of property, plant and equipment	33	(5,006)	(2,468)	(15)	(6)
Proceeds from disposal of property, plant and equipment		31	135	-	10
Prepaid lease payments		(1,600)	-	-	-
Proceeds from disposal of investment properties		-	1,400	-	1,400
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(7,661)	(983)	(315)	1,354
CASH FLOWS FOR FINANCING ACTIVITIES					
Net repayment to subsidiaries		-	-	(2,793)	(7,923)
Advances to an associate		(9)	(18)	(9)	(18)
Repayment of hire purchase obligations		(1,717)	(1,422)	-	-
Repayment to directors		-	-	-	-
Treasury shares acquired		-	(7,858)	-	(7,858)
NET CASH FOR FINANCING ACTIVITIES		(1,726)	(9,298)	(2,802)	(15,799)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,990)	(8,740)	(3,830)	(14,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		16,784	25,524	6,461	20,712
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	6,794	16,784	2,631	6,461

The annexed notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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 24 April 2009.

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 maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

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

(a) Market Risk

(i) Foreign Currency Risk

The Group operates internationally and is exposed to various currencies, mainly in United States ("US") Dollar. As the transactions and balances are substantially denominated in Ringgit Malaysia, the directors are of the opinion that the Group's exposure to currency risk is not significant.

(ii) Interest Rate Risk

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

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

(iii) Price Risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

3. Financial Risk Management Policies (Cont'd)

(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 the amounts owing by four customers and a log supplier which made up 55% of its total receivables at the balance sheet date.

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

(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 Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following:

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

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 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

FRS 111 and FRS 120 are not relevant to the Group's operations. The adoption of the other standards did not have any material impact on the form and content of disclosures presented in the financial statements.

(ii) 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 is not relevant to the Group's operations.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

4. Basis Of Preparation (Cont'd)

- (a) (iii) IC Interpretations issued and effective for financial periods beginning on or after 1 July 2007:

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above IC Interpretations are not relevant to the Group's operations.

- (b) The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

- (i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segment

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

- (ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 139	Financial Instruments: Recognition and Measurement

The Group considers financial guarantee contracts entered to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

- (iii) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

5. Significant Accounting Policies

(a) Critical Accounting Estimates And Judgements

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

(i) Depreciation of Property, Plant and Equipment

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

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. However, changes in the expected level of usage and related commercial factors may impact the economic useful lives of these assets, therefore future depreciation charges could 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 management 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 2008 (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 2008 (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 2008.

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.

The gain or loss on the disposal of a subsidiary is the difference between the net proceeds and the Group's share of its net assets.

(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 2008 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(f) Investments 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 2008.

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 and impairment losses, if any. Freehold land is stated at valuation less impairment losses, if any and is not depreciated.

Depreciation 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:-

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, renovation, furniture and fittings	10% - 33%

Freehold land and buildings 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(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.

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

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the remaining lease terms.

(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 recognised 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 2008 (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 substantively 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 substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(q) Interest-Bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

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

(r) Equity Instruments

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

(s) 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.

(t) 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.

(u) 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 2008 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(v) 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.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(w) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) 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), prepaid lease payments, other investments, inventories, receivables, fixed deposit with a licensed bank 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 2008 (Cont'd)

5. Significant Accounting Policies (Cont'd)

(y) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

6. Property, Plant And Equipment

Group	Freehold Land And Buildings RM'000	Short-Term Leasehold Buildings RM'000	Mobile Crane And Heavy Vehicles RM'000	Plant, Machinery, Tools And Equipment RM'000	Barges, Motor Vehicles And Forklifts RM'000	Office Equipment, Renovation, Furniture And Fittings RM'000	Total RM'000
Net book value as at 1.1.2008	14,694	2,758	173	4,532	6,496	1,492	30,145
Additions	5	-	-	-	1,666	4,335	6,006
Disposals	-	-	-	-	(32)	(2)	(34)
Written off	-	-	-	-	-	(252)	(252)
Depreciation charge	(46)	(764)	(20)	(871)	(890)	(739)	(3,330)
Net book value as at 31.12.2008	14,653	1,994	153	3,661	7,240	4,834	32,535
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 31.12.2008							
At cost	-	13,868	208	28,897	11,450	8,015	62,438
At valuation - 2008	15,290	-	-	-	-	-	15,290
Accumulated depreciation	(637)	(11,874)	(55)	(25,236)	(4,210)	(3,181)	(45,193)
Net book value	14,653	1,994	153	3,661	7,240	4,834	32,535

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

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

Group	Freehold Land And Buildings RM'000	Short-Term Leasehold Buildings RM'000	Mobile Crane And Heavy Vehicles RM'000	Plant, Machinery, Tools And Equipment RM'000	Barges, Motor Vehicles And Forklifts RM'000	Office Equipment, Renovation, Furniture And Fittings RM'000	Total RM'000
As at 31.12.2007							
At cost	-	13,868	208	28,998	9,958	4,110	57,142
At valuation - 2005	15,285	-	-	-	-	-	15,285
Accumulated depreciation	(591)	(11,110)	(35)	(24,466)	(3,462)	(2,618)	(42,282)
Net book value	<u>14,694</u>	<u>2,758</u>	<u>173</u>	<u>4,532</u>	<u>6,496</u>	<u>1,492</u>	<u>30,145</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at							
- 31.12.2008	8,850	-	-	-	-	-	8,850
- 31.12.2007	8,868	-	-	-	-	-	8,868

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (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 1.1.2008	12,544	-	75	12,619
Additions	4	-	11	15
Written off	-	-	(3)	(3)
Depreciation charge	(46)	-	(21)	(67)
Net book value as at 31.12.2008	12,502	-	62	12,564
Net book value as at 1.1.2007	12,590	5	113	12,708
Additions	-	-	6	6
Depreciation charge	(46)	(5)	(44)	(95)
Net book value as at 31.12.2007	12,544	-	75	12,619
As at 31.12.2008				
At cost	-	280	995	1,275
At valuation - 2008	13,139	-	-	13,139
Accumulated depreciation	(637)	(280)	(933)	(1,850)
Net book value	12,502	-	62	12,564
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
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at				
- 31.12.2008	6,700	-	-	6,700
- 31.12.2007	6,718	-	-	6,718

The freehold land and buildings were revalued in year 2008 by the directors using the open market value basis based on the comparison method carried out by an independent professional valuer.

The short-term leasehold buildings of the Group are pledged as security for bank borrowings as disclosed in Note 26 to the financial statements.

Certain motor vehicles with a total net book value amounting to RM3,432,799 (2007 - RM4,354,808) were acquired under hire purchase terms.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

7. Prepaid Lease Payments

	Group	
	2008 RM'000	2007 RM'000
Carrying amount	188	188
Addition during the financial year	1,600	-
Accumulated amortisation	(115)	(4)
Net book value	1,673	184
Accumulated amortisation:-		
At 1 January	(4)	-
Amortisation for the financial year	(111)	(4)
At 31 December	(115)	(4)

The prepaid lease payments of the Group represent a piece of short-term leasehold land and the exclusive rights to use the premises to operate the restaurant business.

The short-term leasehold land has been pledged as security for banking facilities granted to a subsidiary as disclosed in Note 26 to the financial statements.

8. Investment Properties

	Group/Company	
	2008 RM'000	2007 RM'000
At fair value:-		
Freehold land and building		
At 1 January	21,299	21,249
Addition during the financial year	-	50
At 31 December	21,299	21,299
Short-term leasehold land and buildings		
At 1 January	-	850
Disposal during the financial year	-	(850)
At 31 December	-	-
	21,299	21,299

The investment properties were revalued in year 2008 by the directors using the open market value basis based on the comparison method carried out by an independent professional valuer.

Investment properties represent commercial properties leased to third parties.

Included in the income statement relating to investment properties during the financial year are the following items:

	Group/Company	
	2008 RM'000	2007 RM'000
Rental income	781	686
Direct operating expenses	53	56

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

9. Investments In Subsidiaries

	Company 2008 RM'000	2007 RM'000
Unquoted shares, at cost	136,890	136,590
Impairment loss:-		
At 1 January	(5,225)	(5,225)
Addition	(6,805)	-
At 31 December	(12,030)	(5,225)
	<u>124,860</u>	<u>131,365</u>

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

Name Of Company	Effective Equity Interest		Principal Activities
	2008 %	2007 %	
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	Sales of vehicle accessories and rendering of vehicle engineering services.
Sanbumi Holiday Sdn. Bhd.	100	100	Travel agent.
Sanbumi Air Transport Sdn. Bhd.	100	100	Carrier, transport provider and travel agent.
Pewter Art Industries (M) Sdn. Bhd.	100	100	Trading in pewterware and souvenirs.
Tourism Information Centre Sdn. Bhd.	100	100	Trading in local products, operating restaurant and engaged in business relating to tourism industry.
Sri Dondang Restaurant Sdn. Bhd.	100	-	Restaurant operator.

* Interest held by Sanbumi Sawmill Sdn. Bhd.

** Interest held by EMC Marketing Sdn. Bhd.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

10. Investment In An Associate

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost	637	637	637	637
Impairment loss	-	-	(637)	(637)
	637	637	-	-
Share of post-acquisition accumulated losses	(637)	(637)	-	-
	-	-	-	-

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

	2008 RM'000	2007 RM'000
Assets and Liabilities		
Non-current assets	-	-
Current assets	150	190
	150	190
Non-current liabilities	-	-
Current liabilities	1,481	1,500
	1,481	1,500
Results		
Revenue	574	340
Loss for the financial year	(21)	-

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

Name Of Company	Effective Equity Interest		Principal Activities
	2008 %	2007 %	
Ferrottrans 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 RM35,640 (2007 - RM25,315) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

11. Deferred Tax Assets

	Group	
	2008 RM'000	2007 RM'000
At 1 January	-	389
Recognised in income statement (Note 30)	-	(389)
At 31 December	-	-

12. Inventories

	Group	
	2008 RM'000	2007 RM'000
At Cost		
Raw materials	4,636	4,193
Work-in-progress	-	19,287
Finished goods	3,299	4,356
Trading goods	12	-
Consumable stores	260	420
	8,207	28,256
At Net Realisable Value		
Raw materials	1,320	-
Work-in-progress	13,129	-
Finished goods	1,556	1,518
	16,005	1,518
	24,212	29,774



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

13. Trade Receivables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables	54,758	44,534	171	279
Allowance for doubtful debts				
At 1 January	(8,244)	(7,971)	-	-
Allowance for the financial year	(10)	(384)	-	-
Disposal of a subsidiary	381	-	-	-
Reversal of allowance no longer required	81	111	-	-
At 31 December	(7,792)	(8,244)	-	-
	46,966	36,290	171	279

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	
	2008 RM'000	2007 RM'000
Chinese Renminbi	112	-
United States Dollar	1,089	339

14. Other Receivables, Deposits And Prepayments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other receivables, deposits and prepayments	33,254	49,166	1,461	1,505
Allowance for doubtful debts				
At 1 January	(10,980)	(9,503)	(961)	(961)
Allowance for the financial year	(194)	(1,555)	(8)	-
Disposal of a subsidiary	4	-	-	-
Reversal of allowance no longer required	-	78	-	-
At 31 December	(11,170)	(10,980)	(969)	(961)
	22,084	38,186	492	544

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM19,485,836 (2007 - RM30,595,916). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

15. Amounts Owning By/To Subsidiaries

	Company	
	2008	2007
	RM'000	RM'000
Amount owing by subsidiaries	33,175	31,035
Allowance for doubtful debts		
At 1 January	(4,604)	(2,244)
Allowance for the financial year	(11)	(2,360)
At 31 December	(4,615)	(4,604)
	28,560	26,431
Amount owing to subsidiaries	5	663

The amount owing comprises the following:-

	Company	
	2008	2007
	RM'000	RM'000
Amount owing by subsidiaries		
- Non-trade	28,560	26,431
Amount owing to subsidiaries		
- Trade	-	5
- Non-trade	5	658
	5	663

The trade balance in the previous financial year was subject to the Company's normal trade credit terms.

The non-trade balances are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

16. Amount Owning By An Associate

	Group/Company	
	2008	2007
	RM'000	RM'000
Amount owing by an associate	1,011	1,002
Allowance for doubtful debt		
At 1 January	(984)	(984)
Allowance for the financial year	(27)	-
At 31 December	(1,011)	(984)
	-	18

The amount owing is non-trade in nature, unsecured and interest-free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

17. Fixed Deposit With A Licensed Bank

The fixed deposit bore an effective interest rate of 3.7% per annum at the balance sheet date. The fixed deposit has a maturity period of 15 months.

18. Share Capital

	2008 Number Of Shares ('000)	Company 2007 250,000	2008 RM'000	2007 RM'000
Ordinary Shares Of RM1 Each:- Authorised	<u>250,000</u>	250,000	<u>250,000</u>	250,000
Issued and Fully Paid-Up	<u>189,238</u>	189,238	<u>189,238</u>	189,238

19. Retained Profits

	Pre-Merger Profit/(Loss) The Company And Its Subsidiaries Accounted For Under Acquisition Method Of Accounting RM'000	Subsidiaries Accounted For Under Merger Accounting RM'000	Post- Merger Profit RM'000	Total RM'000
Group				
Balance at 1.1.2007	(24,880)	51,807	48,551	75,478
Current year loss	<u>-</u>	<u>-</u>	<u>(7,606)</u>	<u>(7,606)</u>
Balance at 31.12.2007/ 1.1.2008	(24,880)	51,807	40,945	67,872
Current year loss	<u>-</u>	<u>-</u>	<u>(17,431)</u>	<u>(17,431)</u>
Balance at 31.12.2008	<u>(24,880)</u>	<u>51,807</u>	<u>23,514</u>	<u>50,441</u>

20. Treasury Shares

Of the total 189,238,348 (2007 – 189,238,348) issued and fully paid-up ordinary shares as at 31 December 2008, 15,006,800 ordinary shares (2007 – 15,006,800) are held as treasury shares by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

21. Other Reserves

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 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 certain subsidiaries.

The other reserves are not distributable by way of dividends.

22. Merger Deficit

	Group	
	2008 RM'000	2007 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 2008 (Cont'd)

23. Hire Purchase Payables

	Group	
	2008	2007
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one year	1,250	1,682
- later than one year and not later than five years	404	713
	1,654	2,395
Future finance charges	(117)	(141)
Present value of hire purchase payables	1,537	2,254
The net hire purchase payables are repayable as follows:-		
Current:		
- not later than one year	1,145	1,581
Non-current:		
- later than one year and not later than five years	392	673
	1,537	2,254

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 5.7% to 7.1% (2007 - 4.7% to 7.1%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

24. Deferred Tax Liabilities

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	2,009	1,905	1,905	1,905
Recognised in the income statement (Note 30)	-	104	-	-
At 31 December	2,009	2,009	1,905	1,905

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Accelerated capital allowances	104	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	2,009	1,905	1,905

25. Trade Payables

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

26. Bank Overdraft

The bank overdraft of the Group bore an effective interest rate of 8.5% (2007 - 8.5%) per annum at the balance sheet date and is secured by way of:-

- (i) a fixed and floating charge over the assets of a subsidiary amounting to RM3 million;
- (ii) a corporate guarantee of the holding company; and
- (iii) a second legal charge on the short-term leasehold land and buildings.

27. Revenue

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sale of goods	121,347	236,113	-	-
Services	16,797	7,028	-	-
Rental income	1,119	1,006	1,045	933
Management fee	9	12	249	360
	139,272	244,159	1,294	1,293



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

28. Other Income

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Commission income	769	120	-	-
Gain on disposal of investment in a subsidiary (Note 32)	3	-	-	-
Gain on disposal of property, plant and equipment	4	135	-	10
Gain on disposal of investment properties	-	550	-	550
Insurance compensation received	171	-	-	-
Interest income	112	256	110	254
Realised gain on foreign exchange	463	-	-	-
Rental income	1,363	490	-	-
Reversal of allowance for doubtful debts	81	189	-	-
Sawing charges	877	2,773	-	-
Unrealised gain on foreign exchange	104	-	-	-
Others	86	184	-	8
	4,033	4,697	110	822

29. Loss Before Taxation

In addition to Note 28, the loss before taxation is arrived at after charging:-

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Allowance for doubtful debts	231	1,939	46	2,360
Amortisation of prepaid lease payments	111	4	-	-
Audit fee				
- for the current financial year	105	100	33	33
- underprovision in the previous financial year	2	-	-	3
Bad debts written off	3	-	3	-
Depreciation of property, plant and equipment	3,330	3,332	67	95
Directors' fees	252	252	252	252
Directors' other emoluments	878	702	878	205
Interest expense				
- bank overdrafts	2	-	-	-
- hire purchase	100	69	-	-
- others	6	24	-	-
Inventories written down	3,551	783	-	-
Impairment loss on investment in subsidiaries	-	-	6,805	-
Impairment loss on purchased goodwill	987	-	-	-
Loss on disposal of property, plant and equipment	7	-	-	-
Plant and equipment written off	252	-	3	-
Rental of premises	717	462	86	36
Termination benefits	79	116	-	-
Staff costs	6,468	5,162	435	358
Realised loss on foreign exchange	-	6	-	-
Unrealised loss on foreign exchange	-	42	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

30. Income Tax Expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expense:				
- underprovision in the previous financial year	-	12	-	3
	-	12	-	3
Deferred tax expense:				
- relating to origination and reversal of temporary differences (Note 24)	-	104	-	-
- underprovision in the previous financial year (Note 11)	-	389	-	-
	-	493	-	-
	-	505	-	3

During the financial year, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2007.

A reconciliation of the income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group and the Company is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loss before taxation	(17,436)	(7,202)	(7,775)	(1,816)
Tax at the statutory tax rate of 26% (2007 - 27%)	(4,533)	(1,945)	(2,022)	(490)
Tax effects of:-				
Non-deductible expenses	849	872	1,843	705
Non-taxable gains	(66)	(100)	-	(148)
Utilisation of deferred tax assets not recognised in the previous financial year	(7)	(73)	-	(67)
Deferred tax assets not recognised during the financial year	3,902	1,685	179	-
Double deduction of expenses	(145)	(335)	-	-
Underprovision in the previous financial year:				
- current tax	-	12	-	3
- deferred tax	-	389	-	-
Tax for the financial year	-	505	-	3



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

30. Income Tax Expense (Cont'd)

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

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Inventories	2,663	662	-	-
Unutilised tax losses	25,771	14,968	818	94
Unabsorbed capital allowances	4,104	1,921	738	775
	32,538	17,551	1,556	869

31. Loss Per Share

The basic loss per share is calculated by dividing the loss after tax of the Group attributable to shareholders of RM17,431,375 (2007 - RM7,605,764) by the number of ordinary shares (excluding treasury shares) in issue during the financial year of 174,231,548 (2007 - 178,490,819 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.

32. Summary Of Effects Of Disposal Of A Subsidiary

On 19 September 2008, the Group disposed of 312,500 ordinary shares of RM1 each representing 62.5% equity interests in EMC Engineering Services Sdn. Bhd. for a total cash consideration of RM171,875.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

32. Summary Of Effects Of Disposal Of A Subsidiary (Cont'd)

Details of the net assets disposed and the cash flows from the disposal of the subsidiary are as follows:-

	The Group	
	2008 RM'000	2007 RM'000
Current assets	271	-
Fair value of net assets disposed	271	-
Minority interest	(102)	-
Group's share of net assets disposed	169	-
Gain on disposal	3	-
Proceeds from disposal	172	-
Cash and cash equivalent of a subsidiary disposed	(271)	-
Net cash outflow from disposal of a subsidiary	(99)	-

The effects of the disposal of the subsidiary on the financial results of the Group for the financial year are as follows:-

	The Group	
	2008 RM'000	2007 RM'000
Revenue	-	-
Loss after taxation	(4)	-

33. Purchase Of Property, Plant And Equipment

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cost of property, plant and equipment purchased	6,006	4,988	15	6
Amount financed through hire purchase	(1,000)	(2,520)	-	-
Cash disbursed for the purchase of property, plant and equipment	5,006	2,468	15	6



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

34. Cash And Cash Equivalents

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

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Fixed deposit with a licensed bank	800	-	-	-
Cash and bank balances	7,107	16,787	2,631	6,461
Bank overdraft	(1,113)	(3)	-	-
	<u>6,794</u>	<u>16,784</u>	<u>2,631</u>	<u>6,461</u>

35. Acquisition Of A Subsidiary

On 8 April 2008, the Company acquired 2 ordinary shares of RM1 each representing the entire issued and paid-up share capital of Sri Dondang Restaurant Sdn. Bhd. for a total cash consideration of RM2.

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 subsidiary.

36. Directors' Remuneration

The aggregate amount of emoluments received and receivable by the directors 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					
2008					
- Below RM50,000	7	252,000	-	-	252,000
- Between RM400,001 and 450,000	-	-	2	877,500	877,500
2007					
- Below RM50,000	7	252,000	-	-	252,000
- Between RM350,001 and RM400,000	-	-	2	702,000	702,000
Company					
2008					
- Below RM50,000	7	252,000	-	-	252,000
- Between RM400,001 and RM450,000	-	-	2	877,500	877,500
2007					
- Below RM50,000	7	252,000	-	-	252,000
- Between RM50,001 and RM100,000	-	-	1	58,500	58,500
- Between RM100,001 and RM150,000	-	-	1	146,250	146,250

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

37. Related Party Disclosures

(a) Identities of related parties:-

- (i) the Company has a related party relationship with its subsidiaries as disclosed in Note 9 to the financial statements; and
- (ii) the directors who are the key management personnel.

(b) In addition to the information detailed elsewhere in the financial statements, the Company carried out the following transactions with its related parties during the financial year:

(i) Subsidiaries

	Company	
	2008	2007
	RM'000	RM'000
Rental received/receivable	180	180
Management fee received/receivable	240	348
Rental paid/payable	4	4
Other income received/receivable	-	2

(ii) Key Management Personnel

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	1,416	1,383	1,130	457

Key management personnel comprises executive and non-executive directors of the Group who have authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

38. Segmental Information

	Timber		Tourism Services		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
Total revenue	113,246	235,549	24,452	7,416	2,397	2,122	140,095	245,087
Inter-segment revenue	-	-	(403)	(400)	(420)	(528)	(823)	(928)
Total external revenue	113,246	235,549	24,049	7,016	1,977	1,594	139,272	244,159
RESULTS								
Segment results								
(external)	(13,639)	(6,706)	(2,528)	(357)	(1,273)	(302)	(17,440)	(7,365)
Finance costs							(108)	(93)
Interest income							112	256
Loss from ordinary activities before taxation							(17,436)	(7,202)
Taxation							-	(505)
Loss from ordinary activities after taxation							(17,436)	(7,707)
Minority interests							5	101
Loss attributable to equity holder							(17,431)	(7,606)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

38. Segmental Information (Cont'd)

	Timber		Tourism Services		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
OTHER INFORMATION								
Segment assets	98,955	116,098	16,898	11,841	40,823	44,744	156,676	172,683
Unallocated assets							2,312	2,450
							158,988	175,133
Segment liabilities	9,597	10,015	3,987	2,110	771	837	14,355	12,962
Unallocated liabilities							3,104	3,104
							17,459	16,066
Capital expenditure	123	111	5,867	4,871	16	6	6,006	4,988
Depreciation and amortisation	2,187	2,884	1,155	314	99	138	3,441	3,336
Impairment loss on purchase goodwill	-	-	987	-	-	-	987	-

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

39. Contingent Liability – Unsecured

	Company	
	2008	2007
	RM'000	RM'000
Corporate guarantee given to licensed banks for banking facilities utilised by subsidiaries	6,000	6,000

40. 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:-

	2008	2007
	RM	RM
United States Dollar	3.48	3.31
Chinese Renminbi	0.51	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

41. Fair Values Of Financial Instruments

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

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

(a) 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.

(b) 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.

(c) Contingent Liability

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

	Note	Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 2008			
Corporate guarantee	39	6,000	*

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

SHAREHOLDING STATISTICS

AS AT 22 APRIL 2009

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 22 April 2009 are as follows:-

Name of Substantial Shareholders	Direct No of shares	%	Indirect No of shares	%
Tan Sri Datuk Chai Kin Kong	13,994,070	8.03	2,198,113*	1.26
Dato' Chua Tiong Moon	13,605,762	7.81	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 22 April 2009 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	13,605,762	7.81	2,198,113*	1.26
Tan Sri Datuk Chai Kin Kong	13,994,070	8.03	2,198,113*	1.26
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Dato' Lee Gee Huy @ Lee Kong Fee, JP	-	-	-	-
Boey Tak Kong	-	-	-	-
Ir. Zainurin bin Karman	-	-	-	-

* 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.

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	0.16
100 - 1,000	1,162,240	0.67	1,203	15.85
1,001 - 10,000	23,842,131	13.68	4,595	60.55
10,001 - 100,000	49,083,511	28.17	1,593	20.99
100,001 - 8,711,576	100,143,300	57.48	186	2.45
8,711,577 and above	-	-	-	-
Total	174,231,548	100.00	7,589	100.00



SHAREHOLDING STATISTICS

AS AT 22 APRIL 2009 (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	OSK NOMINEES (ASING) SDN BERHAD OSK SECURITIES HONG KONG LIMITED FOR SUPER MOVE INTERNATIONAL LIMITED	7,026,500	4.03
3	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	7,013,800	4.03
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	6,591,900	3.78
5	OSK NOMINEES (ASING) SDN BERHAD OSK SECURITIES HONG KONG LIMITED FOR BOOM LUCKY INTERNATIONAL LIMITED	5,145,400	2.95
6	OSK NOMINEES (ASING) SDN BERHAD OSK ASIA SECURITIES LTD FOR BIOVENTURE LIMITED	5,000,000	2.87
7	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG	4,822,300	2.77
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KONG CHOY	3,458,900	1.99
9	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	2,198,100	1.26
10	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHU YOKE HUA	1,897,000	1.09
11	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DELTA CYCLE SDN BHD (D)	1,658,300	0.95
12	FINE TASTE LOCAL PRODUCTS INDUSTRIES SDN. BHD.	1,162,700	0.67
13	CHEW POO	1,121,500	0.64
14	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SII HEE KANG (STA 1)	1,103,500	0.63

SHAREHOLDING STATISTICS

AS AT 22 APRIL 2009 (Cont'd)

No	Name of Shareholders	No. of Shares	%
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOKE MOY	847,900	0.49
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KING HUO @ WONG KING HUAT	833,900	0.48
17	NOORAZMAN BIN ADNAN	755,000	0.43
18	YAP POH CHEE	750,000	0.43
19	TEOH HOOI BIN	750,000	0.43
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' RAMLI BIN YUSUFF (471794)	736,000	0.42
21	YAP NAM HUAT	659,500	0.38
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LEE LEONG LAI (T-471274)	650,000	0.37
23	GAN MING LIAK	610,000	0.35
24	AUNDRE KOK ONN	603,900	0.35
25	WANG NAM	600,000	0.35
26	CHONG HORNG EN	596,000	0.34
27	THIEN JUN ONN	590,000	0.34
28	CHOCK KOK HUAT	565,000	0.33
29	CHAN KAI LUM	543,000	0.31
30	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY FOONG LIN	538,500	0.31
Total		<u>67,495,300</u>	<u>38.74</u>



PARTICULARS OF PROPERTIES HELD

Summary of landed properties owned as at 31 December 2008.

Owner	Location	Tenure	Existing Use	Land area Sq.ft.	Approx. age of building (Years)	Fair Value as at 31.12.08 RM'000	Last revaluation
Sanbumi Holdings Berhad ("SHB")	Lot 2071 Mukim 6 Seberang Prai Tengah	Freehold	4 storey office building with an annexed workshop	84,419	31	5,310	2008
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	30	5,294	2008
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	18	3,964	2008
SHB	Lot 850 Mukim 6 Seberang Prai Tengah	Freehold	Vacant land	49,048	N.A.	1,397	2008
SHB	Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah	Freehold	Warehouse with annexed office & storage yard	317,944	15	11,345	2008
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626	N.A.	615	2008
SHB	Lot 1619 Mukim 6 Seberang Prai Tengah	Freehold	Vacant land	43,734	N.A.	3,459	2008
SHB	Lot 1590, 1595 & 1598, Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	441,263	N.A.	1,410	2008
SHB	Lot 739 Section 16 Georgetown Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	>50	1,008	2008
EMC Cranes Sdn Bhd	Lot 451 Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	795,231	N.A.	2,150	2008
Sanbumi Sawmill Sdn Bhd	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold – expiring on 31 /12/ 2052 -44 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	9-17	2,174	2000

SANBUMI HOLDINGS BERHADCompany No : 8386-P
(Incorporated in Malaysia)**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 Fortieth 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, 5 June 2009 at
 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

Resolutions		For	Against
Resolution 1	- Approval of Directors' fees		
Resolution 2	- Re-election of Directors: Dato' Chua Tiong Moon		
Resolution 3	- Dato' Lee Gee Huy @ Lee Kong Fee, JP		
Resolution 4	- Ir Zainurin bin Karman		
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 2009

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