



SANBUMI HOLDINGS BERHAD
(8386 P)

SANBUMI HOLDINGS BERHAD (8386-P)

expanding wings
enhance potential



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



annual report 2010

annual report 2010

www.sanbumi.com.my

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ANNUAL REPORT 2010**

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42nd

ANNUAL GENERAL MEETING

Venue

Conference Room, Second Floor,
Wisma EMC, 972 Jalan Baru,
13700 Prai, Penang

Time

Friday, 24 June 2011 at 10.00 a.m.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of Sanbumi Holdings Berhad will be held at the Conference Room, Second Floor, Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang on Friday, 24 June 2011 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon. **Please refer to Note A**

AS ORDINARY BUSINESS

2. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:-
- Dato' Rahadian Mahmud bin Mohammad Khalil **(Resolution 1)**
 - Dato' Lee Gee Huy @ Lee Kong Fee, JP **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 100 of the Company's Articles of Association:-
- Mr Lim Thian Loong **(Resolution 3)**
 - Dato' Ir. Kuan Peng Ching @ Kuan Peng Soon **(Resolution 4)**
4. To re-appoint Messrs Crowe 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 Resolution:-

5. To approve the payment of Directors' fees of RM252,000 for the financial year ended 31 December 2010. **(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 **(Resolution 7)**

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements ("MMLR") 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");
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Sanbumi Shares shall not exceed the aggregate retained profits and/or share premium account of the Company;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the MMLR 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: 31 May 2011

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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.

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. The provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
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 an 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 - To approve the payment of Directors' fees of RM252,000 for the financial year ended 31 December 2010.**

The Ordinary Resolution proposed under item 5 of the agenda, if passed, will authorize the payment of the Directors' fees for the financial year ended 31 December 2010 amounting to RM252,000.

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 31 May 2011.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There are no individuals who are standing for election as Director (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN / NON-EXECUTIVE
DIRECTOR

**DATO' RAHADIAN MAHMUD BIN
MOHAMMAD KHALIL**

(Appointed 23/02/2001)

MANAGING DIRECTOR

DATO' CHUA TIONG MOON

(Appointed 23/02/2001)

EXECUTIVE DIRECTORS

TAN SRI DATUK CHAI KIN KONG

(Appointed 23/02/2001)

**DATO' IR. KUAN PENG CHING @
KUAN PENG SOON**

(Appointed 25/04/2011)

INDEPENDENT NON-EXECUTIVE
DIRECTORS

**DATO' LEE GEE HUY @ LEE KONG
FEE, JP**

(Appointed 23/02/2001)

IR. ZAINURIN BIN KARMAN

(Appointed 26/08/2005)

BOEY TAK KONG

(Appointed 13/12/2001; Resigned
09/09/2010)

LIM THIAN LOONG

(Appointed 08/12/2010)

NON-EXECUTIVE DIRECTOR

DATO' NOORAZMAN BIN ADNAN

(Appointed 20/05/1999; Resigned
24/03/2011)

AUDIT COMMITTEE

CHAIRMAN

**DATO' LEE GEE HUY @ LEE KONG
FEE, JP**

MEMBERS

IR. ZAINURIN BIN KARMAN

LIM THIAN LOONG

(w.e.f. 08/12/2010)

NOMINATION COMMITTEE

CHAIRMAN

**DATO' LEE GEE HUY @ LEE KONG
FEE, JP**

MEMBERS

IR. ZAINURIN BIN KARMAN

LIM THIAN LOONG

(w.e.f. 08/12/2010)

REMUNERATION COMMITTEE

CHAIRMAN

**DATO' LEE GEE HUY @ LEE KONG
FEE, JP**

(w.e.f. 22/04/2011)

MEMBERS

IR. ZAINURIN BIN KARMAN

LIM THIAN LOONG

(w.e.f. 22/04/2011)

COMPANY SECRETARY

MOLLY GUNN CHIT GEOK
(MAICSA 0673097)

REGISTERED OFFICE

WISMA EMC

972, JALAN BARU

13700 PRAI, PENANG

Tel : 604 - 390 3699 / 398 4878

Fax : 604 - 397 9311 / 390 3636

SHARE REGISTRAR

**TRICOR INVESTOR SERVICES
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

CROWE 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 MARKET OF

BURSA MALAYSIA

SECURITIES BERHAD

STOCK NAME : SANBUMI

STOCK CODE : 9113

CORPORATE STRUCTURE

(as at 22 April 2011)



SANBUMI HOLDINGS BERHAD (8386-P)

TIMBER TRADING & PROCESSING SERVICES

100% SANBUMI SAWMILL SDN BHD

100% AKALAJU SDN BHD

100% SANBUMI WOOD PROCESSING SDN BHD

100% MIRIM TIMBER SDN BHD

TOURISM SERVICES

100% SANBUMI AIR TRANSPORT SDN BHD

100% SANBUMI HOLIDAY SDN BHD

100% PEWTER ART INDUSTRIES (M) SDN BHD

100% TOURISM INFORMATION CENTRE SDN BHD

100% SRI DONDANG RESTAURANT SDN BHD

100% NORTH SOUTH HOTEL SDN BHD

100% NOUVELLE HOTEL SDN BHD

100% NOUVELLE HOTEL (KL) SDN BHD (formerly known as Barateguh Sdn Bhd)

100% NOUVELLE HOTEL (KULAI) SDN BHD (formerly known as Metro Ajaib Sdn Bhd)

100% FINE TASTE PRODUCTS SDN BHD

100% SINOreno JEWELLERY SDN BHD

100% TROPIKS PRODUCTS SDN BHD

GENERAL TRADING & OTHER SERVICES

100% EMC CRANES SDN BHD

100% EMC WAREHOUSE SERVICES SDN BHD

100% EMC MARKETING SDN BHD

100% EMC CAPITAL SDN BHD

78.50% EMC CRANES (KL) SDN BHD

70% EMC CONTAINERS SDN BHD

49% FERROTRANS SDN BHD

CALENDAR OF SIGNIFICANT EVENTS

22 January 2010

Nouvelle Hotel (Kulai) Sdn Bhd (formerly known as Metro Ajaib Sdn Bhd), a wholly-owned subsidiary company entered into a Sale and Purchase Agreement with Legend Advance Sdn Bhd for the purchase of 13 units 3-storey Shop Offices and 14 pieces of vacant land located in Mukim Kulai, District of Kulaijaya, Johor free from encumbrances at the purchase price of RM7,000,000.



25 February 2010

Nouvelle Hotel (KL) Sdn Bhd (formerly known as Barateguh Sdn Bhd) ("NKL"), a wholly-owned subsidiary company entered into a Lease Agreement with Lambang Raya Sdn Bhd for the lease of the premises then known as the "Mint Hotel" comprising a 7-storey building together with a 3-storey basement car park located at 8th KM, Kuala Lumpur-Seremban Highway, Seri Kembangan, Selangor on an 'as is where is' basis. The said premises has since been renamed "Nouvelle Hotel Kuala Lumpur".



27 April 2010

Sanbumi Holdings Berhad acquired the entire issued and paid-up capital of North South Hotel Sdn Bhd ("NSH") for a total cash consideration of RM2.00. NSH is expected to participate under the tourism segment by carrying on the business of providing hospitality services.



21 May 2010

Sanbumi Holdings Berhad acquired the entire issued and paid-up capital of Ninewise Sdn Bhd ("NSB") for a total cash consideration of RM2.00 and subsequently increased its issued and paid-up capital to 1,311,022 ordinary shares of RM1.00 each. NSB is expected to participate under the tourism segment by carrying on the business of providing tour bus transportation services.



1 July 2010

Sanbumi Holdings Berhad entered into a Sale and Purchase Agreement with Mydin Wholesale Cash and Carry Sdn Bhd for the disposal of six contiguous parcels of freehold land together with all structures erected thereon located in Mukim 6, District of Seberang Perai Tengah, Penang for a total consideration of RM24,282,000.00 subject to terms and conditions mutually agreed. The disposal is expected to be completed by June 2011.

CALENDAR OF SIGNIFICANT EVENTS (CONT'D)



9 September 2010

Sanbumi Holdings Berhad acquired the entire issued and paid-up capital of Nouvelle Hotel Sdn Bhd (“NHSB”) for a total cash consideration of RM2.00. NHSB is expected to participate under the tourism segment by carrying on the business of providing hospitality services.

Sanbumi Holdings Berhad entered into a Share Sale Agreement with Maxfreight Sdn Bhd for the disposal of 1,311,022 ordinary shares of RM1.00 each in Ninewise Sdn Bhd for a total agreed consideration of RM1,680,000.00 subject to terms and conditions.



15 November 2010

The Group’s maiden venture into the hospitality services business commenced with the reopening of a hotel located along the KL-Seremban Highway near Sungai Besi upon complete refurbishment under a new and own brand name “Nouvelle Hotel Kuala Lumpur”. The hotel is managed and operated by Nouvelle Hotel (KL) Sdn Bhd (formerly known as Barateguh Sdn Bhd), a wholly-owned subsidiary company.



3 December 2010

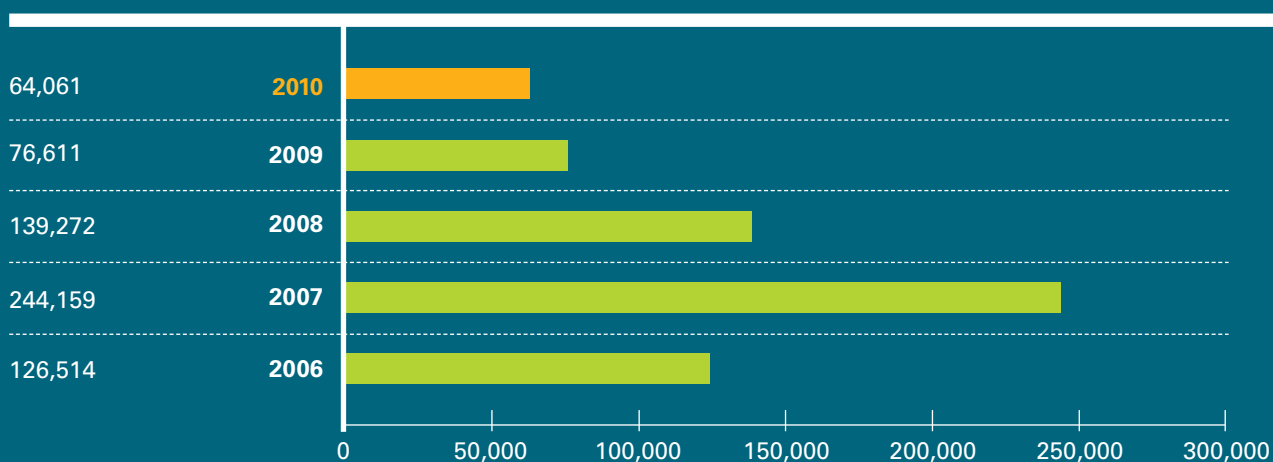
Sanbumi Sawmill Sdn Bhd, a wholly-owned subsidiary company entered into a Sale and Purchase Agreement with Dyna Istimewa Sdn Bhd for the disposal of a piece of leasehold land measuring approximately 39.98 Acres located in Kalabakan, District of Tawau, Sabah together with the Sawmill Plant, Equipment and the use of license for a total agreed consideration of RM6,500,000.00 subject to terms and conditions mutually agreed.



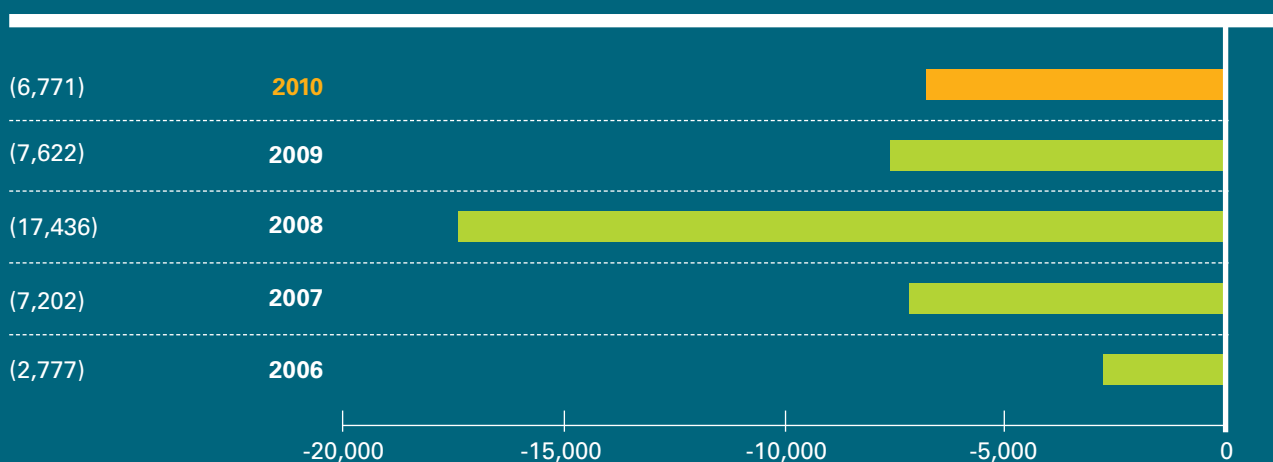
FINANCIAL HIGHLIGHTS

The Group's five years financial highlights

TURNOVER (RM'000)

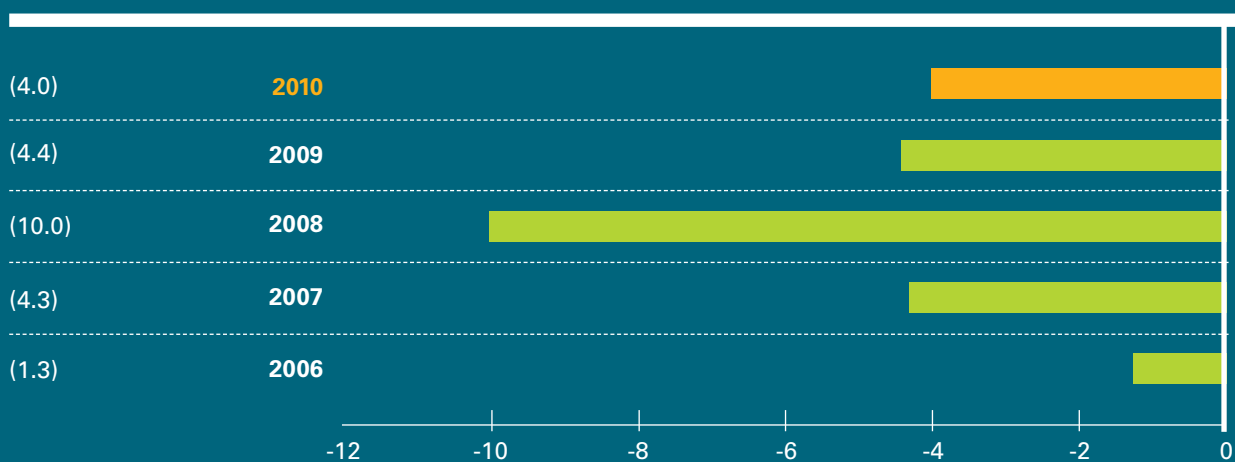


PROFIT / (LOSS) BEFORE TAXATION (RM'000)

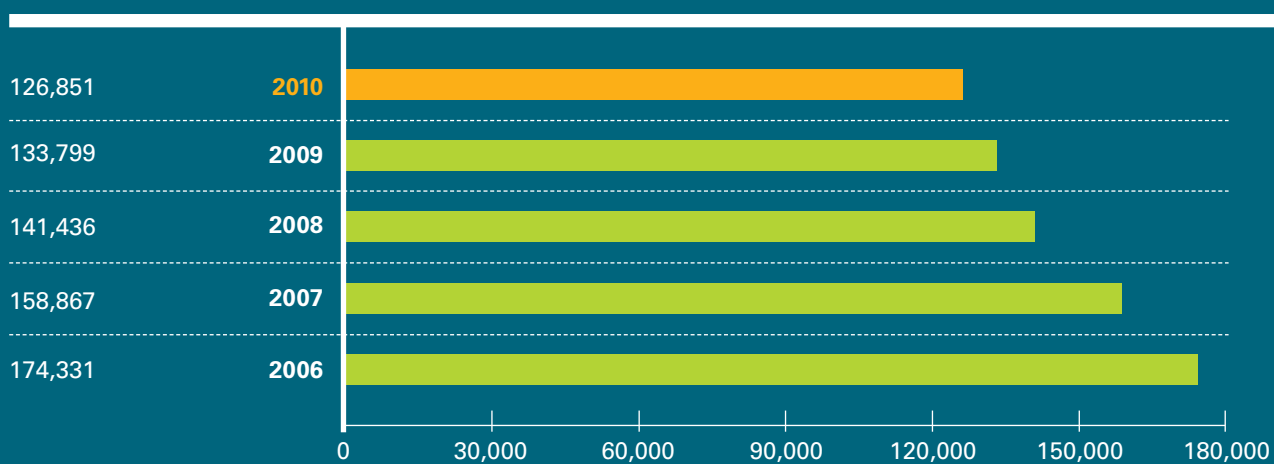


FINANCIAL HIGHLIGHTS (CONT'D)

EPS/(LPS) (SEN)



SHAREHOLDERS EQUITY (RM'000)



PROFILE OF THE BOARD OF DIRECTORS

DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Chairman (w.e.f. 22/04/2011)

Age : 37

Nationality : Malaysian

Dato' Rahadian Mahmud bin Mohammad Khalil is a businessman. He has vast experience in various industries throughout his career with active participation in the construction, property development and manufacturing sectors. He also has wide knowledge of the timber industry. 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 Per maju Industries Berhad as Chairman, KYM Holdings Berhad and Magna Prima Berhad.

DATO' CHUA TIONG MOON

Managing Director

Age : 52

Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 33 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 companies involved in property development, manufacturing and quarry business. He has been the Chairman of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 1995 as well as Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

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

TAN SRI DATUK CHAI KIN KONG

Executive Director

Age : 52

Nationality : Malaysian

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 38 years and has wide experience and knowledge of the industry. Besides being involved in the timber industry, he has also vast experience being primarily responsible for the management of companies involved in property development, hospitality services and tourism services. He has been the Managing Director primarily responsible for the operations and financial management of Akalaju Sdn Bhd and all subsidiary companies involved in the tourism services segment under the Sanbumi Group as well as Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

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 Boards of Fajarbaru Builder Group Bhd and KLC Forest Plantation Berhad.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

DATO' IR. KUAN PENG CHING @ KUAN PENG SOON

Executive Director	Age : 65	Nationality : Malaysian
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Dato' Ir. Kuan Peng Ching @ Kuan Peng Soon is a qualified electrical engineer graduated from Adelaide University, South Australia and is registered with the Board of Engineers, Malaysia as a Professional Engineer as well as a member of the Institution of Engineers, Malaysia.

Dato' Ir. Kuan Peng Ching @ Kuan Peng Soon 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 as the Chairman and Hirotako Holdings Bhd as the Managing Director.

DATO' LEE GEE HUY @ LEE KONG FEE, J.P.

Director	Age : 63	Nationality : Malaysian
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Dato' Lee Gee Huy @ Lee Kong Fee, J.P. 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 (L.L.M) from Universiti Kebangsaan Malaysia. He has over 27 years experience practicing as an Advocate & Solicitor.

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

IR. ZAINURIN BIN KARMAN

Director	Age : 46	Nationality : Malaysian
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Ir. Zainurin bin Karman is a qualified Civil Engineer graduated from Syracuse University of New York, U.S.A. and is registered with the Board of Engineers, Malaysia as a Professional Engineer, a member of the Institution of Engineers Malaysia and also a member of the Malaysian Water Association. He is currently the Managing Director of RE Consultant Sdn Bhd.

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

LIM THIAN LOONG

Director	Age : 47	Nationality : Malaysian
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Lim Thian Loong is an accountant by profession. He graduated with The Chartered Institute of Management Accountants (CIMA) from London. He is also a member of the Malaysian Institute of Accountants (MIA) and the Chartered Tax Institute of Malaysia (CTIM). He has over 10 years experience in accounting, auditing and taxation and has been practicing as a sole practitioner under his own firm since 2002.

Lim Thian Loong 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 Furqan Business Organisation Berhad.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Sanbumi Holdings Berhad, I present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2010.



CHAIRMAN'S STATEMENT (CONT'D)



GENERAL OVERVIEW

The year 2010 experienced the continuation in the global economic recovery after exiting from the sharpest post-war economic contraction. Nevertheless, the recovery which had begun in the second half of 2009 remained uneven with economic recovery accelerating in the first half and gradually moderated in the second half of 2010. The global growth was led by the emerging economies, notably Asia, which experienced rapid resumption of economic activities while the advanced economies continued to be induced in crisis. Of significance, the emerging economies contributed more than two thirds of global growth in 2010.

The Malaysian economy in 2010 experienced a strong resumption in growth with an expansion of 7.2% driven mainly by robust domestic demand. Generally all economic sectors were reported to have registered encouraging growth. The services sector remained as the largest contributor to growth followed by the manufacturing sector. [Source: BNM Annual Report 2010].

FINANCIAL PERFORMANCE OVERVIEW

The financial year 2010 once again proved to be a challenging year for the Sanbumi Group with significant developments in all its major business segments. The year witnessed the Group increasingly and aggressively involved in the expansion of its tourism business segment with the addition and successful launch of its venture into the provision of hospitality services. The year also saw the disposal of several low yielding or non revenue generating properties of the Group, proceeds of which is to be utilized as working capital for Group's aggressive expansion into the tourism business. In this regards, the Group also disposed its low yielding sawmill facilities to carve the way and set into motion the Group's planned exit from the timber business segment in the near future. These are in line with the Group's effort to diversify into a major player in the local tourism industry and add value to its investors.

Nevertheless, during the financial year 2010, the timber business segment remained as the Group's core business activity despite the Group's increased involvement and presence in the tourism business segment. The Group's revenue for the financial year ended 31 December 2010 was RM64.1 million (2009 : RM76.6 million) with the timber segment contributing approximately 62.6% (2009 : 74.5%) and the tourism services segment contributing 34.9% (2009 : 23.8%) respectively. The Group loss before tax for the financial year ended 31 December 2010 stood at RM6.8 million as compared to the loss before tax of RM7.6 million recorded in the previous financial year.

OPERATIONS REVIEW

Timber Segment

The timber related business activities registered annual revenue from external sales of RM40.1 million for the year ended 31 December 2010. The revenue was lower as compared to the preceding financial year by approximately 30.0%, mainly due to the change in sales mix with emphasis on timber log trading and effects of deteriorating sales volume and demand. The segment also recorded a lower pre-tax loss of RM4.6 million as opposed to the RM5.7 million pre-tax loss recorded in the preceding financial year.

Tourism Services Segment

The Group's tourism related business activities registered annual revenue from external sales of RM22.4 million for the year ended 31 December 2010. The revenue was significantly higher as compared to the preceding financial year by approximately 23.0%, mainly due to the improved tourist traffic mainly from mainland China. The segment recorded a lower pre-tax loss of RM1.1 million as opposed to the RM1.6 million pre-tax loss recorded in the preceding financial year.

CHAIRMAN'S STATEMENT (CONT'D)



Others Segment

The Group's trading and other services activities registered annual revenue from external sales of RM1.5 million and a pre-tax loss of RM1.1 million for the financial year ended 31 December 2010.

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 responsible corporate citizen, the Group is fully aware of the possible 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. The Group continuously works towards striking a balance in creating or adding value to 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 and charity homes.

OUTLOOK

Going forward, the Malaysian economy is projected to grow by 5% to 6% in 2011, with growth momentum to be underpinned by the strong domestic demand.

As for the Group, the year 2011 is expected to present a new playing field with great growth opportunities in the form of the tourism industry. Great effort and emphasis is to be placed on all the present and future ventures into the tourism and hospitality services sectors, where growth is expected in line with positive indicators on the services sector and tourist arrival traffic. The Board will continue its effort to rationalize, consolidate and cease, if necessary, any of the Group's business so as to optimize all available resources.

APPRECIATION

On behalf of the Board, I also wish to take this opportunity to express my sincere gratitude to our former Chairman Dato' Noorazman Bin Adnan for his dedication and commitment in fulfilling his duties throughout his tenure as Chairman and Director of the Company.

On behalf of the Board, I also 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 wish to thank our shareholders, bankers, customers and business associates for all the support and cooperation extended throughout the year 2010 and look forward to their continued support.

**DATO' RAHADIAN MAHMUD BIN
MOHAMMAD KHALIL**
Chairman

CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors (“the Board”) of Sanbumi Holdings Berhad has always been supportive of the adoption of the principles and best practices as set out in the Code. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.25 of the Main Market 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 2010.

A. THE BOARD OF DIRECTORS

(i) The Board

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

The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to three main committees, namely, the Audit, Nomination and Remuneration Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

(ii) Board Composition

The Current Board consists of a Non-Independent Non-Executive Chairman, three (3) Executive Directors and three (3) Independent Non-Executive Directors.

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. THE BOARD OF DIRECTORS (CONT'D)

(iii) Board meetings

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

During the financial year ended 31 December 2010, nine (9) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		Feb '10	Apr '10	May '10	Jun '10	Aug '10	Sep '10	Oct '10	Nov '10	Dec '10		
Directors	Position	Attendance									Total	%
Dato' Noorazman bin Adnan (Resigned w.e.f. 24/03/11)	Chairman	•	•	•	•	•	•	•	•	•	9/9	100
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	•	•	•	•	9/9	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	X	•	X	•	•	X	•	•	6/9	67
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	X	•	•	•	•	•	•	•	•	8/9	89
Dato' Lee Gee Huy @ Lee Kong Fee, JP	Director	•	•	•	•	•	•	•	•	•	9/9	100
Ir. Zainurin bin Karman	Director	•	•	•	•	•	•	•	•	•	9/9	100
Boey Tak Kong (Resigned w.e.f. 09/09/10)	Director	•	•	•	•	•	N/A	N/A	N/A	N/A	5/5	100
Lim Thian Loong (Appointed w.e.f. 08/12/10)	Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	•	1/1	100

Total number of meetings held:

(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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. THE BOARD OF DIRECTORS (CONT'D)

(iv) Supply of Information (cont'd)

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, Ir. Zainurin bin Karman (Independent Non-Executive Director) and Lim Thian Loong (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

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

During the financial year ended 31 December 2010, the Nomination Committee had three (3) meetings on 23 February 2010, 19 November 2010, and 8 December 2010 and 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.

(vii) Directors' Training

As required under the Main Market Listing Requirements of Bursa Securities, all the Directors have attended the Directors' Mandatory Accreditation Programme. The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. THE BOARD OF DIRECTORS (CONT'D)

(vii) Directors' Training (cont'd)

During the financial year ended 31 December 2010, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Dato' Chua Tiong Moon	
• Corporate Stewardship Excellence Best Practices	23 February 2010
Tan Sri Datuk Chai Kin Kong	
• Corporate Stewardship Excellence Best Practices	23 February 2010
Dato' Rahadian Mahmud bin Mohammad Khalil	
• Corporate Stewardship Excellence Best Practices	23 February 2010
Dato' Lee Gee Huy @ Lee Kong Fee, JP	
• Corporate Stewardship Excellence Best Practices	23 February 2010
Ir Zainurin bin Karman	
• Corporate Stewardship Excellence Best Practices	23 February 2010
Lim Thian Loong	
• Mandatory Accreditation Programme for Directors of Public Listed Companies	12 & 13 May 2010
• 2011 Budget Seminar - Highlights & Implications	18 October 2010
• 2011 Budget Talk	20 October 2010
• Introduction to Malaysian Taxation Principles & Procedures Workshop 3 : Allowances and Deductions	23 November 2010
• Developing Sustainable Market Leadership Using The Balanced Scorecard	29 November 2010

B. DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee comprises, Dato' Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director) who is the Chairman, Ir. Zainurin bin Karman (Independent Non-Executive Director) and Mr Lim Thian Loong (Independent Non-Executive Director).

During the financial year ended 31 December 2010, the Remuneration Committee had a meeting on 19 November 2010 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 2010 are as follows:-

(All figures in RM)	Executive Directors	Non-Executive Directors
Salary	702,000	-
Fees	72,000	180,000
Bonus	-	-
Benefits-in-kind	-	-
Total	774,000	180,000

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

	Executive Directors	Non-Executive Directors
Below RM50,000	-	5
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 @ Lee Kong Fee, JP : Senior Independent Non-Executive Director
Telephone number : 06-762 9770
Facsimile number : 06-763 2286

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

C. RELATIONS WITH SHAREHOLDERS (CONT'D)

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.

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 29 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 Auditor.

The information on the Group's internal control is presented in the Statement on Internal Control set out on page 30.

(iii) Relationship with the External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External Auditors to meet their professional requirements and seeking professional advice and ensuring compliance with accounting standards. In the course of audit of the Group's operation, the External Auditors have highlighted to the Audit Committee and the Board on matters that require the Board's attention. The role of the Audit Committee in relation to the External Auditors is described on page 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 2010 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 2010.

b) *Share buybacks*

i) The Company purchased its own shares during the financial year ended 31 December 2010, details of which are disclosed below:

Month of purchase	No. of shares purchased and retained as Treasury Shares	Purchase price per share		Average price per share RM	Total consideration RM
		Lowest RM	Highest RM		
May	5,000	0.3000	0.3000	0.3000	1,542.45
November	5,000	0.3200	0.3200	0.3200	1,642.48
TOTAL	10,000	0.3000	0.3200	0.3100	3,184.93

ii) All shares repurchased 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 2010 are as follows:

	No. of shares retained as Treasury Shares
As at 1 January 2010	15,046,800
Movements during the year	10,000
As at 31 December 2010	15,056,800

c) *Options, warrants or convertible securities exercised*

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2010.

d) *American Depository Receipts (ADR) or Global Depository Receipts (GDR) programme sponsored*

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2010.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

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 2010:

- 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 20 August 2010 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 2010. 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.

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 2010.

g) Comparison of profit achieved with the profit guarantee

The Company did not issue any profit guarantee during the financial year ended 31 December 2010.

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 2010.

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 or a firm or company affiliated to the auditor's firm for non-audit services provided during the financial year ended 31 December 2010.

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 2010.

AUDIT COMMITTEE REPORT

Chairman

Dato' Lee Gee Huy @ Lee Kong Fee, JP (Independent Non-Executive Director)

Members

Ir. Zainurin bin Karman (Independent Non-Executive Director)

Lim Thian Loong (Independent Non-Executive Director)

TERMS OF REFERENCE

1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-
- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
 - (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
 - (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
- 1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. 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.

AUDIT COMMITTEE REPORT

2. MEETINGS (CONT'D)

2.2 Quorum

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

2.3 Secretary

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

2.4 Attendance

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

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

2.4.3 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 on 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 to determine 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 2010, there were nine (9) Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Audit Committee Meeting		Feb '10	Apr '10	May '10	Jun '10	Aug '10	Sep '10	Oct '10	Nov '10	Dec '10	Total	%
Committee Members	Position	Attendance									Total	%
Dato' Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	•	•	•	•	•	9/9	100
Ir. Zainurin bin Karman	Member	•	•	•	•	•	•	•	•	•	9/9	100
Boey Tak Kong (Resigned w.e.f. 09/09/10)	Member	•	•	•	•	•	N/A	N/A	N/A	N/A	5/5	100
Lim Thian Loong (Appointed w.e.f. 8/12/10)	Member	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	•	1/1	100

Total number of meetings held:

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 2010:-

- (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 Auditor 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 Auditor 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 Auditor highlighted the 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 15.26(a) of the Main Market 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 have been drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 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' RAHADIAN MAHMUD BIN MOHAMAD KHALIL
Chairman

DATO' CHUA TIONG MOON
Managing Director

STATEMENT ON INTERNAL CONTROL

(Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Regulatory Framework

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

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

2. Accountability of the Board

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

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

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

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

3. An Integrated Risk Management and Control Framework

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

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

STATEMENT ON INTERNAL CONTROL (CONT'D)

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 2010 was RM109,200

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 2010 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.

FINANCIAL REPORT

for the financial year ended 31 December 2010

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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 2010.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Loss after taxation for the financial year	<u>(6,944)</u>	<u>(2,254)</u>
Attributable to:		
Owners of the Company	(6,945)	(2,254)
Minority interests	<u>1</u>	<u>-</u>
	<u>(6,944)</u>	<u>(2,254)</u>

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

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

DIRECTORS' REPORT (CONT'D)

TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.31 per share. The total consideration paid for the repurchase including transaction costs amounted to RM3,183. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2010, the Company held as treasury shares a total of 15,056,800 of its 189,238,348 issued ordinary shares. The treasury shares are held at a carrying amount of RM11,357,796. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables 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 an amount which they might be expected so to realise.

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 38 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:-

Dato' Rahadian Mahmud Bin Mohammad Khalil
Tan Sri Datuk Chai Kin Kong
Dato' Chua Tiong Moon
Dato' Lee Gee Huy @ Lee Kong Fee, J. P.
Ir. Zainurin Bin Karman
Lim Thian Loong (Appointed on 8 December 2010)
Dato' Noorazman Bin Adnan (Resigned on 24 March 2011)
Boey Tak Kong (Resigned on 9 September 2010)

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 31.12.2010
	At 1.1.2010	Bought	Sold	
<i>Direct Interests</i>				
Tan Sri Datuk Chai Kin Kong	13,994,070	-	-	13,994,070
Dato' Noorazman Bin Adnan	761,000	-	-	761,000
Dato' Chua Tiong Moon	13,605,762	-	(2,355,400)	11,250,362
<i>Indirect Interests</i>				
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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year of the Group and of the Company are disclosed in Note 41 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

**Signed In Accordance With A Resolution Of The Directors
Dated 22 April 2011**

**DATO' RAHADIAN MAHMUD BIN
MOHAMMAD KHALIL**
Director

DATO' CHUA TIONG MOON
Director

STATEMENT BY DIRECTORS

We, Dato' Rahadian Mahmud Bin Mohammad Khalil 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 41 to 94 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 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 42, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed In Accordance With A Resolution Of The Directors
Dated 22 April 2011

DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
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 41 to 94 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Dato' Chua Tiong Moon, at Kuala Lumpur in the Federal Territory
on this 22 April 2011

DATO' CHUA TIONG MOON

Before me

DATIN HAJAH RAIHELA WANCHIK (NO. W – 275)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To The Members Of SANBUMI HOLDINGS BERHAD
(Incorporated in Malaysia) Company No : 8386 - P

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sanbumi Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 94.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 of financial statements that give a true and fair view 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.

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 2010 and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, we wish to draw attention on Note 12 to the financial statements. The Group has not made an allowance for impairment loss on log purchase advances of approximately RM19.86 million due from a supplier which has been outstanding for more than one year, as the directors are of the opinion that the debts are recoverable.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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 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.

The supplementary information set out in Note 42 on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants
28 April 2011
Kuala Lumpur

Ooi Song Wan
Approval No: 2901/10/12 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

At 31 December 2010

	NOTE	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	53,896	29,329	6,136	12,499
Prepaid lease payments	6	-	1,509	-	-
Investment properties	7	2,151	20,708	2,151	20,708
Investments in subsidiaries	8	-	-	124,750	124,860
Investment in an associate	9	-	-	-	-
Amount owing by subsidiaries	13	-	-	7,800	-
		<u>56,047</u>	<u>51,546</u>	<u>140,837</u>	<u>158,067</u>
CURRENT ASSETS					
Inventories	10	239	9,978	-	-
Trade receivables	11	5,893	8,386	275	223
Other receivables, deposits and prepayments	12	47,403	64,342	2,076	486
Amount owing by subsidiaries	13	-	-	19,811	28,658
Amount owing by an associate	14	-	-	-	-
Assets held for sale	15	24,282	-	24,282	-
Tax refundable		1,187	1,194	-	-
Fixed deposits with licensed banks	16	950	950	-	-
Cash and bank balances		15,187	9,727	681	2,805
		<u>95,141</u>	<u>94,577</u>	<u>47,125</u>	<u>32,172</u>
TOTAL ASSETS		<u>151,188</u>	<u>146,123</u>	<u>187,962</u>	<u>190,239</u>

The annexed notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	NOTE	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	189,238	189,238	189,238	189,238
Retained profits/(Accumulated losses)	18	35,873	42,818	(13,587)	(11,333)
Treasury shares	19	(11,358)	(11,355)	(11,358)	(11,355)
Other reserves	20	22,726	22,726	21,144	21,144
Merger deficit	21	(109,628)	(109,628)	-	-
SHAREHOLDERS' EQUITY		126,851	133,799	185,437	187,694
MINORITY INTERESTS		92	91	-	-
TOTAL EQUITY		126,943	133,890	185,437	187,694
NON-CURRENT LIABILITIES					
Term loan	22	4,985	-	-	-
Deferred tax liabilities	24	2,099	2,009	1,905	1,905
		7,084	2,009	1,905	1,905
CURRENT LIABILITIES					
Trade payables	25	4,777	5,867	-	-
Other payables and accruals		7,412	2,888	565	603
Amount owing to subsidiaries	13	-	-	24	6
Provision for taxation		1,456	1,095	31	31
Short-term borrowings	26	3,516	374	-	-
		17,161	10,224	620	640
TOTAL LIABILITIES		24,245	12,233	2,525	2,545
TOTAL EQUITY AND LIABILITIES		151,188	146,123	187,962	190,239

The annexed notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2010

	NOTE	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
REVENUE	27	64,061	76,611	1,030	1,231
COST OF SALES		(63,929)	(76,275)	-	-
GROSS PROFIT		132	336	1,030	1,231
OTHER INCOME	28	6,646	3,609	402	489
		6,778	3,945	1,432	1,720
DISTRIBUTION COSTS		(1,886)	(2,612)	(30)	(139)
ADMINISTRATIVE EXPENSES		(8,579)	(7,107)	(1,935)	(1,936)
OTHER EXPENSES		(2,841)	(1,732)	(1,721)	(66)
FINANCE COSTS		(243)	(116)	-	-
LOSS BEFORE TAXATION	29	(6,771)	(7,622)	(2,254)	(421)
INCOME TAX EXPENSE	30	(173)	(3)	-	-
LOSS AFTER TAXATION		(6,944)	(7,625)	(2,254)	(421)
OTHER COMPREHENSIVE INCOME/EXPENSES		-	-	-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		(6,944)	(7,625)	(2,254)	(421)
LOSS AFTER TAXATION/TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Equity holders of the Company		(6,945)	(7,623)	(2,254)	(421)
Minority interests		1	(2)	-	-
		(6,944)	(7,625)	(2,254)	(421)
LOSS PER SHARE (SEN)					
- Basic	31	(3.99)	(4.38)		
- Diluted	31	<u>Not applicable</u>	<u>Not applicable</u>		

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2010

	Attributable to Equity Holders of the Company										Total RM'000	
	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	Minority Interests RM'000			
Group												
Balance at 1.1.2009	189,238	14,788	(11,341)	1,582	6,356	(109,628)	50,441	141,436	93		141,529	
Treasury shares acquired	-	-	(14)	-	-	-	-	(14)	-		(14)	
Total comprehensive expenses for the financial year	-	-	-	-	-	-	(7,623)	(7,623)	(2)		(7,625)	
Balance at 31.12.2009/ 1.1.2010	189,238	14,788	(11,355)	1,582	6,356	(109,628)	42,818	133,799	91		133,890	
Treasury shares acquired	-	-	(3)	-	-	-	-	(3)	-		(3)	
Total comprehensive expenses for the financial year	-	-	-	-	-	-	(6,945)	(6,945)	1		(6,944)	
Balance at 31.12.2010	189,238	14,788	(11,358)	1,582	6,356	(109,628)	35,873	126,851	92		126,943	

The annexed notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY (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 1.1.2009	189,238	14,788	(11,341)	6,356	(10,912)	188,129
Treasury shares acquired	-	-	(14)	-	-	(14)
Total comprehensive expenses for the financial year	-	-	-	-	(421)	(421)
Balance at 31.12.2009/ 1.1.2010	189,238	14,788	(11,355)	6,356	(11,333)	187,694
Treasury shares acquired	-	-	(3)	-	-	(3)
Total comprehensive expenses for the financial year	-	-	-	-	(2,254)	(2,254)
Balance at 31.12.2010	189,238	14,788	(11,358)	6,356	(13,587)	185,437

The annexed notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	(6,771)	(7,622)	(2,254)	(421)
Adjustments for:-				
Impairment losses on receivables	105	157	-	-
Amortisation of prepaid lease payments	120	164	-	-
Depreciation of property, plant and equipment	3,192	3,254	65	66
Impairment loss on:				
- investment properties	573	-	573	-
- property, plant and equipment	700	-	-	-
- investment in subsidiaries	-	-	110	-
- amount owing by subsidiaries	-	-	1,038	-
Interest expense	242	116	-	-
Inventories written down	-	539	-	-
Unrealised gain on foreign exchange	(71)	-	-	-
Net (gain)/loss on disposal of property, plant and equipment	(4,844)	25	-	(25)
Gain on disposal of prepaid lease payments	(387)	-	-	-
Gain on disposal of investment properties	-	(422)	-	(422)
Gain on disposal of investment in a subsidiary	(369)	-	(369)	-
Interest income	(70)	(57)	(33)	(42)
Reversal of impairment losses on receivables	(55)	(148)	-	-
Operating loss before working capital changes	(7,635)	(3,994)	(870)	(844)
Decrease in inventories	9,739	13,695	-	-
Decrease/(Increase) in trade and other receivables	19,382	(3,687)	(1,642)	(46)
Increase/(Decrease) in trade and other payables	3,505	(2,950)	(38)	96
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES	24,991	3,064	(2,550)	(794)
Income tax refunded	285	1,115	-	-
Interest paid	(242)	(116)	-	-
Interest received	70	57	33	42
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD	25,104	4,120	(2,517)	(752)

The annexed notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS (CONT'D)

	NOTE	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		25,104	4,120	(2,517)	(752)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in subsidiaries		(1,311)	-	(1,311)	-
Disposal of a subsidiary		1,680	-	1,680	-
Purchase of property, plant and equipment		(37,882)	(120)	-	-
Proceeds from disposal of property, plant and equipment		7,969	47	-	24
Proceeds from disposal of prepaid lease payments		1,776	1,013	-	1,013
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(27,768)	940	369	1,037
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES					
Net repayment by/(advances to) subsidiaries		-	-	27	(97)
Drawdown of term loan		5,000	-	-	-
Drawdown of bankers' acceptances		3,501	-	-	-
Repayment of hire purchase obligations		(374)	(1,163)	-	-
Treasury shares acquired		(3)	(14)	(3)	(14)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		8,124	(1,177)	24	(111)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,460	3,883	(2,124)	174
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		10,677	6,794	2,805	2,631
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	16,137	10,677	681	2,805

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 22 April 2011.

2. PRINCIPAL ACTIVITIES

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

3. 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 new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- (a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):- (cont'd)

FRSs and IC Interpretations (including the Consequential Amendments) (cont'd)

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

- (i) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 - Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

- (ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 40(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- (a) (iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

This adoption does not have any material financial impacts to the financial statements for the current financial year.

- (iv) The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liability under Note 38 to the financial statements.
- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interprétation 12 Service Concession Arrangements	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:- (cont'd)

FRSs and IC Interpretations (including the Consequential Amendments) (cont'd)	Effective date
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

4. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) *Depreciation of Property, Plant and Equipment (cont'd)*

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 Non-Financial 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.

(v) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(vii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(viii) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(b) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currencies 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 end of reporting period 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 recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, 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 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments (Cont'd)

(iv) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased 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 equity.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2010.

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 statement of financial position 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 within equity in the consolidated statement of financial position, separately from the Company's equity holders, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with minority interests are accounted for as transactions with owners. Gain or loss on disposal to minority interests is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in Subsidiaries

The investments in subsidiaries are stated at cost in the statements of financial position 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 recognised in profit or loss.

(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 statement of financial position 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 2010.

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. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each end of the reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and Equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

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 recognised in profit or loss.

(h) Impairment

(i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period 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' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss 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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(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 profit or loss 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 4(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 recognised in the profit or loss 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 recognised in profit or loss 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 profit or loss; and all attributable revaluation reserve relating to that investment property is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 profit or loss.

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

(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) 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 end of the reporting period.

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 end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income Taxes (cont'd)

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at end of each reporting period 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.

(o) Borrowing Costs

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

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(p) 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.

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue Recognition

(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.

(s) 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 profit or loss 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(v) Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, non-current assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. 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	Work-in Progress RM'000	Total RM'000
Net book value as at								
1.1.2010	14,607	1,402	132	2,793	6,246	4,149	-	29,329
Additions	-	7,000	-	-	-	21,455	9,427	37,882
Disposals	-	(1,011)	-	(261)	(1,743)	(110)	-	(3,125)
Impairment loss	-	-	-	(700)	-	-	-	(700)
Transferred to assets held for sale (Note 15)	(6,298)	-	-	-	-	-	-	(6,298)
Depreciation charge	(46)	(391)	(21)	(604)	(869)	(1,261)	-	(3,192)
Net book value as at 31.12.2010	8,263	7,000	111	1,228	3,634	24,233	9,427	53,896
Net book value as at								
1.1.2009	14,653	1,994	153	3,661	7,240	4,834	-	32,535
Addition	-	-	-	-	-	120	-	120
Disposal	-	-	-	(72)	-	-	-	(72)
Depreciation charge	(46)	(592)	(21)	(796)	(994)	(805)	-	(3,254)
Net book value as at 31.12.2009	14,607	1,402	132	2,793	6,246	4,149	-	29,329
As at 31.12.2010								
At cost	-	7,000	208	3,829	6,196	29,052	9,427	55,712
At valuation – 2008	8,936	-	-	-	-	-	-	8,936
Accumulated depreciation	(673)	-	(97)	(2,601)	(2,562)	(4,819)	-	(10,752)
Net book value	8,263	7,000	111	1,228	3,634	24,233	9,427	53,896

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. 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 31.12.2009	-	13,868	208	28,481	11,170	8,135	61,862
At cost	15,290	-	-	-	-	-	15,290
At valuation – 2008	(683)	(12,466)	(76)	(25,688)	(4,924)	(3,986)	(47,823)
Accumulated depreciation							
Net book value	14,607	1,402	132	2,793	6,246	4,149	29,329
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at							
- 31.12.2010	6,502	-	-	-	-	-	6,502
- 31.12.2009	8,832	-	-	-	-	-	8,832

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold Land And Buildings RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
Net book value as at 1.1.2010	12,456	43	12,499
Transferred to assets held for sale (Note 15)	(6,298)	-	(6,298)
Depreciation charge	(46)	(19)	(65)
Net book value as at 31.12.2010	6,112	24	6,136
Net book value as at 1.1.2009	12,502	62	12,564
Addition	-	1	1
Depreciation charge	(46)	(20)	(66)
Net book value as at 31.12.2009	12,456	43	12,499
As at 31.12.2010			
At cost	-	996	996
At valuation – 2008	6,786	-	6,786
Accumulated depreciation	(674)	(972)	(1,646)
Net book value	6,112	24	6,136
As at 31.12.2009			
At cost	-	996	996
At valuation – 2008	13,139	-	13,139
Accumulated depreciation	(683)	(953)	(1,636)
Net book value	12,456	43	12,499
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at			
- 31.12.2010	4,352	-	4,352
- 31.12.2009	6,682	-	6,682

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.

Certain motor vehicles with a total net book value amounting to RM1,256,665 were acquired under hire purchase terms in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. PREPAID LEASE PAYMENTS

	Group	
	2010	2009
	RM'000	RM'000
Carrying amount	1,788	1,788
Accumulated amortisation	(399)	(279)
Disposal during the financial year	(1,389)	-
Net book value	<u>-</u>	<u>1,509</u>
Accumulated amortisation:-		
At 1 January	(279)	(115)
Amortisation for the financial year	(120)	(164)
Disposal during the financial year	399	-
At 31 December	<u>-</u>	<u>(279)</u>

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.

During the financial year, the short-term leasehold land and the exclusive rights to use the premises for restaurant business have been disposed of for a total cash consideration of RM1,775,810.

7. INVESTMENT PROPERTIES

	Group/Company	
	2010	2009
	RM'000	RM'000
At fair value:-		
Freehold land and building		
At 1 January	20,708	21,299
Transferred to assets held for sale (Note 15)	(17,984)	-
Impairment loss	(573)	-
Disposal during the financial year	-	(591)
At 31 December	<u>2,151</u>	<u>20,708</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT PROPERTIES (CONT'D)

Included in the statements of comprehensive income relating to investment properties during the financial year are the following items:

	Group/Company	
	2010 RM'000	2009 RM'000
Rental income	310	700
Direct operating expenses	69	69

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	136,890	136,890
Impairment loss:-		
At 1 January	(12,030)	(12,030)
Addition during the financial year	(110)	-
At 31 December	(12,140)	(12,030)
	<u>124,750</u>	<u>124,860</u>

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

Name Of Company	Effective Equity Interest		Principal Activities
	2010 %	2009 %	
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	Hotelier and timber log traders.
Metro Ajaib Sdn. Bhd. *	100	100	Hotelier and timber log traders.
Mirim Timber Sdn. Bhd. *	100	100	Timber log traders.
EMC Cranes Sdn. Bhd.	100	100	Rendering of mobile crane services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name Of Company	Effective Equity Interest		Principal Activities
	2010 %	2009 %	
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 industrial equipment, supplies and lubricants.
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	100	Restaurant operator.
North South Hotel Sdn. Bhd.	100	-	Dormant.
Nouvelle Hotel Sdn. Bhd.	100	-	Dormant.

The audit report of this subsidiary contained an emphasis of matter which has been highlighted in the audit report of the Group and the Company.

* Interest held by Sanbumi Sawmill Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	637	637	637	637
Impairment loss	-	-	(637)	(637)
	<u>637</u>	<u>637</u>	<u>-</u>	<u>-</u>
Share of post-acquisition accumulated losses	(637)	(637)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	2010 RM'000	2009 RM'000
Assets and Liabilities		
Current assets	<u>129</u>	<u>141</u>
Current liabilities	<u>1,469</u>	<u>1,479</u>
Results		
Loss for the financial year	<u>(4)</u>	<u>(5)</u>

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

Name Of Company	Effective Equity Interest		Principal Activities
	2010 %	2009 %	
Ferrotrans Sdn. Bhd.	49	49	Rendering of 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 RM40,116 (2009 – RM38,128) at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
At Cost		
Finished goods	-	3,965
Trading goods	239	168
Consumable stores	-	228
	239	4,361
At Net Realisable Value		
Raw materials	-	1,556
Work-in-progress	-	2,202
Finished goods	-	1,859
	-	5,617
	239	9,978

11. TRADE RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	13,768	16,185	275	223
Allowance for impairment losses				
At 1 January	(7,799)	(7,792)	-	-
Addition for the financial year	(79)	(16)	-	-
Writeoff during the financial year	3	9	-	-
Reversal of allowance no longer required	-	9	-	-
At 31 December	(7,875)	(7,799)	-	-
	5,893	8,386	275	223

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Other receivables, deposits and prepayments	58,546	75,514	3,045	1,455
Allowance for impairment losses				
At 1 January	(11,172)	(11,170)	(969)	(969)
Addition for the financial year	(26)	(141)	-	-
Reversal of allowance no longer required	55	139	-	-
At 31 December	(11,143)	(11,172)	(969)	(969)
	<u>47,403</u>	<u>64,342</u>	<u>2,076</u>	<u>486</u>

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM37,240,201 (2009 - RM60,396,056).

On 19 April 2010, the Group received a proposal to settle the debts from one of the log suppliers, i.e. Saingan Mewah Sdn. Bhd ("SMSB"), with respect to the log purchase advances amounting to RM29.86 million. However, this proposal had been subsequently aborted.

In December 2010, SMSB offered to settle the advances amounting to RM29.86 million by way of cash consideration payable in six (6) instalments. Two (2) instalments amounting to RM10 million were received before 31 December 2010. The balance of RM19.86 million is to be paid by three (3) equal instalments of RM5 million each with the remainder as the sixth and final instalment to be fully payable on or before 31 December 2011.

The directors are of the opinion that the debts due from SMSB are fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2010	2009
	RM'000	RM'000
Amount owing by:-		
<u>Non-current</u>		
Quasi loans	7,800	-
<u>Current</u>		
Non-trade balances	25,464	33,273
Allowance for impairment losses		
At 1 January	(4,615)	(4,615)
Addition for the financial year	(1,038)	-
At 31 December	(5,653)	(4,615)
	<u>19,811</u>	<u>28,658</u>
	<u>27,611</u>	<u>28,658</u>
Amount owing to:-		
<u>Current</u>		
Non-trade balances	<u>(24)</u>	<u>(6)</u>

(a) Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any.

(b) The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

14. AMOUNT OWING BY AN ASSOCIATE

	Group/Company	
	2010	2009
	RM'000	RM'000
Amount owing by an associate	1,011	1,011
Impairment losses	(1,011)	(1,011)
	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. ASSETS HELD FOR SALE

Certain properties are presented as held for sale following the commitment of the Company's management, on 1 July 2010, to a plan to sell certain freehold land located in Seberang Prai, Penang together with all the existing buildings erected thereon, and the sale is expected to be completed by June 2011.

	Note	Group/Company 2010 RM'000
<u>Assets held for sale</u>		
Property, plant and equipment (Note 5)	(a)	6,298
Investment properties (Note 7)	(b)	17,984
		<u>24,282</u>

Property, plant and equipment held for sale comprise the following:-

	Group/Company 2010 RM'000
<u>Note (a)</u>	
At fair value	6,353
Accumulated depreciation	(55)
	<u>6,298</u>

Note (b)

The investment properties held for sale are carried at fair value less costs to sell.

16. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits bore effective interest rates ranging from 2.25% to 3.0% (2009 - 3.0% to 3.7%) per annum at the end of the reporting period. The fixed deposits have maturity periods ranging from 12 to 15 months (2009 - 12 to 15 months).

17. SHARE CAPITAL

	2010 Number Of Shares ('000)	2009 Number Of Shares ('000)	Company 2010 RM'000	2009 RM'000
Ordinary Shares Of RM1 Each:-				
Authorised	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Issued and Fully Paid-Up	<u>189,238</u>	<u>189,238</u>	<u>189,238</u>	<u>189,238</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. RETAINED PROFITS

Group	←—————→ 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
	Balance at 1.1.2009	(24,880)	51,807		23,514
Current year loss	-	-		(7,623)	(7,623)
Balance at 31.12.2009/1.1.2010	(24,880)	51,807		15,891	42,818
Current year loss	-	-		(6,945)	(6,945)
Balance at 31.12.2010	(24,880)	51,807		8,946	35,873

19. TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.31 per share. The total consideration paid for the repurchase amounted to RM3,183, comprising consideration paid amounting to RM3,100 and transaction costs of RM83. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965, and presented as a deduction from shareholders' equity.

Of the total 189,238,348 (2009 - 189,238,348) issued and fully paid-up ordinary shares as at the end of the reporting period, 15,056,800 ordinary shares (2009 - 15,046,800) are held as treasury shares by the Company. None of the treasury shares was resold or cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. OTHER RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 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	-	-
	<u>22,726</u>	<u>22,726</u>	<u>21,144</u>	<u>21,144</u>

The revaluation reserve comprises:-

Surplus on revaluation of property, plant and equipment	<u>6,356</u>	<u>6,356</u>	<u>6,356</u>	<u>6,356</u>
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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.

21. MERGER DEFICIT

	Group	
	2010 RM'000	2009 RM'000
Non-Distributable Arising from the merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd.	<u>(109,628)</u>	<u>(109,628)</u>

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of the subsidiaries amounting to RM127,628,623 and the nominal value of the shares acquired amounting to RM18,000,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. TERM LOAN

	The Group	
	2010	2009
	RM'000	RM'000
Current portion:		
- not later than one year (Note 26)	15	-
Non-current portion:		
- later than one year and not later than two years	184	-
- later than two years and not later than five years	646	-
- later than five years	4,155	-
Total non-current portion	4,985	-
	<u>5,000</u>	<u>-</u>

The term loan of the Group bore an effective interest rate of 7.80% per annum at the end of the reporting period and is secured by:

- (i) a personal guarantee of a director of the Group; and
- (ii) a corporate guarantee of the Company.

The term loan is repayable in 119 instalments of RM47,208 each and a final instalment of RM46,902, commencing from December 2011.

23. HIRE PURCHASE PAYABLES

	Group	
	2010	2009
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one year	-	404
	-	404
Future finance charges	-	(30)
Present value of hire purchase payables	-	374
Current:		
- not later than one year (Note 26)	-	374

The Group has hire purchase contracts in the previous financial year for certain plant and equipment as disclosed in Note 5 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.

In the previous financial year, the hire purchase payables bore effective interest at the end of the reporting period ranging from 5.7% to 7.1% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. DEFERRED TAX LIABILITIES

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Accelerated capital allowances	194	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
	<u>2,099</u>	<u>2,009</u>	<u>1,905</u>	<u>1,905</u>

25. TRADE PAYABLES

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

26. SHORT-TERM BORROWINGS

	Group	
	2010 RM'000	2009 RM'000
Bankers' acceptances	3,501	-
Term loan (Note 22)	15	-
Hire purchase payables (Note 23)	-	374
	<u>3,516</u>	<u>374</u>

The bankers' acceptances of the Group bore effective interest rates ranging from 3.01% to 3.11% per annum at the end of the reporting period. The bankers' acceptances have maturity periods ranging from 107 days to 118 days.

The bankers' acceptances of the Group are secured by:-

- (i) a fixed and floating charge over the assets of a subsidiary amounting to RM3 million; and
- (ii) a corporate guarantee of the holding company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	40,442	67,608	-	-
Services	22,901	7,912	-	-
Rental income	718	1,091	898	1,018
Management fee	-	-	132	213
	<u>64,061</u>	<u>76,611</u>	<u>1,030</u>	<u>1,231</u>

28. OTHER INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain on disposal of investment in a subsidiary (Note 41(ii))	369	-	369	-
Gain on disposal of property, plant and equipment	4,844	28	-	25
Gain on disposal of investment properties	-	422	-	422
Gain on disposal of prepaid lease payments	387	-	-	-
Interest income	70	57	33	42
Realised gain on foreign exchange	186	240	-	-
Rental income	443	1,892	-	-
Reversal of impairment losses on receivables	55	148	-	-
Unrealised gain on foreign exchange	71	-	-	-
Others	221	822	-	-
	<u>6,646</u>	<u>3,609</u>	<u>402</u>	<u>489</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. LOSS BEFORE TAXATION

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Impairment losses on receivables	105	157	-	-
Amortisation of prepaid lease payments	120	164	-	-
Audit fee				
- for the current financial year	153	101	37	33
- under/(over)provision in the previous financial year	21	(8)	-	-
Bad debts written off	10	-	-	-
Depreciation of property, plant and equipment	3,192	3,254	65	66
Directors' fees	252	252	252	252
Directors' other emoluments	702	702	702	702
Interest expense				
- bank overdraft	154	27	-	-
- hire purchase	38	88	-	-
- bankers' acceptances	25	-	-	-
- term loan	25	-	-	-
- others	-	1	-	-
Inventories written down	-	539	-	-
Impairment loss on:				
- investment properties	573	-	573	-
- property, plant and equipment	700	-	-	-
- investment in subsidiaries	-	-	110	-
- amount owing by subsidiaries	-	-	1,038	-
Loss on disposal of property, plant and equipment	-	53	-	-
Preliminary expenses written off	5	-	-	-
Rental of equipment	2	2	-	-
Rental of premises	698	574	86	86
Staff costs:				
- salaries, wages, bonuses, and allowances	3,738	4,057	302	311
- defined contribution plan	314	384	39	41
- other benefits	209	73	14	18
Realised loss of foreign exchange	36	33	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. INCOME TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense:				
- for the financial year	185	-	-	-
- (over)/underprovision in the previous financial year	(12)	3	-	-
	<u>173</u>	<u>3</u>	<u>-</u>	<u>-</u>

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loss before taxation	<u>(6,771)</u>	<u>(7,622)</u>	<u>(2,254)</u>	<u>(421)</u>
Tax at the statutory tax rate of 25%	(1,693)	(1,906)	(564)	(105)
Tax effects of:-				
Non-deductible expenses	1,113	447	476	50
Non-taxable gains	(534)	(106)	(92)	(106)
Utilisation of deferred tax assets not recognised in the previous financial year	(40)	(47)	-	-
Deferred tax assets not recognised during the financial year	1,497	1,632	180	161
Double deduction of expenses	(158)	(20)	-	-
(Over)/Underprovision in the previous financial year:				
- current tax	(12)	3	-	-
Tax for the financial year	<u>173</u>	<u>3</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Inventories	539	539	-	-
Unutilised tax losses	23,919	33,494	2,241	1,523
Unabsorbed capital allowances	25,638	10,073	2,908	2,905
	<u>50,096</u>	<u>44,106</u>	<u>5,149</u>	<u>4,428</u>

31. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss after tax of the Group attributable to shareholders of RM6,945,286 (2009 - RM7,623,469) by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year of 174,188,014 (2009 -174,216,534 ordinary shares in issue).

The diluted earnings per share is not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

32. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed deposits with licensed banks	950	950	-	-
Cash and bank balances	15,187	9,727	681	2,805
	<u>16,137</u>	<u>10,677</u>	<u>681</u>	<u>2,805</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. 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:-

Group/Company	2010		2009	
	No of directors	RM	No of directors	RM
Directors' fee:				
Below RM50,000				
- executive directors	2	72,000	2	72,000
- non executive directors	5	180,000	5	180,000
	<u>7</u>	<u>252,000</u>	<u>7</u>	<u>252,000</u>
Directors' other emoluments				
Between RM350,001 and RM400,000				
- executive directors	<u>2</u>	<u>702,000</u>	<u>2</u>	<u>702,000</u>

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

- (i) the Company has related party relationships with its subsidiaries as disclosed in Note 8 to the financial statements;
- (ii) the directors who are the key management personnel; and
- (iii) entities controlled by certain key management personnel/directors/substantial shareholders.

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

(i) **Subsidiaries**

	Company	
	2010 RM'000	2009 RM'000
Rental received/receivable	180	180
Management fee received/receivable	132	213
Rental paid/payable	<u>-</u>	<u>4</u>

(ii) **Key Management Personnel**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	<u>1,090</u>	<u>1,098</u>	<u>954</u>	<u>954</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. RELATED PARTY DISCLOSURES (CONT'D)

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

(ii) Key Management Personnel (cont'd)

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.

(iii) Entities Controlled by Key Management Personnel/Directors/ Substantial Shareholders

	2010 RM'000	Group 2009 RM'000
Rintisan Bumi (M) Sdn. Bhd.*		
- Purchase of timber	-	1,528
- Office rental payable	4	4
	<hr/>	<hr/>
Amount owing to:		
Rintisan Bumi (M) Sdn. Bhd.*	2,552	2,607
	<hr/>	<hr/>

* Tan Sri Datuk Chai Kin Kong and Dato' Chua Tiong Moon are directors and major shareholders of the Company. They are also major shareholders of Permaju Industries Berhad, the holding company of Rintisan Bumi (M) Sdn. Bhd.

35. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of Directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

- (i) Tourism segment – Provision of inbound and outbound tours and ticketing services, transportation services, hospitality services and trading of souvenirs, pewterware, local cottage products and other tourism related products.
- (ii) Timber segment – Timber log trading, sawmilling and manufacturing of downstream timber products.
- (iii) Others – Comprises of investment holding, trading, warehousing and mobile crane services, neither of which are of a sufficient size to be reported separately.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly income taxes and related expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

	Timber		Tourism Services		Others		Group	
	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
Total revenue	40,102	57,111	22,441	18,384	1,859	1,666	64,402	77,161
Inter-segment revenue	-	-	(29)	(157)	(312)	(393)	(341)	(550)
Total external revenue	40,102	57,111	22,412	18,227	1,547	1,273	64,061	76,611
RESULTS								
Segment results (external)	(4,349)	(5,706)	(1,101)	(1,483)	(1,149)	(374)	(6,599)	(7,563)
Finance costs							(242)	(116)
Interest income							70	57
Loss from ordinary activities before taxation							(6,771)	(7,622)
Income tax expense							(173)	(3)
Loss from ordinary activities after taxation							(6,944)	(7,625)
Minority interests							(1)	2
Loss attributable to equity holder							(6,945)	(7,623)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

	Timber		Tourism Services		Others		Group	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
OTHER INFORMATION								
Segment assets	56,987	89,801	53,769	14,742	39,245	40,386	150,001	144,929
Unallocated assets							1,187	1,194
							151,188	146,123
Segment liabilities	14,740	4,845	5,015	3,402	935	882	20,690	9,129
Unallocated liabilities							3,555	3,104
							24,245	12,233
Capital expenditure	7	1	37,875	2	-	117	37,882	120
Depreciation and amortisation	1,504	1,936	1,721	1,392	87	90	3,312	3,418
Impairment loss on property, plant and equipment and investment properties	700	-	-	-	573	-	1,273	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. CAPITAL COMMITMENT

	Group	
	2010	2009
	RM'000	RM'000
Approved and not contracted for:-		
Purchase of property, plant and equipment	3,317	-

37. NON-CANCELLABLE OPERATING LEASES

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	Group	
	2010	2009
	RM'000	RM'000
Not later than one year	3,000	-
Later than one year and not later than five years	12,725	-
Later than five year	10,698	-
Total	26,423	-

38. CONTINGENT LIABILITY – UNSECURED

	Company	
	2010	2009
	RM'000	RM'000
Corporate guarantee given to licensed banks for banking facilities utilised by subsidiaries	8,000	3,000

39. FOREIGN EXCHANGE RATE

The principal closing exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balance at the end of the reporting period is:-

	Group	
	2010	2009
	RM	RM
United States Dollar	3.08	3.41

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:-

Group	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2010			
Financial assets			
Trade receivables	1,275	4,618	5,893
Other receivables and deposits	-	46,380	46,380
Fixed deposits with licensed banks	-	950	950
Cash and bank balances	-	15,187	15,187
	1,275	67,135	68,410
Financial liabilities			
Term loan	-	5,000	5,000
Trade payables	-	4,777	4,777
Other payables and accruals	-	7,412	7,412
Bankers' acceptances	-	3,501	3,501
	-	20,690	20,690
Net financial assets	1,275	46,445	47,720
Less: Net financial assets denominated in the respective entities' functional currencies	-	(46,445)	(46,445)
Currency exposure	1,275	-	1,275

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

Group	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2009			
Financial assets			
Trade receivables	1,697	6,689	8,386
Other receivables and deposits	-	63,878	63,878
Fixed deposits with licensed banks	-	950	950
Cash and bank balances	-	9,727	9,727
	1,697	81,244	82,941
Financial liabilities			
Trade payables	-	5,867	5,867
Other payables and accruals	-	2,888	2,888
Hire purchase payables	-	374	374
	-	9,129	9,129
Net financial assets	1,697	72,115	73,812
Less: Net financial assets denominated in the respective entities' functional currencies	-	(72,115)	(72,115)
Currency exposure	1,697	-	1,697

Foreign currency risk sensitivity analysis

A 10% strengthening/weakening of the RM against the United States Dollar as at the end of the reporting period would have no material impact on profit after taxation and/or equity. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 40(a)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies

(i) Market Risk (cont'd)

(ii) Interest Rate Risk (cont'd)

Interest rate risk sensitivity analysis

A change of 100 basis points (bp) strengthening/weakening in the interest rate as at the end of the reporting period would have no material impact on profit after taxation and/or equity. This assumes that all other variables remain constant.

(iii) Equity Price Risk

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

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the advances to three major log and sawn timber suppliers which constituted approximately 70% of its trade and other receivables as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(ii) Credit Risk (cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
2010			
Not past due	1,896	-	1,896
Past due:-			
- less than 2 months	317	-	317
- 2 to 5 months	2,469	-	2,469
- over 5 months	9,086	(7,875)	1,211
	<u>13,768</u>	<u>(7,875)</u>	<u>5,893</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Liquidity Risk (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2010						
Bankers' acceptances	3.11	3,501	3,501	3,501	-	-
Term loan	7.80	5,000	5,665	47	2,266	3,352
Trade payables	-	4,777	4,777	4,777	-	-
Other payables and accruals	-	7,412	7,412	7,412	-	-
		20,690	21,355	15,737	2,266	3,352

Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
2009				
Hire purchase payables	7.10	374	404	404
Trade payables	-	5,867	5,867	5,867
Other payables and accruals	-	2,888	2,888	2,888
		9,129	9,159	9,159

Company

2010

Other payables and accruals	-	565	565	565
Amount owing to subsidiaries	-	24	24	24
		589	589	589

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Liquidity Risk (cont'd)

Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
2009				
Other payables and accruals	-	603	603	603
Amount owing to subsidiaries	-	6	6	6
		<u>609</u>	<u>609</u>	<u>609</u>

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(c) Classification Of Financial Instruments

	Group 2010 RM'000	Company 2010 RM'000
Financial assets		
<u>Loans and receivables financial assets</u>		
Trade receivables	5,893	275
Other receivables and deposits	46,380	1,906
Amount owing by subsidiaries	-	19,811
Fixed deposits with licensed banks	950	-
Cash and bank balances	<u>15,187</u>	<u>681</u>
	<u>68,410</u>	<u>22,673</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments (cont'd)

	Group 2010 RM'000	Company 2010 RM'000
Financial liabilities		
<u>Other financial liabilities</u>		
Term loans	5,000	-
Trade payables	4,777	-
Other payables and accruals	7,412	565
Amount owing to subsidiaries	-	24
Bankers' acceptances	3,501	-
	<u>20,690</u>	<u>589</u>

(d) Fair Values Of Financial Instruments

The carrying amount of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair values of the hire purchase payables and term loan are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Company:-

- (i) On July 2010, the Company entered into a Sale and Purchase Agreement with a third party to dispose of six contiguous parcels of freehold land situated on Lot Nos 850, 1186, 1511, 1611, 1619 and 3424 Mukim 6, Seberang Perai Tengah, Pulau Pinang measuring approximately 12.39 acres together with all existing buildings erected thereon ("the said properties") for a total cash consideration of RM24.28 million.

At the end of the reporting period, the said properties have been classified as "Assets Held For Sale" as the transaction is pending conclusion on the stipulated terms and conditions for the transfer of ownership. The disposal is expected to be completed by June 2011.

- (ii) On May 2010, the Company acquired a new subsidiary, Ninewise Sdn Bhd ("NSB"), for a cash consideration of RM2. Subsequently on September 2010, NSB increased its paid-up capital from RM2 to RM1,311,022 by the allotment of 1,311,020 new ordinary shares of RM1 each at par for working capital purposes. The Group subscribed for the additional 1,311,020 new ordinary shares of RM1 in NSB at par for a total cash consideration of RM1,311,020 to retain its equity interest of 100%.

On October 2010, the Company disposed of its entire equity interest in NSB to a third party for a total cash consideration of RM1,680,000 resulting in a gain on disposal of RM368,978.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

42. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group 2010 RM'000	The Company 2010 RM'000
Total retained profits/(accumulated losses):		
- realised	32,763	(11,682)
- unrealised	(2,028)	(1,905)
	<u>30,735</u>	<u>(13,587)</u>
Less: Consolidation adjustment	(5,138)	-
At 31 December	<u>35,873</u>	<u>(13,587)</u>

SHAREHOLDING STATISTICS

As at 22 April 2011

SHARE CAPITAL

Authorised Share Capital : RM250,000,000
 Issued and Paid-up Capital : RM189,238,348 (inclusive of 15,056,800 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 2011 are as follows:-

Name of Substantial Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri Datuk Chai Kin Kong	11,594,070	6.66	2,198,113*	1.26
Dato' Chua Tiong Moon	11,250,362	6.46	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 2011 are as follows:-

Name of Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri Datuk Chai Kin Kong	11,594,070	6.66	2,198,113*	1.26
Dato' Chua Tiong Moon	11,250,362	6.46	2,198,113*	1.26
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Dato' Lee Gee Huy @ Lee Kong Fee, JP	-	-	-	-
Ir Zainurin bin Karman	-	-	-	-
Lim Thian Loong	-	-	-	-

* 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.

SHAREHOLDING STATISTICS (CONT'D)

As at 22 April 2011

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

	No. of shares	% of Issued Capital	No. of Shareholders	% Over Total Shareholders
1 – 99	466	-	14	0.213
100 – 1,000	1,018,340	0.584	1,057	16.088
1,001 – 10,000	19,345,831	11.106	3,683	56.057
10,001 – 100,000	52,901,711	30.371	1,627	24.764
100,001 – 8,709,076	100,915,200	57.936	189	2.876
8,709,077 and Above	-	-	-	-
	<u>174,181,548</u>	<u>100.000</u>	<u>6,570</u>	<u>100.000</u>

LIST OF THIRTY LARGEST SHAREHOLDERS (AS PER RECORD OF DEPOSITORS)

No.	NAME OF SHAREHOLDERS	No. of Shares	%
1.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	6,591,900	3.784
2.	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN SRI CHAI KIN KONG	6,266,700	3.597
3.	AIBB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EVERGREEN CITY HOLDINGS SDN BHD	5,279,200	3.030
4.	OSK NOMINEES (ASING) SDN BERHAD OSK ASIA SECURITIES LTD FOR BIOVENTURE LIMITED	5,000,000	2.870
5.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG	4,822,300	2.768
6.	AIBB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON (MU001)	4,658,400	2.674
7.	FINE TASTE LOCAL PRODUCTS INDUSTRIES SDN BHD	4,276,000	2.454
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FINE TASTE LOCAL PRODUCTS INDUSTRIES SDN BHD	4,261,900	2.446
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOK AUN	4,044,100	2.321
10.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHU YOKE HUA	2,523,200	1.448

SHAREHOLDING STATISTICS (CONT'D)

As at 22 April 2011

LIST OF THIRTY LARGEST SHAREHOLDERS (AS PER RECORD OF DEPOSITORS) (CONT'D)

No.	NAME OF SHAREHOLDERS	No. of Shares	%
11.	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	2,198,100	1.261
12.	OSK NOMINEES (ASING) SDN BERHAD DMG & PARTNERS SECURITIES PTE LTD FOR SHINING VICTORY GLOBAL LTD (93819)	1,910,000	1.096
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAN SINGH A/L SHAM SINGH	1,750,000	1.004
14.	GOH KHENG HOCK	1,700,000	0.975
15.	EVERGREEN 2000 SDN BHD	1,418,600	0.814
16.	TEOH HOOI BIN	1,253,800	0.719
17.	CHEW POO	1,121,500	0.643
18.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG VUN KON @ CHUNG VUN KON (TWU)	1,015,000	0.582
19.	DELTA CYCLE SDN BHD	894,100	0.513
20.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SII HEE KANG (STA 1)	808,600	0.464
21.	NOORAZMAN BIN ADNAN	755,000	0.433
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LEE LEONG LAI (T-471274)	750,000	0.430
23.	CHUA KHENG EE	682,800	0.392
24.	TAI KIEW @ TAI CHOON CHYE	627,700	0.360
25.	YAP POH CHEE	619,000	0.355
26.	GAN MING LIAK	610,000	0.350
27.	THIEN JUN ONN	590,000	0.338
28.	CHOCK KOK HUAT	565,000	0.324
29.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG HOONG PIEW (E)	515,000	0.295
30.	CHAI KIN KONG	505,000	0.289
	TOTAL	68,012,900	39.029

PARTICULARS OF PROPERTIES HELD

SUMMARY OF LANDED PROPERTIES OWNED AS AT 31 DECEMBER 2010.

Owner	Location	Tenure	Existing Use	Land area Sq.ft.	Approx. age of building (Years)	Fair Value as at 31.12.10 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	32	5,231	2008
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626	N.A.	615	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
Nouvelle Hotel (Kulai) Sdn Bhd (formerly known as Metro Ajaib Sdn Bhd)	H.S.(D) 51225-51238 & 51264-51276 Mukim Kulai, Daerah Kulaijaya, Johor	Freehold	14 pieces of vacant land and 13 units of 3 storey shop offices	44,784	1	7,000	2010

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PROXY FORM

SANBUMI HOLDINGS BERHAD (Company No. 8386-P)
(Incorporated in Malaysia)

#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 Forty-Second 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, 24 June 2011 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

Resolutions		For	Against
Resolution 1	- Re-election of Directors: Dato' Rahadian Mahmud bin Mohammad Khalil		
Resolution 2	- Dato' Lee Gee Huy @ Lee Kong Fee, JP		
Resolution 3	- Mr Lim Thian Loong		
Resolution 4	- Dato' Ir. Kuan Peng Ching @ Kuan Peng Soon		
Resolution 5	- Re-appointment of Messrs Crowe Horwath as Auditors and to authorise the Directors to determine their remuneration		
Resolution 6	- Approval of Directors' fees of RM252,000		
Resolution 7	- Renewal of share buy-back authority		

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

Dated this _____ day of _____ 2011

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

Signature/Common Seal of Appointer

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	_____	_____ %

Contact No. of Shareholder/Proxy: _____

NOTES:

- 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. The provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- The instrument appointing a proxy or proxies must be under the hand of the appointer 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 an officer or attorney duly authorised.
- 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.
- 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.
- 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.

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AFFIX
STAMP

The Secretary
SANBUMI HOLDINGS BERHAD (8386-P)
Wisma EMC
972 Jalan Baru
13700 Prai
Penang

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

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