



# Permaisuri Industries Berhad

(Company No: 379057-V)  
(Incorporated in Malaysia)



**ANNUAL REPORT 2009**



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# NOTICE of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Permaju Industries Berhad will be held at the Cempaka Room, 2nd Level, Hyatt Regency Hotel, Jalan Datuk Salleh Sulong, 88994 Kota Kinabalu, Sabah on Wednesday, 9 June 2010 at 10.00 a.m. for the following purposes:-

## AGENDA

1. To receive the Statutory Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.

**Please refer to Note A**

## AS ORDINARY BUSINESS

2. To approve the payment of Directors' fees for the financial year ended 31 December 2009.

*Resolution 1*

3. To re-elect the following Directors who retire in accordance with Article 88 of the Company's Articles of Association:-

Dato' Rahadian Mahmud bin Mohammad Khalil  
Datuk Lim Yen Ngiap

*Resolution 2*  
*Resolution 3*

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.

*Resolution 4*

## AS SPECIAL BUSINESS

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

5. **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 5*

"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 ("PIB Shares");

# NOTICE of ANNUAL GENERAL MEETING (CONT'D)

## AS SPECIAL BUSINESS (Cont'd)

### 5. **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** (Cont'd)

- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the PIB Shares shall not exceed the share premium account of the Company. As at the financial year ended 31 December 2009, the share premium account of the Company was RM3,805,990;
- (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 PIB Shares by the Company, the Directors of the Company be hereby authorised to deal with the PIB Shares in the following manner:-
  - (a) cancel the PIB Shares so purchased; or
  - (b) retain the PIB 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 PIB 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 PIB 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."

# NOTICE of ANNUAL GENERAL MEETING (CONT'D)

## AS SPECIAL BUSINESS (Cont'd)

6. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

**MOLLY GUNN CHIT GEOK (MAICSA 0673097)**  
**THAYAPARAN A/L M. RASIAH (LS 004642)**  
Company Secretaries

Kota Kinabalu, Sabah  
Date: 18 May 2010

## 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 entitled to attend and vote at the Annual General Meeting shall be entitled to appoint a proxy to attend and vote in his/her stead at the same meeting. A proxy need not be a member of the Company and if not a member he/she need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.*
2. *Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *In the case of a corporate member, the instrument appointing a proxy must be executed either under its Common Seal or under the hand of its attorney duly authorised.*
5. *To be valid, the instrument appointing a proxy must be duly completed and deposited at the Registered Office of the Company at 4th Floor, Bangunan Indahsabah, Segama Commercial Complex, 88000 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time set for holding the Annual General Meeting or any adjournment thereof.*

# NOTICE of ANNUAL GENERAL MEETING (CONT'D)

## *EXPLANATORY NOTES ON SPECIAL BUSINESS*

- 1. Resolution 5 – 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 5 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 18 May 2010.*

## STATEMENT ACCOMPANYING NOTICE of ANNUAL GENERAL MEETING

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

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 8 to 9 and 83 respectively of the annual report.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dato' Rahadian Mahmud bin Mohammad Khalil  
*(Executive Chairman)*

Dato' Chai Kin Loong  
*(Managing Director)*

Ma Bin Hing @ Ma Kam Yaw  
*(Executive Director)*

Datuk Lim Yen Ngiap  
*(Non-Independent Non-Executive Director)*

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya  
*(Independent Non-Executive Director)*

Chua Ah Nye  
*(Independent Non-Executive Director)*

Boey Tak Kong  
*(Independent Non-Executive Director)*

## AUDIT COMMITTEE

Boey Tak Kong  
*(Chairman)*

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya  
*(Member)*

Chua Ah Nye  
*(Member)*

## NOMINATION COMMITTEE

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya  
*(Chairman)*

Datuk Lim Yen Ngiap  
*(Member)*

Chua Ah Nye  
*(Member)*

## REMUNERATION COMMITTEE

Dato' Chai Kin Loong  
*(Chairman)*

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya  
*(Member)*

Chua Ah Nye  
*(Member)*

## COMPANY SECRETARIES

Molly Gunn Chit Geok (MAICSA 0673097)

Thayaparan A/L M. Rasiah (LS004642)

# CORPORATE INFORMATION (CONT'D)

**REGISTERED OFFICE**

4<sup>th</sup> Floor, Bangunan Indahsabah  
Segama Commercial Complex  
88000 Kota Kinabalu, Sabah  
Tel No.: 088-250002  
Fax No.: 088-269292

**PRINCIPAL BUSINESS ADDRESS**

TB 231 Lot 8, 2nd Floor  
Bangunan MAA, Fajar  
91000 Tawau, Sabah  
Tel No.: 089-775606  
Fax No.: 089-760125

**SHARE REGISTRAR**

Tricor Investor Services Sdn. Bhd.  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No.: 03-2264 3883  
Fax No.: 03-2282 1886

**AUDITORS**

Ernst & Young  
Chartered Accountants  
Suite 1-10-W1, 10th Floor  
CPS Tower, Centre Point Sabah  
No. 1 Jalan Centre Point  
88000 Kota Kinabalu, Sabah

**PRINCIPAL BANKERS**

Hong Leong Bank Berhad  
  
HSBC Bank Malaysia Berhad

**SOLICITORS**

Onn & Partners  
13 Jalan Kemuja, Off Jalan Bangsar  
59000 Kuala Lumpur

**STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad  
Stock code: 7080  
Stock name: PERMAJU



# BOARD of DIRECTORS

**Y. Bhg. Dato' Rahadian Mahmud bin Mohammad Khalil**, Malaysian, aged 36 was appointed to the Board on 7 January 2005 and has been the Chairman and Executive Chairman of the Company since 7 January 2005 and 24 May 2005 respectively.

He is actively involved in the reforestation business as well as the construction and manufacturing sectors and is also well versed in the timber industry.

Dato' Rahadian bin Mohammad Khalil also sits on the Boards of KYM Holdings Berhad, Sanbumi Holdings Berhad and Magna Prima Berhad.

Dato' Rahadian bin Mohammad Khalil does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

**Y. Bhg. Dato' Chai Kin Loong**, Malaysian, aged 43 was appointed to the Board on 17 June 2004 and was then appointed as the Company's Managing Director on 1 July 2004. He is also the Chairman of the Remuneration Committee.

Dato' Chai Kin Loong has spent most of his working career in the timber logging and timber trading businesses. He also has interests in agriculture development and investment holding and is actively involved in forest plantation management.

He is also the Managing Director of KLC Forest Plantation Berhad.

Dato' Chai Kin Loong does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors but is the brother of Y. Bhg. Tan Sri Datuk Chai Kin Kong, who is a substantial shareholder of the Company. He has not been convicted for any offences within the past ten years except for traffic offences, if any.

**Ma Bin Hing @ Ma Kam Yaw**, Malaysian, aged 63 was appointed to the Board on 17 June 2004 as an Executive Director.

Ma Bin Hing @ Ma Kam Yaw holds a Bachelor of Arts degree from Nanyang University, Singapore and a Master of Arts degree from the University of Arkansas, United States of America. Initially he was mainly involved in his family's palm oil business but now has interests in companies involved in property development, construction, golf course and investment holding.

He does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

**Boey Tak Kong**, Malaysian, aged 55 was appointed to the Board on 2 December 2008 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee.

Boey Tak Kong is a Chartered Accountant. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, an Associate of the Institute of Chartered Secretaries & Administrators, United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants, a Member of the Malaysian Institute of Management and an Associate of the Institute of Marketing, Malaysia. He has 25 years of financial and general management working experience with six public listed companies in Malaysia. He is presently the Managing Director of Terus Mesra Sdn Bhd, a strategic management and leadership development training company.

# BOARD of DIRECTORS (CONT'D)

Boey Tak Kong has no conflict of interest with Per maju Industries Berhad. He does not have any family relationship with any other directors and/or substantial shareholders of the Company and has no convictions for offences within the past ten years.

He also sits on the Boards of Dutch Lady Milk Industries Berhad, Gadang Holdings Berhad, Green Packet Berhad, IJM Land Berhad and Sanbumi Holdings Berhad.

**Y. Bhg. Datuk Lim Yen Ngiap**, JP, Malaysian, aged 69 was appointed to the Board on 8 September 1999 and was the Managing Director until 1 July 2004. He is now a Non-Executive Director as well as a Member of the Nomination Committee.

He has vast experience in the timber business having been involved in logging, timber trading as well as the manufacture of timber products. He currently has interests in companies involved in palm oil refining, agriculture development and investment holding.

Datuk Lim Yen Ngiap does not have any conflict of interest with Per maju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the Company. He is however a director and substantial shareholder of Netkey Corporation Sdn Bhd - a substantial shareholder of Per maju Industries Berhad. He has not been convicted for any offences within the past ten years except for traffic offences, if any.

**Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya**, Malaysian, aged 62 was appointed as an Independent Non-Executive Director of the Company on 29 June 2004. He is presently the Chairman of the Nomination Committee and Member of the Audit and Remuneration Committees.

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya joined the military service in 1970 and was commissioned as a Second Lieutenant in the Royal Malay Regiment in 1971. He served as a Special Forces Officer and received training locally as well as in Australia, New Zealand and Indonesia. He is a graduate of the Malaysian armed Forces Staff College and the Malaysian Armed Forces defence College. During his military career he held a variety of command and staff positions and also served as a United Nations Military Observer in the Iran-Iraq border under UNIIMOG Mission.

He also sits on the Board of KL Infrastructure Group Berhad.

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya does not have any conflict of interest with Per maju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

**Chua Ah Nye**, Malaysian, aged 59 was appointed to the Board on 29 June 2004 as an Independent Non-Executive Director. He is a member of the Audit, Remuneration and Nomination Committees.

He has spent most of his working career in the timber logging industry and has vast experience in timber related matters.

Chua Ah Nye does not have any conflict of interest with Per maju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the Company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

# CHAIRMAN'S STATEMENT

*On behalf of the Board of Directors of Permaju Industries Berhad, it gives me great pleasure to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2009.*

## OVERVIEW

The Group's principal activities for 2009 continued to be that of automobile distribution and timber log trading activity. The global financial crisis had impacted on both the performance of the Group's activities. The impending change in the Principal's distributorship arrangement further affected the results of the automotive distribution business during the later part of 2009. The Group's log trading activity was substantially reduced due to the poor margins and weak global demand experienced during the year. The market situation was prudently monitored and timely actions were taken to control cost and to mitigate trading losses.

## FINANCIAL PERFORMANCE

During the financial period under review the Group recorded a revenue of RM119.29 million and registered a loss after tax of RM1.53 million as compared to a revenue of RM155.82 million and an after tax loss of RM8.88 million for the previous corresponding financial period. This represents a 30.62% decline in revenue and a 82.77% lower loss after tax.

The Company's subsidiaries engaged in the automobile distribution business was affected by the weaker general consumer sentiment and hence they were unable to contribute positively to the Group's performance as previously envisaged.

The global financial crisis was challenging for the timber business, resulting in lower demand for timber related products. Although the Company's subsidiary has managed to increase its log trading activity towards the end of the year, the increased competition and market conditions have adversely affected profitability.

## FUTURE PROSPECTS

The signs of an improving economy shall augur well for the Group's automobile distribution business. The Group has also secured a dealership of another reputable brand of motor vehicle and hence would have a wider range of products to market. It is envisaged that with the forecasted increase in demand for motor vehicles in 2010, the Group would be well positioned to take advantage of the situation.

The Group's log trading activity is expected to be adversely affected by low margins and continued weak demand and the Group shall continue to closely monitor the market with a view to mitigating any potential adverse effects.

# CHAIRMAN'S STATEMENT (CONT'D)

## **CORPORATE SOCIAL RESPONSIBILITY**

The Group is committed to the process of Corporate Social Responsibility. During the year the Group focused on staff development initiatives in enhancing its talent pool for leadership positions. In addition, during the year the Group also completed the community project involving the donation of computers and printers to a primary school situated in the district of Tawau, Sabah.

## **DIVIDENDS**

The Board of Directors has not proposed any dividend in respect of the financial year ended 31 December 2009.

## **APPRECIATION**

The Board of Directors wishes to convey its appreciation and gratitude to the valued shareholders and customers for their support and cooperation offered during the year and looks forward to a continued mutually beneficial relationship.

The Board also wishes to take this opportunity to thank the management and staff of the Company for their contribution, commitment, dedication and hard work during the year.

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

Executive Chairman  
Kota Kinabalu, Sabah.

# Audit COMMITTEE REPORT

## Chairman

Boey Tak Kong (Independent Non-Executive Director)

## Members

Chua Ah Nye (Independent Non-Executive Director)  
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya (Independent Non-Executive Director)

## TERMS OF REFERENCE

### 1. CONSTITUTION

1.1 The Board shall establish a Committee of the Board to be known as the Audit Committee.

### 2. MEMBERSHIP

2.1 The Committee shall be appointed by the Board from amongst their members 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.

2.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

2.3 No alternate director should be appointed as a member of the Committee.

2.4 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.

# Audit COMMITTEE REPORT (CONT'D)

## 2. MEMBERSHIP (Cont'd)

2.5 The term 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.

## 3. AUTHORITY

3.1 The Committee is authorised by the Board:-

- (i) to investigate any activity within its terms of reference;
- (ii) to seek any information it requires from any employee and all employees are directed to cooperate with any request made;
- (iii) to have direct communication with and access to the external auditors and person(s) carrying out the internal audit function or activity;
- (iv) to obtain external legal or other independent professional advice and secure attendance of outsiders with relevant experience and expertise – if it considers this necessary; and
- (v) to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

3.2 The Committee does not have any executive powers. It shall report to the Board of Directors on the matters that it has considered and its recommendations and comments thereon.

## 4. SCOPE AND FUNCTIONS

4.1 The scope and functions of the Committee shall be:-

- (a) in respect of the appointment of external auditors:
  - (i) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
  - (ii) to consider the nomination of a person or persons as external auditors and to determine the audit fee;
  - (iii) to consider any questions of resignation or dismissal of external auditors.
- (b)
  - (i) to discuss with the external auditor before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
  - (ii) to discuss problems and reservations arising from the audit with the auditors, without management presence – if necessary;
  - (iii) to review the external auditors' management letter and management's response.

# Audit COMMITTEE REPORT (CONT'D)

## 4. SCOPE AND FUNCTIONS (Cont'd)

4.1 The scope and functions of the Committee shall be:- (Cont'd)

- (c) to review the quarterly and year end financial statements and focus on:
  - (i) any changes in or implementation of major accounting policies and practices;
  - (ii) significant audit adjustments;
  - (iii) going concern assumptions; and
  - (iv) compliance with accounting standards and other legal requirements.
- (d) to report to the Board of Directors all pertinent issues which are necessary to be reported;
- (e) to perform the following duties in relation to the internal audit function:
  - (i) review the adequacy of the scope, function, competency, resources and authority necessary to carry out the work and that it reports directly to the Audit Committee;
  - (ii) review the internal audit programme, processes and results and ensure that appropriate action is taken on the recommendations;
  - (iii) review and appraise the performance of members of the internal audit function;
  - (iv) approve the appointment and termination of senior internal audit personnel;
  - (v) review the resignations of internal audit personnel and give them the opportunity to submit reasons for their resignations; and
  - (vi) review the follow-up actions by management on the weaknesses of internal accounting procedures and controls as highlighted by the internal auditors.
- (f) to review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company or Group;
- (g) consider major findings of internal investigations and management's response; and
- (h) to perform any other work as may be directed by the Board from time to time.

## 5. MEETING, MINUTES AND REPORTING

- 5.1 Meeting shall be held not less than four (4) times a year. The finance manager, the Head of Internal Audit and a representative of the external auditors shall normally be invited to attend the meeting. Other members of the Board may attend the meeting upon the invitation of the Committee. To form a quorum the majority of members present must be independent directors.
- 5.2 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
- 5.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

# Audit COMMITTEE REPORT (CONT'D)

## 5. MEETING, MINUTES AND REPORTING (Cont'd)

5.4 The secretary shall keep minutes of each meeting which shall be distributed to each member of the Committee. The Chairman of the Committee shall report to the Board on each meeting.

5.5 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

### DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2009, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting		Feb '09	Apr '09	May '09	Aug '09	Nov '09		
Committee Members	Position	Attendance					Total	%
Boey Tak Kong	Chairman	•	•	•	•	•	5/5	100
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Member	•	•	•	•	•	5/5	100
Chua Ah Nye	Member	•	•	•	•	•	5/5	100

Total number of meetings held:

5
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### 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 2009:-

- (i) Reviewed and discussed the audit plan presented by the external auditors and ensured its scope was adequate;
- (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;



# Audit Committee Report (CONT'D)

## SUMMARY OF ACTIVITIES (Cont'd)

- (iii) Reviewed the annual financial statements of the Company and its subsidiaries together with the external auditors' reports and discussed various audit and accounting issues; and
- (iv) Considered and recommended the reappointment and remuneration of the external auditors.

## INTERNAL AUDIT FUNCTION

The company has an Internal Audit Department for a period of 7 months between February and August 2009 before the outsourcing the Internal Audit function to MAC & Associates. The principal responsibility of the Internal Audit Department is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance to the Committee on the adequacy of the internal controls and that they have been operating satisfactorily and effectively.

In attaining these objectives, the scope of activities of the Internal Audit function include the following:

- (a) review and appraise the soundness, adequacy and application of the system of internal controls and recommend improvements thereon;
- (b) ascertain the extent of compliance with established policies, procedures and statutory requirements;
- (c) appraise the reliability, integrity and usefulness of financial and management information developed;
- (d) review the controls for safeguarding assets and as appropriate, verify the existence of assets; and
- (e) identify ways and opportunities to improve the effectiveness and efficiency of the operations and processes of the Group.

The total costs incurred for the Internal Audit function during the financial year ended 31 December 2009 amounted to RM 20,500.

# STATEMENT ON CORPORATE GOVERNANCE

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 Permaisuri Industries 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 2009.

## **A. THE BOARD OF DIRECTORS**

### **(i) The Board**

The Board, which consists of members from different backgrounds and diverse expertise, is effective and competent in leading and directing the Group’s business operation. 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, Remuneration and Nomination Committees, which operate within the defined constitution or terms of reference approved by the Board. 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 Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business. The current Board consists of three (3) Executive Directors and four (4) Non-Executive Directors, of whom three are independent.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group’s business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

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

### **(iii) Board meetings**

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

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## A. THE BOARD OF DIRECTORS (Cont'd)

### (iii) Board meetings (Cont'd)

During the financial year ended 31 December 2009, eight (8) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		#01 '09	#02 '09	#03 '09	#04 '09	#05 '09	#06 '09	#07 '09	#08 '09		
Directors	Position	Attendance								Total	%
Dato' Rahadian Mahmud bin Mohammad Khalil	Executive Chairman	•	•	•	•	•	•	x	•	7/8	87.5
Dato' Chai Kin Loong	Managing Director	•	•	•	•	•	•	•	•	8/8	100
Ma Bin Hing @ Ma Kam Yaw	Executive Director	•	x	•	•	•	•	•	•	7/8	87.5
Datuk Lim Yen Ngiap	Director	•	•	x	x	x	•	•	•	5/8	62.5
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Director	•	•	•	•	•	•	•	•	8/8	100
Chua Ah Nye	Director	•	•	•	•	•	•	•	•	8/8	100
Boey Tak Kong	Director	•	•	•	•	•	•	•	•	8/8	100
Sharon Antius (Resigned w.e.f. 23-01-09)	Executive Director	•	N/A							1/1	100

Total number of meetings held: 

8
---

### (iv) Supply of Information

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

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

# STATEMENT ON CORPORATE GOVERNANCE (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 Company. All Directors have access to the advice and services of the Company Secretaries and are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may obtain independent professional advice at the Company's expense in furtherance of their duties.

### (v) Appointment to the Board

The Nomination Committee shall consist of not less than three members and all members are to be Non-Executive with the majority being independent. The present members of the Nomination Committee are Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya (Independent Non-Executive Director) who is the Chairman, Datuk Lim Yen Ngiap (Non-Independent Non-Executive Director) and Chua Ah Nye (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

- (1) to review regularly, and at least not less than once a year, the structure, size and composition of the Board and make recommendation to the Board as regards any changes that may, in their view, be beneficial to the company
- (2) to review annually the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board
- (3) to implement a process, to be carried out annually, to assess the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors
- (4) to be responsible for identifying and recommending to the Board candidates to fill Board vacancies
- (5) to recommend to the Board directors who are retiring by rotation to be put forward for re-election
- (6) to recommend to the Board the continuation or not in service of any director who has reached the age of 70

During the financial year ended 31 December 2009, the Nomination Committee had a meeting on 20 February 2009.

### (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 shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## A. THE BOARD OF DIRECTORS (Cont'd)

### (vii) Directors' Training (Cont'd)

During the financial year ended 31 December 2009, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

**Dato' Rahadian Mahmud bin Mohammad Khalil**  
**Dato' Chai Kin Loong**  
**Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya**  
**Chua Ah Nye**  
**Datuk Lim Yen Ngiap**  
**Ma Bin Hing @ Ma Kam Yaw**

- Leading Successful Business Transformation 21 August 2009
- 

### **Boey Tak Kong**

- Financial Reporting During Financial Turbulence 10 February 2009
- MAPS National Convention 2009 14-15 May 2009
- Corporate Governance Guide: Towards Boardroom Excellence 17 August 2009
- Directors' Continuing Education Programme 30 September – 2 October 2009
  - Recent Updates On Malaysian Securities Law & Capital Market Legislation
  - Corporate Social Responsibility & Socially Responsible Investment
  - Information Security Awareness
  - Malaysian Tax Updates & AFTA
- FRS 139 Forum Financial Instruments: Recognition & Measurement 5 October 2009
- Board Excellence Forum 6 October 2009
- Audit Committee Breakfast Forum 21 October 2009
- Climate Change and the Accountancy Profession 21 October 2009
- CR Overview and Identifying CR Risks and Opportunity for Companies 9 November 2009
- Managing Business Risk in China – The Practical Review 26 November 2009

## B. DIRECTORS' REMUNERATION

### (i) Remuneration Committee

The Remuneration Committee shall consist of not less than three members. The present members of the Remuneration Committee are Dato' Chai Kin Loong (Managing Director) who is the Chairman, Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya (Independent Non-Executive Director) and Chua Ah Nye (Independent Non-Executive Director).

During the financial year ended 31 December 2009, one meeting was held on 26 November 2009. All the members attended the meeting.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## B. DIRECTORS' REMUNERATION (Cont'd)

### (ii) Remuneration Policy

The Remuneration Committee determines and agrees with the Board the broad policy for remuneration of the Company's Managing Director, Executive Directors and senior members of the Company as the Committee is directed to consider. The Remuneration Committee also determines and recommends to the Board any performance related pay schemes for Executive Directors.

### (iii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 December 2009 is set out below:-

#### A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Salary	884,520	-
Fees	120,000	147,000
Bonus	65,000	-
Benefits-in-kind	-	-
Total	1,069,520	147,000

#### B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors
Less than RM50,000	-	4
RM50,001 - RM100,000	1	-
RM250,001 - RM300,000	1	-
RM400,001 - RM500,000	1	-
Total	3	4

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 keeping shareholders and investors informed of the Group's business and corporate developments. The Company's annual reports, quarterly financial results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

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

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	:	Senior Independent Non-Executive Director
Telephone number	:	088-250002
Facsimile number	:	088-269292

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## C. RELATIONS WITH SHAREHOLDERS (Cont'd)

Shareholders and members of the public are invited to access the Company's website at [www.permaju.com.my](http://www.permaju.com.my) and Bursa Securities website at [www.bursamalaysia.com.my](http://www.bursamalaysia.com.my) to obtain the latest information on the Group.

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

## D. ACCOUNTABILITY AND AUDIT

### (i) Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to shareholders, the Directors are committed to present a balanced and fair assessment of the Group's position and prospects. The financial reports are also reviewed by the Audit committee to ensure adequacy of information disclosed prior to submission to the Board for approval.

The Board consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. A statement by the Board of their responsibilities in preparing the financial statements is set out on page 25 of this Annual Report.

### (ii) Internal Control

The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets.

The information on the Group's internal control is presented in the Statement on Internal Control set out on page 26 of this Annual Report.

### (iii) Relationship with the External Auditors

The Board has established a close and transparent relationship with the External Auditors of the Company. Representatives of the External Auditors were invited to the Audit Committee Meetings to brief the Audit Committee on specific issues arising from the annual audit of the Group and to give appropriate advice in ensuring due compliance with the approved accounting standards. Significant issues raised were taken note by the Management for improvement.

## ADDITIONAL COMPLIANCE INFORMATION

### During the financial year:

- a) No proceeds were raised by the Company from any corporate proposal.
- b) None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

### During the financial year: (Cont'd)

- c) The Company did not sponsor any American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programmes.
- d) The Company did not issue any options, warrants or convertible securities.
- e) There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.
- f) The Company did not release any profit estimate, forecast or projection for the financial year. There was no variance between the results for the financial year and the unaudited results previously released by the Company.
- g) There is no profit guarantee given by the Company.
- h) There were no material contracts of the Company and its subsidiaries involving Directors’ and major shareholders’ interests still subsisting at the end of the financial year entered into since the end of the previous financial year other than the following:
  - (1) The three (3) sale and purchase agreements dated 6 February 2009 entered into between the Company’s wholly-owned subsidiary company, Genbayu Gemilang Sdn Bhd (“GGSB”) and Excellent Features Sdn Bhd (“EFSB”) for the acquisition by GGSB of three pieces of land owned by EFSB held under Title Nos. H.S.(D) 160571, 160572 and 160573 and PT Nos. 26665, 26666 and 26667, respectively, located in Mukim Setul, Daerah Seremban, Negeri Sembilan, which are already planted with Kelampayan (Neolamarkia Cadamba) trees for a total cash consideration of RM27.90 million;
  - (2) The Sale and Purchase of Shares Agreement dated 5 March 2010 entered into between the Company and Datin Pang Fook Kyun and Sim Men Kin @ Andrew Sim for the proposed acquisition of 70% equity interest in Hardie Development Sdn. Bhd. for a total purchase consideration of RM33,680,000;
  - (3) The Termination and Release Agreements entered into between Cergazam and Chevrolet on 22 March 2010 to terminate the Interim (Short-Term) Retailer Agreements previously entered into for four locations in Malaysia, namely Federal Highway, Bukit Mertajam, Johor Bahru and Penang;
  - (4) The Interim (Short-Term) Chevrolet Retailer Agreements entered into between Cergazam and Pavilion Crest Sdn. Bhd. on 23 March 2010 for the appointment of Cergazam as the authorized Chevrolet Retailer for 3S Operations – Integrated Centre for Sales, Service and Spare Parts Operation for four locations in Malaysia, namely Federal Highway, Bukit Mertajam, Penang and Johor Bahru.
- i) The Company does not have any revaluation policy on landed property for the financial year.

### Non-audit fee

No non-audit fee was paid to the external auditors for the financial year ended 31 December 2009.

### Recurrent Related Party Transactions

During the financial year, the Company did not enter into any RRPT.



# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

### Share buybacks

During the financial year ended 31 December 2009, the Company bought-back a total of 1,764,600 of its own shares for a total consideration of RM698,715.01. Details of the shares purchased are as follows:-

Month	No. of shares purchased and retained as Treasury Shares	Highest Purchase Price Per Share (RM)	Lowest Purchase Price Per Share (RM)	Average Purchase Price Per Share (RM)	Total Consideration (RM)
January 2009	45,000	0.3200	0.2800	0.3098	13,939.64
February 2009	29,700	0.4000	0.3600	0.3781	11,228.64
March 2009	283,000	0.4000	0.3500	0.4008	113,424.99
April 2009	75,000	0.4100	0.3900	0.4027	30,200.39
June 2009	86,000	0.4000	0.3700	0.3906	33,592.26
July 2009	212,800	0.4000	0.3700	0.3805	80,965.81
September 2009	36,000	0.4000	0.4000	0.4032	14,516.21
October 2009	422,100	0.3900	0.3900	0.4013	169,402.67
December 2009	575,000	0.4600	0.3500	0.4025	231,444.40

On 24 April 2009, all the 20,494,100 treasury shares held as at that date were cancelled.

On 31 December 2009, 1,331,900 treasury shares were held.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

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

Under the Companies Act, 1965, the Directors are required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company. In preparing the financial statements, the Directors have:-

- adopted and used accounting policies consistently in dealing with items which are considered material in relation thereto;
- made accounting estimates where applicable that are prudent, just and reasonable; and
- ensured that the Company and the Group has taken reasonable steps to prevent and detect fraud and other irregularities.

# STATEMENT ON INTERNAL CONTROL

Paragraph 15.27 (b) of the Main Market Listing Requirements of the BMSB requires the Board of a listed issuer to include in its Annual Report a “statement about the state of internal control of the listed issuer as a group”.

The Board of Directors acknowledges that it has overall responsibility in maintaining a sound system of internal control and reviewing its adequacy and integrity. The Board also recognises that in establishing such system of internal control, the systems designed can only manage but not eliminate the risk of failure to achieve business objectives of the Group and that it can only provide reasonable assurance against material misstatement or loss.

Senior management of the Group has been entrusted to continuously monitor the effectiveness and integrity of the system of internal control, which among others, include the following processes:-

- The Board receives and reviews regular reports on key financial data and performance indicators. Quarterly results are compared with the corresponding quarter of the preceding year as well as the preceding quarter and variances are dealt with accordingly.
- The Board also receives regular reports from the management on the Group’s regulatory matters to ensure that they are adequately dealt with.
- The Audit Committee reviews internal and external audit findings and holds discussions with the management on action taken on accounting and internal control issues identified by the internal audit function and the external auditors.

The Internal Audit Department which was established in early 2009 was dissolved in August the same year following the resignation of the Internal Auditor. The Board had subsequently resolved to outsource the internal audit function to MAC & Associates and thereafter had conducted an internal audit on the control environment overview of the Group’s automotive business operations in December 2009.

During the financial year, there were no internal control weaknesses noted which have resulted in material losses, contingencies or uncertainties that would require disclosure in the Group’s Annual Report.

The above Statement on Internal Control was reviewed and approved by the Board on 23rd April 2010.



# F I N A N C I A L S T A T E M E N T S

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# DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries are stated in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

	GROUP RM	COMPANY RM
Loss for the year	(1,531,416)	(6,911,379)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the last financial year.

No dividend is proposed in respect of the current financial year.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Rahadian Mahmud Bin Mohammad Khalil  
Dato' Chai Kin Loong  
Ma Bin Hing @ Ma Kam Yaw  
Datuk Muhamad Yasin Bin Yahya  
Datuk Lim Yen Ngiap  
Chua Ah Nye  
Boey Tak Kong

In accordance with the Company's Articles of Association, Datuk Lim Yen Ngiap and Dato' Rahadian Mahmud Bin Mohammad Khalil retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 as disclosed in Note 33 to the financial statements.

## DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.1.2009	Acquired	Sold	31.12.2009
<b>The Company</b>				
<b>Direct Interest:</b>				
Dato' Chai Kin Loong	18,310,600	-	-	18,310,600
Ma Bin Hing @ Ma Kam Yaw	13,928,571	-	-	13,928,571
Datuk Lim Yen Ngiap	5,267,031	-	-	5,267,031
<b>Indirect Interest:</b>				
* Datuk Lim Yen Ngiap	22,511,059	-	-	22,511,059
# Dato' Chai Kin Loong	29,950,000	-	-	29,950,000

\* The director is deemed to have an interest in the shares of the Company by virtue of him having not less than fifteen per centum of the voting shares in Netkey Corporation Sdn. Bhd. which has a direct interest of 22,511,059 shares.

# The director is deemed to have an interest in the shares of the Company by virtue of his brother, Tan Sri Datuk Chai Kin Kong's direct interest in the Company.

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

## TREASURY SHARES

During the financial year, the Company repurchased 1,764,600 of its issued ordinary shares from the open market at an average price of RM0.396 per share. The total consideration paid for the repurchase including transaction costs was RM698,715. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

On 24 April 2009, the Company cancelled 20,494,100 treasury shares and as at 31 December 2009, the Company held as treasury shares a total of 1,331,900 of its 195,934,471 issued ordinary shares. Such treasury shares are held at a carrying amount of RM529,921 and further relevant details are disclosed in Note 25 to the financial statements.

# DIRECTORS' REPORT (CONT'D)

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

# DIRECTORS' REPORT (CONT'D)

## **SIGNIFICANT AND SUBSEQUENT EVENTS**

The details of significant and subsequent events are disclosed in Note 18, 23, 25 and 37 to the financial statements.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

**DATO' CHAI KIN LOONG**

**MA BIN HING @ MA KAM YAW**

Kuala Lumpur, Malaysia  
23 April 2010



# STATEMENT By DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **DATO' CHAI KIN LOONG** and **MA BIN HING @ MA KAM YAW**, being two of the directors of **PERMAJU INDUSTRIES BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 35 to 81 are 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 financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

**DATO' CHAI KIN LOONG**

**MA BIN HING @ MA KAM YAW**

Kuala Lumpur, Malaysia  
23 April 2010

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **CHIA YAW**, being the officer primarily responsible for the financial management of **PERMAJU INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 81 are in my opinion 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 the abovenamed **CHIA YAW** at  
Kuala Lumpur in the Federal Territory  
on 23 April 2010

Before me,  
No: W 602  
Kapt (B) Affandi Bin Ahmad  
2738A Jalan Changkat Permata  
Taman Permata  
53300 Kuala Lumpur

**CHIA YAW**

# INDEPENDENT AUDITORS' REPORT

To The Members of Permaju Industries Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Permaju Industries Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 81.

### *Directors' responsibility for the financial statements*

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

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the 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 at 31 December 2009 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

To The Members of Permaju Industries Berhad

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Cont'd)

- (c) The auditors' reports on the accounts of subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER MATTERS

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

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

Kota Kinabalu, Sabah  
Malaysia  
23 April 2010

**CHIN MUI KHIONG PETER**  
1881/03/12(J)  
Partner

# INCOME STATEMENTS

For the Year Ended 31 December 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
REVENUE	3	119,287,234	155,823,522	283,250	156,000
COST OF SALES	4	(110,237,939)	(151,865,423)	-	-
<b>GROSS PROFIT</b>		9,049,295	3,958,099	283,250	156,000
OTHER INCOME	5	4,180,674	7,082,453	480,740	1,885,383
OTHER OPERATING EXPENSES		(44,338)	-	-	-
SELLING AND MARKETING EXPENSES		(2,515,405)	(2,681,197)	-	-
ADMINISTRATIVE EXPENSES		(11,553,771)	(16,563,132)	(7,670,758)	(3,232,791)
<b>OPERATING LOSS</b>		(883,545)	(8,203,777)	(6,906,768)	(1,191,408)
FINANCE COSTS	6	(216,107)	(432,350)	(4,611)	-
<b>LOSS BEFORE TAX</b>	7	(1,099,652)	(8,636,127)	(6,911,379)	(1,191,408)
INCOME TAX	10	(431,764)	(243,847)	-	(1,184)
<b>LOSS FOR THE YEAR</b>		(1,531,416)	(8,879,974)	(6,911,379)	(1,192,592)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (SEN):</b>					
BASIC	12(a)	(0.78)	(4.49)	-	-
DILUTED	12(b)	-	-	-	-

The accompanying notes form an integral part of the financial statements.

# BALANCE SHEETS

As At 31 December 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	11,776,145	8,071,680	705,480	456,411
Investment properties	14	4,232,332	4,241,594	-	-
Prepaid land lease payments	15	16,189,398	16,292,574	-	-
Intangible assets	16	4,849,480	10,521,059	-	-
Investments in subsidiaries	17	-	-	125,853,554	131,790,455
		<u>37,047,355</u>	<u>39,126,907</u>	<u>126,559,034</u>	<u>132,246,866</u>
<b>Current assets</b>					
Loan receivable	18	32,500,000	32,500,000	-	-
Inventories	19	17,464,156	34,102,493	-	-
Marketable securities	20	4,248,410	-	4,248,410	-
Trade and other receivables	21	68,938,459	73,302,847	58,518,579	72,430,866
Tax recoverable		758,191	1,048,558	226,212	194,716
Cash and bank balances	22	28,105,678	31,750,681	370,519	406,397
		<u>152,014,894</u>	<u>172,704,579</u>	<u>63,363,720</u>	<u>73,031,979</u>
Assets of disposal group/Non-current asset classified as held for sale	11	12,425,674	7,130,779	4	2
		<u>164,440,568</u>	<u>179,835,358</u>	<u>63,363,724</u>	<u>73,031,981</u>
<b>Total assets</b>		<u>201,487,923</u>	<u>218,962,265</u>	<u>189,922,758</u>	<u>205,278,847</u>

# BALANCE SHEETS (CONT'D)

As At 31 December 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>Equity and liabilities:</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	23	195,934,471	216,428,571	195,934,471	216,428,571
Share premium	24	3,805,990	17,339,275	3,805,990	17,339,275
Treasury shares	25	(529,921)	(13,364,491)	(529,921)	(13,364,491)
Merger (deficit)/relief reserve	26	(8,141,012)	(8,141,012)	8,075,692	8,075,692
Capital redemption reserve	27	20,494,100	-	20,494,100	-
Accumulated losses		(35,973,651)	(34,442,235)	(56,195,995)	(49,284,616)
<b>Total equity</b>		<b>175,589,977</b>	<b>177,820,108</b>	<b>171,584,337</b>	<b>179,194,431</b>
<b>Non-Current liabilities</b>					
Borrowings	28	181,915	-	181,915	-
Deferred tax liabilities	29	1,462,210	1,471,776	-	-
Non-current liabilities		<b>1,644,125</b>	<b>1,471,776</b>	<b>181,915</b>	<b>-</b>
<b>Current liabilities</b>					
Borrowings	28	1,826,649	3,825,449	95,259	-
Trade and other payables	31	22,421,172	35,841,932	18,061,247	26,084,416
		<b>24,247,821</b>	<b>39,667,381</b>	<b>18,156,506</b>	<b>26,084,416</b>
Liabilities directly associated with assets classified as held for sale	11	6,000	3,000	-	-
		<b>24,253,821</b>	<b>39,670,381</b>	<b>18,156,506</b>	<b>26,084,416</b>
<b>Total liabilities</b>		<b>25,897,946</b>	<b>41,142,157</b>	<b>18,338,421</b>	<b>26,084,416</b>
<b>Total equity and liabilities</b>		<b>201,487,923</b>	<b>218,962,265</b>	<b>189,922,758</b>	<b>205,278,847</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS of CHANGES in EQUITY

For The Year Ended 31 December 2009

	Share Capital RM	Share Premium RM	Treasury Shares RM	Non Distributable Merger (Deficit)/ Relief Reserve RM	Capital Redemption Reserve RM	Accumulated Losses RM	Equity Total RM
<b>GROUP</b>							
<b>At 1 January 2008</b>	216,428,571	17,339,275	(11,739,777)	(8,141,012)	-	(25,562,261)	188,324,796
Purchase of treasury shares	-	-	(1,615,517)	-	-	-	(1,615,517)
Transaction costs	-	-	(9,197)	-	-	-	(9,197)
Loss for the year	-	-	-	-	-	(8,879,974)	(8,879,974)
<b>At 31 December 2008</b>	216,428,571	17,339,275	(13,364,491)	(8,141,012)	-	(34,442,235)	177,820,108
<b>At 1 January 2009</b>	216,428,571	17,339,275	(13,364,491)	(8,141,012)	-	(34,442,235)	177,820,108
Purchase of treasury shares	-	-	(694,029)	-	-	-	(694,029)
Transaction costs	-	-	(4,686)	-	-	-	(4,686)
Cancellation of treasury shares	(20,494,100)	(13,533,285)	13,533,285	-	20,494,100	-	-
Loss for the year	-	-	-	-	-	(1,531,416)	(1,531,416)
<b>At 31 December 2009</b>	195,934,471	3,805,990	(529,921)	(8,141,012)	20,494,100	(35,973,651)	175,589,977
<b>COMPANY</b>							
<b>At 1 January 2008</b>	216,428,571	17,339,275	(11,739,777)	8,075,692	-	(48,092,024)	182,011,737
Purchase of treasury shares	-	-	(1,615,517)	-	-	-	(1,615,517)
Transaction costs	-	-	(9,197)	-	-	-	(9,197)
Loss for the year	-	-	-	-	-	(1,192,592)	(1,192,592)
<b>At 31 December 2008</b>	216,428,571	17,339,275	(13,364,491)	8,075,692	-	(49,284,616)	179,194,431
<b>At 1 January 2009</b>	216,428,571	17,339,275	(13,364,491)	8,075,692	-	(49,284,616)	179,194,431
Purchase of treasury shares	-	-	(694,029)	-	-	-	(694,029)
Transaction costs	-	-	(4,686)	-	-	-	(4,686)
Cancellation of treasury shares	(20,494,100)	(13,533,285)	13,533,285	-	20,494,100	-	-
Loss for the year	-	-	-	-	-	(6,911,379)	(6,911,379)
<b>At 31 December 2009</b>	195,934,471	3,805,990	(529,921)	8,075,692	20,494,100	(56,195,995)	171,584,337

# CASH Flow STATEMENTS

For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax	(1,099,652)	(8,636,127)	(6,911,379)	(1,191,408)
Adjustments for:				
Amortisation of investment properties	9,262	9,263	-	-
Amortisation of prepaid land lease payments	103,176	118,779	-	-
Plant and equipment written off	-	449,249	-	-
Gain on disposal of subsidiaries	-	(1,958,441)	-	(1,880,830)
Gain on disposal of property, plant and equipment	-	(104,494)	-	-
Gain from sales of marketable securities	(450,689)	-	(450,689)	-
Loss on disposal of property, plant and equipment	8,993	2,891	-	-
Depreciation of property, plant and equipment	1,741,881	1,136,767	176,521	210
Provision for impairment loss of investment in subsidiaries	-	-	6,036,899	2,089,680
Finance costs	216,107	432,350	4,611	-
Interest income	(2,435,734)	(3,211,177)	(30,051)	(4,553)
Dividend income	(127,250)	-	(127,250)	-
Provision for doubtful debts	602,569	93,062	-	-
Operating loss before working capital changes	(1,431,337)	(11,667,878)	(1,301,338)	(986,901)
Decrease/(increase) in inventories	16,638,337	(23,945,967)	-	-
Decrease/(increase) in receivables	3,701,819	9,560,454	13,912,287	(10,096,080)
(Decrease)/increase in payables	(13,417,760)	24,290,206	(8,023,169)	10,354,420
Cash generated from/ (used in) operations	5,491,059	(1,763,185)	4,587,780	(728,561)
Interest paid	(216,107)	(432,350)	(4,611)	-
Income tax paid	(624,511)	(1,490,000)	(1,184)	-
Income tax refunded	503,860	191,529	-	191,529
Net cash generated from/(used in) operating activities	5,154,301	(3,494,006)	4,581,985	(537,032)



# CASH Flow STATEMENTS (CONT'D)

For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of a subsidiary (Note 17)	-	-	(100,000)	(4)
Disposal of subsidiaries	-	1,925,262	-	2,906,000
Proceeds from disposal of property, plant and equipment	5,300	1,444,200	-	-
Purchase of property, plant and equipment (Note 13)	(5,160,639)	(2,235,531)	(125,590)	(455,966)
Acquisition of timber concession rights	-	(5,234,670)	-	-
Refund of cost of timber concession rights	509,604	-	-	-
Proceed from sales of marketable securities	20,642,176	-	20,642,176	-
Purchase of marketable securities	(24,439,897)	-	(24,439,897)	-
Interest received	2,435,734	3,211,177	30,051	4,553
Dividend received	96,938	-	96,938	-
Net cash (used in)/ generated from investing activities	(5,910,784)	(889,562)	(3,896,322)	2,454,583
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Purchase of treasury shares	(698,715)	(1,624,714)	(698,715)	(1,624,714)
Repayment from loan debtor	-	4,685,000	-	-
Repayment of hire purchase financing	(22,826)	-	(22,826)	-
Net cash (used in)/ generated from financing activities	(721,541)	3,060,286	(721,541)	(1,624,714)
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,478,024)	(1,323,282)	(35,878)	292,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,925,561	29,248,843	406,397	113,560
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 22)</b>	26,447,537	27,925,561	370,519	406,397

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia. The registered office of the Company is situated at 4th Floor, Bangunan Indahsabah, Segama Commercial Complex, 88000 Kota Kinabalu, Sabah. The principal place of business of the Company is located at TB 231, Lot 8, 2nd Floor, Bangunan MAA, Fajar, 91000 Tawau, Sabah.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries are stated in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 April 2010.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) SUBSIDIARIES AND BASIS OF CONSOLIDATION

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealized gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (a) SUBSIDIARIES AND BASIS OF CONSOLIDATION (Cont'd)

##### (ii) Basis of consolidation (Cont'd)

The financial statements of Fook Ngiap Sawmill Sdn. Bhd. and Sungai Silinponpon (Blockboard) Sdn. Bhd. are consolidated based on the merger method of accounting.

Acquisitions of other subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

#### (b) INTANGIBLE ASSETS

##### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### (ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (b) INTANGIBLE ASSETS (Cont'd)

##### **Timber concession rights**

This represents the exclusive rights granted to subsidiaries of the Company to extract and sell all commercial timber logs from timber concession areas in Negeri Pahang Darul Makmur and Negeri Kelantan Darul Naim. Timber concession rights is stated at cost less accumulated amortisation and impairment losses and is amortised on the basis of the volume of timber logs extracted during the financial year as a proportion of the total volume of timber logs extractable over the remaining period from the timber concession area.

#### (c) PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful-life, at the following annual rates:

Buildings	- 2% to 20%
Plant and machinery	- 5% to 33 1/3%
Motor vehicles and motor launches	- 10% to 33 1/3%
Furniture, fixtures, renovation and equipment	- 10% to 25%
Signage	- 17%
Electrical wiring and light installation	- 17%
Computer hardware and software	- 10%

The residual values, useful life and depreciation method are reviewed at each financial year-end 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 property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and net carrying amount is recognized in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (d) INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year in which they arise.

#### (e) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of assets, other than investment property, inventories and non-current assets (or disposal group) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

#### (f) INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials and cost of trading goods comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (g) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSS. Then, on initial classification as held for sale, non-current assets or disposal groups (other than financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

#### (h) FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

##### (i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### (ii) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (iii) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### (iv) Interest-bearing borrowings

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

Borrowings costs are recognised as an expense in the income statements in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (h) FINANCIAL INSTRUMENTS (Cont'd)

##### (v) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

##### (vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction that would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

#### (i) LEASES

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exception as:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease.
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) LEASES (Cont'd)

##### (i) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land elements in proportion to the relative fair values for leasehold interests in the land element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight-line basis over the lease term.

##### (ii) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### (j) BORROWING COSTS

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

#### (k) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principal, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (l) PROVISIONS FOR LIABILITIES

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (m) EMPLOYEE BENEFITS

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, employers in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### (n) FOREIGN CURRENCIES

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

##### (ii) Foreign currency transactions

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (n) FOREIGN CURRENCIES (Cont'd)

##### (ii) Foreign currency transactions (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net movement in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognized in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognized directly in equity.

#### (o) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### (i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (ii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

##### (iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (o) REVENUE RECOGNITION (Cont'd)

##### (iv) Rental income

Rental income is recognised on a time proportion and accrual basis.

##### (v) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

#### Effective for financial periods beginning on or after 1 July 2009

FRS 8: Operating Segments

#### Effective for financial periods beginning on or after 1 January 2010

FRS 4:	Insurance Contracts
FRS 7:	Financial Instruments: Disclosures
FRS 101:	Presentation of Financial Statements (revised)
FRS 123:	Borrowing Costs
FRS 139:	Financial Instruments: Recognition and Measurement
Amendments to FRS 1:	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 127:	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 2:	Financial Instruments: Presentation
Amendments to FRS 132:	Financial Instruments: Recognition and Measurement,
Amendments to FRS 139:	Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
FRS 7: Financial Instruments:	
Amendments to FRSs 'Improvements to FRSs (2009)	
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
TR i – 3:	Presentation of Financial Statements of Islamic Financial Institutions

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont'd)

#### Effective for financial periods beginning on or after 1 July 2010

FRS 1:	First-time Adoption of Financial Reporting Standards
FRS 3:	Business Combinations (revised)
FRS 127:	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2:	Share-based Payment
Amendments to FRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138:	Intangible Assets
Amendments to IC Interpretation 9:	Reassessment of Embedded Derivatives
IC Interpretation 12:	Service Concession Arrangements
IC Interpretation I5:	Agreements for the Construction of Real Estate
IC Interpretation 16:	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17:	Distributions of Non-cash Assets to Owners

The impact of applying FRS 7, FRS 139 and amendments to FRS 7, FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSS.

FRS 1, 3, 4, 101, 123 and 127, Amendments to FRS 1, 2, 5, 127, 132, 138 and FRSS "Improvements to FRSS (2009)", IC Interpretation 9, 10, 11, 12, 13, 14, 15, 16, 17, Amendments to IC Interpretation 9 and TR i-3 are not expected to have any impact on the financial statements of the Company upon their initial application.

### 2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Deferred tax assets

Deferred tax assets are not recognised for all unused tax losses and unabsorbed capital allowances due to insufficient estimated future taxable profits against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses and capital allowances of the Group and of the Company were RM32,092,325 (2008: RM31,274,447) and RM856,437 (2008: RM221,873) respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 3. REVENUE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Dividend from investment	127,250	-	127,250	-
Management fees from subsidiaries	-	-	156,000	156,000
Sales of logs	38,887,011	59,559,874	-	-
Sales of motor vehicles	71,310,333	91,088,768	-	-
Sales of spare parts and provision of related repairs and maintenance services	8,962,640	5,174,880	-	-
	<u>119,287,234</u>	<u>155,823,522</u>	<u>283,250</u>	<u>156,000</u>

## 4. COST OF SALES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Cost of inventories sold	46,148,215	146,982,763	-	-
Cost of services rendered	64,089,724	4,882,660	-	-
	<u>110,237,939</u>	<u>151,865,423</u>	<u>-</u>	<u>-</u>

## 5. OTHER INCOME

Gain from sales of marketable securities	450,689	-	450,689	-
Realised gain on foreign exchange	-	12,803	-	-
Gain on disposal of property, plant and equipment	-	104,494	-	-
Gain on disposal of subsidiaries	-	1,958,441	-	1,880,830
Handling fee	256,644	327,644	-	-
Sale incentive income	519,350	1,055,265	-	-
Interest income	2,435,734	3,211,177	30,051	4,553
Rental income	379,637	362,087	-	-
Others	138,620	50,542	-	-
	<u>4,180,674</u>	<u>7,082,453</u>	<u>480,740</u>	<u>1,885,383</u>

## 6. FINANCE COSTS

Interest expense on:				
Bank overdraft	211,496	416,421	-	-
Logs supply advance	-	15,929	-	-
Hire purchase	4,611	-	4,611	-
	<u>216,107</u>	<u>432,350</u>	<u>4,611</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 7. LOSS BEFORE TAX

The following amounts have been included in arriving at loss before tax:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Staff costs (Note 8)	4,287,863	4,251,927	186,994	108,506
Non-executive directors' remuneration (Note 9)	147,000	166,240	147,000	108,000
Amortisation of investment properties (Note 14)	9,262	9,263	-	-
Amortisation of prepaid land lease payments (Note 15)	103,176	118,779	-	-
Auditors' remuneration:				
- statutory audits	92,500	110,000	21,000	20,000
- (over)/underprovision in prior years	(30,250)	(1,000)	1,000	2,000
Depreciation of property, plant and equipment (Note 13)	1,741,881	1,136,767	176,521	210
Loss on disposal of property, plant and equipment	8,993	2,891	-	-
Plant and equipment written off	-	449,249	-	-
Provision for doubtful debts	602,569	93,062	-	-
Provision for impairment loss of investment in subsidiaries	-	-	6,036,899	2,089,680
Realised foreign exchange loss	55,922	-	-	-
Rental of premises	1,902,649	1,756,192	-	-
	<u>4,287,863</u>	<u>4,251,927</u>	<u>186,994</u>	<u>108,506</u>

## 8. STAFF COSTS

Salaries, wages and allowances	3,177,884	3,056,197	165,285	93,250
Sales commission	619,723	727,334	-	-
Contributions to defined contribution plan	455,150	435,202	20,171	14,396
Social security contributions	35,106	33,194	1,538	860
	<u>4,287,863</u>	<u>4,251,927</u>	<u>186,994</u>	<u>108,506</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,069,520 (2008: RM895,200) and RM365,700 (2008: RM399,600) respectively as further disclosed in Note 9.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Directors of the Company</b>				
Executives:				
Salaries and other emoluments	884,520	722,700	273,700	305,100
Fees	120,000	120,000	72,000	72,000
Bonus	65,000	52,500	20,000	22,500
	<u>1,069,520</u>	<u>895,200</u>	<u>365,700</u>	<u>399,600</u>
Non-Executives:				
Salaries and other emoluments	-	54,240	-	-
Fees	147,000	108,000	147,000	108,000
Bonus	-	4,000	-	-
	<u>147,000</u>	<u>166,240</u>	<u>147,000</u>	<u>108,000</u>
Total	<u>1,216,520</u>	<u>1,061,440</u>	<u>512,700</u>	<u>507,600</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2009	2008
Executive directors:		
Below RM50,000	-	1
RM50,001 to RM100,000	1	1
RM250,001 to RM300,000	1	1
RM450,001 to RM500,000	1	1
Non-Executive directors:		
Below RM50,000	4	3
RM50,001 to RM100,000	-	1

## 10. INCOME TAX

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Current income tax:				
Provision for the year	454,471	277,748	-	1,184
(Over)/underprovided in prior years	(13,141)	11,924	-	-
	<u>441,330</u>	<u>289,672</u>	<u>-</u>	<u>1,184</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 10. INCOME TAX (Cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	(35,644)	(45,949)	-	-
Relating to changes in tax rates	603	124	-	-
Underprovided in prior years	25,475	-	-	-
	<u>(9,566)</u>	<u>(45,825)</u>	<u>-</u>	<u>-</u>
Income tax for the year	<u>431,764</u>	<u>243,847</u>	<u>-</u>	<u>1,184</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

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

	2009 RM	2008 RM
<b>GROUP</b>		
Loss before tax	<u>(1,099,652)</u>	<u>(8,636,127)</u>
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(274,913)	(2,245,393)
Effect of income subject to tax rate of 20%	-	146,208
Effect of changes in tax rates on opening balance of deferred tax	-	124
Effect of income not subject to tax	-	(293,626)
Effect of expenses not deductible for tax purposes	577,238	1,983,635
Effect of utilisation of previously unrecognised unabsorbed capital allowances	(340,240)	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed allowances of certain subsidiaries	457,345	640,975
(Over)/underprovision of tax expense in prior years	(13,141)	11,924
Underprovision of deferred tax in prior years	25,475	-
Income tax for the year	<u>431,764</u>	<u>243,847</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 10. INCOME TAX (Cont'd)

	2009 RM	2008 RM
<b>COMPANY</b>		
Loss before tax	(6,911,379)	(1,191,408)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(1,727,845)	(309,766)
Effect of income not subject to tax	-	(266,458)
Effect of expenses not deductible for tax purposes	1,571,795	613,527
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed allowances	156,050	(36,119)
Income tax for the year	-	1,184

## 11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Company is in the final stage of negotiation with a third party to dispose off the shares of Pangkal Berseri Sdn. Bhd. and Rich Forte Sdn. Bhd. A total deposits of RM6,957,288 had been received as at the financial year.

As at 31 December 2009, the assets and liabilities of Pangkal Berseri Sdn. Bhd. and Rich Forte Sdn. Bhd. have been presented on the consolidated balance sheet as a disposal group held for sale. The carrying amount of the investment in these subsidiaries have also been presented as a non-current asset held for sale on the Company's balance sheet as at 31 December 2009.

The major classes of assets and liabilities of Pangkal Berseri Sdn. Bhd. and Rich Forte Sdn. Bhd. classified as held for sale on the consolidated balance sheet as at 31 December 2009 were as follows:

	Carrying amounts as at 31.12.2009 RM
<b>Assets</b>	
Timber concession rights	12,202,425
Sundry receivables	150,000
Cash and bank balances	73,249
Assets of disposal group classified as held for sale	12,425,674
<b>Liabilities</b>	
Accruals	6,000
Liabilities directly associated with assets classified as held for sale	(6,000)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

The non-current asset classified as held for sale on the Company's balance sheet as at 31 December 2009 is as follows:

	Carrying amounts as at 31.12.2009 RM
<b>Asset</b>	
Investment in subsidiary	4

## 12. LOSS PER SHARE

### (a) Basic

Basic loss per share amounts are calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2009	2008
Loss for the year (RM)	(1,531,416)	(8,879,974)
Weighted average number of ordinary shares in issue	195,753,149	197,622,080
Basic loss per share (sen)	(0.78)	(4.49)

### (b) Diluted

No diluted earnings per share is disclosed as there are no dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Buildings RM	Plant and Machinery RM	Motor Vehicles and Motor Launches RM	Furniture Fixtures, Renovation and Equipment RM	Signage RM	Electrical Wiring and Lighting Installation RM	Computer Hardware and Software RM	Total RM
<b>At 31 December 2009</b>								
<b>Cost</b>								
At 1 January 2009	6,727,514	75,495,921	5,983,261	7,007,250	1,289,876	418,541	444,364	97,366,727
Additions	-	-	425,000	4,685,598	9290	324,430	16,321	5,460,639
Disposals	-	-	-	(13,900)	-	-	(2,450)	(16,3500)
At 31 December 2009	6,727,514	75,495,921	6,408,261	11,678,948	1,299,166	742,971	458,235	102,811,016
<b>Accumulated depreciation and impairment</b>								
At 1 January 2009	6,340,572	75,495,921	4,454,300	2,686,846	228,270	49,262	39,876	89,295,047
Depreciation charge for the year (Note 7)	9,263	-	345,313	1,037,535	216,095	88,475	45,200	1,741,881
Disposals	-	-	-	(1,853)	-	-	(204)	(2,057)
At 31 December 2009	6,349,835	75,495,921	4,799,613	3,722,528	444,365	137,737	84,872	91,034,871
<b>Net carrying amount</b>								
At 31 December 2009	377,679	-	1,608,648	795,640	854,801	605,234	373,363	11,776,145

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP (Cont'd)	Buildings RM	Plant and Machinery RM	Motor Vehicles and Motor Launches RM	Furniture Fixtures, Renovation and Equipment RM	Signage RM	Electrical Wiring and Lighting Installation RM	Computer Hardware and Software RM	Total RM
<b>At 31 December 2008</b>								
<b>Cost</b>								
At 1 January 2008	6,751,626	75,495,921	9,335,975	5,945,961	1,121,269	220,830	310,026	99,181,608
Additions	-	-	455,966	1,274,009	168,607	197,711	139,238	2,235,531
Disposals	-	-	(165,000)	-	-	-	(4,900)	(169,900)
Disposal of subsidiary	(24,112)	-	(3,643,680)	(212,720)	-	-	-	(3,880,512)
At 31 December 2008	6,727,514	75,495,921	5,983,261	7,007,250	1,289,876	418,876	444,364	97,366,727
<b>Accumulated depreciation and impairment</b>								
At 1 January 2008	6,355,420	75,495,921	8,010,109	2,232,948	33,985	5,999	4,698	92,139,080
Depreciation charge for the year (Note 7)	9,263	-	188,215	666,155	194,285	43,263	35,586	1,136,767
Disposals	-	-	(100,374)	-	-	-	(408)	(100,782)
Disposal of subsidiary	(24,111)	-	(3,643,650)	(212,257)	-	-	-	(3,880,018)
At 31 December 2008	6,340,572	74,495,921	4,454,300	2,686,846	228,270	49,262	39,876	89,295,047
<b>Net carrying amount</b>								
At 31 December 2008	386,942	-	1,528,961	4,320,404	1,061,606	369,279	404,488	8,071,680

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
<b>At 31 December 2009</b>			
<b>Cost</b>			
At 1 January 2009	15,263	455,966	471,229
Addition	590	425,000	425,590
At 31 December 2009	<u>15,853</u>	<u>880,966</u>	<u>896,819</u>
<b>Accumulated depreciation</b>			
At 1 January 2009	14,818	-	14,818
Depreciation charge for the year (Note 7)	328	176,193	176,521
At 31 December 2009	<u>15,146</u>	<u>176,193</u>	<u>191,339</u>
<b>Net carrying amount</b>			
At 31 December 2009	<u>707</u>	<u>704,773</u>	<u>705,480</u>
<b>At 31 December 2008</b>			
<b>Cost</b>			
At 1 January 2008	15,263	-	15,263
Additions	-	455,966	455,966
At 31 December 2008	<u>15,263</u>	<u>455,966</u>	<u>471,229</u>
<b>Accumulated depreciation</b>			
At 1 January 2008	14,608	-	14,608
Depreciation charge for the year (Note 7)	210	-	210
At 31 December 2008	<u>14,818</u>	<u>-</u>	<u>14,818</u>
<b>Net carrying amount</b>			
At 31 December 2008	<u>445</u>	<u>455,966</u>	<u>456,411</u>

During the financial year, the Group and the Company acquired motor vehicle at aggregate cost of RM425,000 of which RM300,000 was acquired by means of hire purchase agreements.

Net book values of assets under hire purchase is RM340,000.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 14. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	4,241,594	4,250,857	-	-
Amortisation during the year	(9,262)	(9,263)	-	-
At 31 December	4,232,332	4,241,594	-	-
Analysed as:				
Long term leasehold land	3,603,003	3,603,003	-	-
Buildings	629,329	638,591	-	-
	4,232,332	4,241,594	-	-

Investment properties with an aggregate carrying value of RM3,603,003 (2008: RM3,603,003) is pledged to secure borrowings as stated in Note 28.

## 15. PREPAID LAND LEASE PAYMENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	16,292,574	18,682,723	-	-
Disposal	-	(1,273,481)	-	-
Written off	-	(949,249)	-	-
Amortisation	(103,176)	(118,779)	-	-
Disposal of subsidiary	-	(48,640)	-	-
At 31 December	16,189,398	16,292,574	-	-
Analysed as:				
Short term leasehold land	-	-	-	-
Long term leasehold land	16,189,398	16,292,574	-	-
	16,189,398	16,292,574	-	-

Leasehold land with an aggregate carrying value of RM7,581,846 (2008: RM7,626,184) is pledged as securities for borrowings as stated in Note 28.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 16. INTANGIBLE ASSETS

	<b>Timber concession rights RM</b>
<b>Cost</b>	
At 1 January 2009	10,521,059
Refund of cost of timber concession rights	(509,604)
Non-current asset classified as held for sale	(5,161,975)
	<hr/>
At 31 December 2009	<u>4,849,480</u>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2009 and 31 December 2009	-
	<hr/>
<b>Net carrying amount</b>	
At 31 December 2009	<u>4,849,480</u>
<b>Cost</b>	
At 1 January 2008	20,739,842
Acquired during the year	5,234,670
Disposal of a subsidiary	(8,413,003)
Non-current asset classified as held for sale	(7,040,450)
	<hr/>
At 31 December 2008	<u>10,521,059</u>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2008 and 31 December 2008	-
	<hr/>
<b>Net carrying amount</b>	
At 31 December 2008	<u>10,521,059</u>

## 17. INVESTMENTS IN SUBSIDIARIES

Unquoted shares, at cost

	<b>COMPANY</b>	
	<b>2009 RM</b>	<b>2008 RM</b>
<b>At 1 January</b>	131,790,455	134,905,303
Add: Acquisition of subsidiaries	100,000	4
Less: Disposal of subsidiaries	-	(1,025,170)
Less: Provision for impairment loss	(6,036,899)	(2,089,680)
Less: Non-current asset classified as held for sale	(2)	(2)
	<hr/>	<hr/>
<b>At 31 December</b>	<u>125,853,554</u>	<u>131,790,455</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Name of subsidiaries	Proportion of ownership interest		Principal activities
	2009 %	2008 %	
Rintisan Bumi (M) Sdn. Bhd.	100	100	Trading of logs
Cergazam Sdn. Bhd.	100	100	Trading of motor vehicles and provision of related services
TP Auto Sdn. Bhd.	100	100	Sales and distribution of motor vehicles
Jernih Kembang Sdn. Bhd.	100	100	Holder of timber concession rights
Reliance Pact Sdn. Bhd.	100	100	Holder of timber concession rights
Bidang Laksana Sdn. Bhd.	100	100	Holder of timber concession rights
Genbayu Gemilang Sdn. Bhd.	100	-	Timber plantation
Fook Ngiap Sawmill Sdn. Berhad	100	100	Dormant
Sungai Silinponpon (Blockboard) Sdn. Bhd.	100	100	Dormant
Hasil Irama Sdn. Bhd.	100	100	Dormant
Capital Intertrade Sdn. Bhd.	100	100	Dormant
Iconworld Resources Sdn. Bhd.	100	100	Dormant
Cergazam Autoworld Sdn. Bhd.	100	100	Dormant



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

### Acquisition of subsidiary

During the financial year, the Company acquired 100% equity interest in Genbayu Gemilang Sdn. Bhd. for a total cash consideration of RM100,000.

The acquired subsidiary has contributed the following results to the Group:

	<b>2009</b> <b>RM</b>
Loss for the year	-

The acquisition has the following effects on the financial position of the Group as at the end of the financial year:

	<b>2009</b> <b>RM</b>
Cash and bank balances	100,000
Group's share of net assets	100,000

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	<b>2009</b> <b>RM</b>
Cash and bank balances	100,000
Cost of acquisition	100,000
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	100,000
Cash and cash equivalents of subsidiaries acquired	(100,000)
Net cash outflow of the Group	-

During the previous financial year, the Company acquired 100% equity interest in Cergazam Autoworld Sdn. Bhd. and TP Auto Sdn. Bhd. for a total cash consideration of RM4.

The acquired subsidiaries have contributed the following results to the Group:

	<b>2008</b> <b>RM</b>
Loss for the year	(11,558)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The acquisitions have the following effects on the financial position of the Group as at the end of the previous financial year:

	<b>2008</b>
	<b>RM</b>
Cash and bank balances	53,574
Sundry payables	(65,128)
	<hr/>
Group's share of net liabilities	(11,554)
	<hr/>

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	<b>2008</b>
	<b>RM</b>
Cash and bank balances	4
	<hr/>
Cost of acquisition	4
	<hr/>
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	4
Cash and cash equivalents of subsidiaries acquired	(4)
	<hr/>
Net cash outflow of the Group	-
	<hr/>

## 18. LOAN RECEIVABLE

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loan receivable from a company recorded in the books of a subsidiary	32,500,000	32,500,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

This comprises loan granted to a company in which certain directors of the Company have financial interest.

Interest is charged at base lending rate of Malayan Banking Berhad ranging from 5.55% - 6.50% (2008: 6.50% - 6.75%) per annum. Yearly interest repayment is due and payable at the end of the respective years.

The loan receivable is secured by 31,714,286 units of Permaju Industries Berhad's shares, belonging to certain directors of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 18. LOAN RECEIVABLE (Cont'd)

On 7 January 2010, the loan debtor settled a sum of RM18 million and subsequently on 8 January 2010 offered to the subsidiary to utilise the proceeds from the disposal of the security collateral share as stated above toward the fully and final settlement of the outstanding amount. However, no disposal was executed as at today.

## 19. INVENTORIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Cost</b>				
Finished goods	43,491	43,491	-	-
Consumables	480,281	480,281	-	-
Logs	-	4,662,471	-	-
Motor vehicles held for sale	15,955,829	28,031,460	-	-
Spare parts	1,508,327	1,408,562	-	-
	17,987,928	34,626,265	-	-
Less: Provision for obsolescence	(523,772)	(523,772)	-	-
	17,464,156	34,102,493	-	-

## 20. MARKETABLE SECURITIES

Shares quoted in Malaysia, at cost	4,248,410	-	4,248,410	-
Market value of quoted shares	4,248,410	-	4,248,410	-

## 21. TRADE AND OTHER RECEIVABLES

### Current

#### Trade receivables

Third parties	51,790,930	44,199,610	-	-
Related parties	2,606,634	4,051,331	-	-
Less: Provision for doubtful debts	(2,019,102)	(1,416,533)	-	-
	52,378,462	46,834,408	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 21. TRADE AND OTHER RECEIVABLES (Cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Other receivables</b>				
Due from subsidiaries	-	-	57,025,690	72,286,567
Interest receivables on loan receivable	4,085,964	2,246,019	-	-
Log supply advances	7,953,633	11,354,500	-	-
Other deposits paid	1,063,516	786,982	-	-
Prepayments	253,039	154,877	8,637	1,152
Sundry receivables	1,627,579	888,906	1,484,252	143,147
Motor vehicle sales incentive and claims receivables	847,631	2,805,798	-	-
Advance payment for purchase of motor vehicles	728,635	8,231,357	-	-
	<u>16,559,997</u>	<u>26,468,439</u>	<u>58,518,579</u>	<u>72,430,866</u>
	<u>68,938,459</u>	<u>73,302,847</u>	<u>58,518,579</u>	<u>72,430,866</u>

### (a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. There is no significant concentration of credit risk except for trade debts owing from a third party amounting to RM23,034,557 (2008: RM36,852,266). Trade receivables are non-interest bearing.

### (b) Trade receivables

Included in trade receivables of the Group is an amount of RM2,606,634 (2008: RM4,051,331) due from Sanbumi Sawmill Sdn. Bhd., a company in which certain directors of the Group have an interest. This amount is non-interest bearing and is repayable on demand.

### (c) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing. These amounts are repayable on demand in cash.

Further details on related party transactions are disclosed in Note 33.

Other information on financial risks of receivables are disclosed in Note 34.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 22. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks	26,000,000	26,000,000	-	-
Cash in hand and at banks	2,105,678	5,750,681	370,519	406,397
Cash and bank balances	<u>28,105,678</u>	<u>31,750,681</u>	<u>370,519</u>	<u>406,397</u>

Other information on financial risks of cash and cash equivalents are disclosed in Note 34.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	28,105,678	31,750,681	370,519	406,397
Less: Bank overdraft (Note 28)	(1,731,390)	(3,825,449)	-	-
Cash and bank balances	26,374,288	27,925,232	370,519	406,397
classified as held for sale	73,249	329	-	-
Total cash and cash equivalents	<u>26,447,537</u>	<u>27,925,561</u>	<u>370,519</u>	<u>406,397</u>

## 23. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2009	2008	2009 RM	2008 RM
<b>Authorised</b>				
At 1 January and 31 December	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued and fully paid</b>				
At 1 January	216,428,571	216,428,571	216,428,571	216,428,571
Cancellation of treasury shares	(20,494,100)	-	(20,494,100)	-
At 31 December	<u>195,934,471</u>	<u>216,428,571</u>	<u>195,934,471</u>	<u>216,428,571</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 24. SHARE PREMIUM

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Non-distributable:</b>				
At 1 January	17,339,275	17,339,275	17,339,275	17,339,275
Cancellation of treasury shares	(13,533,285)	-	(13,533,285)	-
At 31 December	<u>3,805,990</u>	<u>17,339,275</u>	<u>3,805,990</u>	<u>17,339,275</u>

## 25. TREASURY SHARES

	The Group and the Company			
	2009 UNITS	2008 UNITS	2009 RM	2008 RM
At 1 January	20,061,400	16,855,300	13,364,491	11,739,777
Purchase during the year	1,764,600	3,206,100	698,715	1,624,714
Cancellation during the year	(20,494,100)	-	(13,533,285)	-
At 31 December	<u>1,331,900</u>	<u>20,061,400</u>	<u>529,921</u>	<u>13,364,491</u>

On 24 April 2009, the Company cancelled 20,494,100 treasury shares.

The shareholders of the Company, by a special resolution passed in a general meeting held on 29 May 2009, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,764,600 of its issued ordinary shares from the open market at an average price of RM0.396 per share. The total consideration paid for the repurchase was RM689,715. The repurchase transactions were financed by internally generated funds. The shares repurchase are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 195,934,471 (2008: 216,428,571) issued and fully paid ordinary shares as at 31 December 2009, 1,331,900 (2008: 20,061,400) are held as treasury shares by the Company. As at 31 December 2009, the number of outstanding ordinary shares in issue after the setoff is therefore 194,602,571 (2008: 196,367,171) ordinary shares of RM1 each.

## 26. MERGER (DEFICIT)/RELIEF RESERVE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January 2009 and 31 December 2009	<u>(8,141,012)</u>	<u>(8,141,012)</u>	<u>8,075,692</u>	<u>8,075,692</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 26. MERGER (DEFICIT)/RELIEF RESERVE (Cont'd)

The merger reserve of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. For this acquisition the Company availed itself to the merger relief under Section 60(4) of the Companies Act 1965.

## 27. CAPITAL REDEMPTION RESERVE

This represents capital redemption reserve on the cancellation of 20,494,100 treasury shares.

## 28. BORROWINGS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Short term borrowings</b>				
Secured:				
Bank overdraft (Note 22)	1,731,390	3,825,449	-	-
Hire purchase liabilities (Note 30)	95,259	-	95,259	-
	<u>1,826,649</u>	<u>3,825,449</u>	<u>95,259</u>	<u>-</u>
<b>Long term borrowings</b>				
Secured:				
Hire purchase liabilities (Note 30)	181,915	-	181,915	-
	<u>181,915</u>	<u>-</u>	<u>181,915</u>	<u>-</u>
<b>Total borrowings</b>				
Secured:				
Bank overdraft (Note 22)	1,731,390	3,825,449	-	-
Hire purchase liabilities (Note 30)	277,174	-	277,174	-
	<u>2,008,564</u>	<u>3,825,449</u>	<u>277,174</u>	<u>-</u>

The bank overdraft facilities of the Group are secured by the following:

- legal charges over certain landed properties of the Group;
- a debenture creating fixed and floating charges over certain assets of the Group, both present and future;
- a lien over fixed deposits of not less than RM500,000 of a third party;
- joint and several guarantees for RM17,800,000 given by a brother of a director of the Company and a third party; and
- corporate guarantees issued by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 29. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	1,471,776	1,517,601	-	-
Recognised in income statement (Note 10)	(9,566)	(45,825)	-	-
At 31 December	1,462,210	1,471,776	-	-

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Plant and equipment Total RM
<b>Deferred tax liabilities of the Group:</b>	
At 1 January 2009	1,471,776
Recognised in income statement	(9,566)
At 31 December 2009	1,462,210
At 1 January 2008	1,517,601
Recognised in income statement	(45,825)
At 31 December 2008	1,471,776

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Unused tax losses	22,074,009	20,483,394	825,742	221,873
Unabsorbed capital allowances	10,018,316	10,791,053	30,695	-
	32,092,325	31,274,447	856,437	221,873
Add: Deductible temporary differences	6,264,496	6,551,738	-	-
Less: Taxable temporary differences	(1,389,944)	(1,327,724)	(30,392)	(20,025)
	36,966,877	36,498,461	826,045	201,848



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 30. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Hire purchase instalments due:				
Not later than 1 year	109,752	-	109,752	-
Later than 1 year and not later than 2 years	109,752	-	109,752	-
Later than 2 years and not later than 5 years	82,308	-	82,308	-
Total hire purchase instalments due	301,812	-	301,812	-
Less: Future hire purchase charges	(24,638)	-	(24,638)	-
Present value of hire purchase liabilities	277,174	-	277,174	-
<b>Analysis of present value of hire purchase liabilities</b>				
Not later than 1 year	95,259	-	95,259	-
Later than 1 year and not later than 2 years	101,583	-	101,583	-
Later than 2 years and not later than 5 years	80,332	-	80,332	-
	277,174	-	277,174	-
Less: Amount due within 12 months (note 28)	(95,259)	-	(95,259)	-
Amounts due after 12 months (note 28)	181,915	-	181,915	-

The hire purchase bore interest at the balance sheet date at 6.14% per annum.

## 31. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Current</b>				
<b>Trade payables</b>				
Third parties	633,570	20,092,775	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 31. TRADE AND OTHER PAYABLES (Cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Other payables</b>				
Related parties	10,178,000	7,870,000	-	-
Due to a shareholder	-	32	-	32
Due to a subsidiary	-	-	11,014,625	22,016,673
Due to directors	30,000	24,050	30,000	24,000
Deposits received for sales of companies	6,957,288	3,997,551	6,957,288	3,997,551
Rental deposits	1,267,998	-	-	-
Other deposits	796,502	2,435,514	-	-
Accruals	823,003	461,012	28,071	15,356
Sundry payables	1,734,811	960,998	31,263	30,804
	<u>21,787,602</u>	<u>15,749,157</u>	<u>18,061,247</u>	<u>26,084,416</u>
	<u>22,421,172</u>	<u>35,841,932</u>	<u>18,061,247</u>	<u>26,084,416</u>

### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 days to 90 days.

### (b) Amount due to a subsidiary

Amount due to a subsidiary is non-interest bearing and is repayable on demand. This amount is unsecured and is to be settled in cash.

### (c) Other payables

Included in other payables of the Group is an amount of RM10,178,000 (2008: RM7,870,000) due to Unsur Juta Sdn. Bhd., a company in which family members of a director of the Company has an interest. This amount is non-interest bearing and is repayable on demand.

Other information on financial risks of payables are disclosed in Note 34.

## 32. CONTINGENT LIABILITIES

Corporate guarantees

	COMPANY	
	2009 RM	2008 RM
Unsecured:		
Corporate guarantees given to bankers to secure banking facilities granted to the subsidiaries	1,731,390	3,825,449

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 33. RELATED PARTY DISCLOSURES

	2009 RM	2008 RM
<b>Group</b>		
<b>Transactions with companies in which family members of two directors of the Company, are directors:</b>		
<b>Sanbumi Sawmill Sdn. Bhd.</b>		
Rental income	(3,500)	(20,400)
<b>Transactions with a company in which the directors of the Company, have interest:</b>		
<b>Bayu Nirwana Sdn. Bhd.</b>		
Interest income on advances given	(1,839,945)	(2,246,018)
<b>Company</b>		
<b>Transactions with subsidiaries:</b>		
Management fee received from subsidiaries	(156,000)	(156,000)

The above related party transactions were entered in the ordinary course of business upon terms and conditions mutually agreed between the relevant parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2009 are disclosed in Note 21 and Note 31.

### Compensation of key management personnel

The remuneration of directors who are also the members of key management during the year was as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits	1,216,520	1,061,440	512,700	507,600

## 34. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its commodity price risk, interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Commodity price risk

The Group's earnings are affected by changes in the prices of its raw materials and its manufactured products.

### (c) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM
<b>Group</b>			
<b>At 31 December 2009</b>			
<b>Fixed rate</b>			
Fixed deposits with licensed bank	22	1.80	26,000,000
<b>Floating rate</b>			
Loan debtor	18	5.66	32,500,000
Bank overdraft	28	6.55	1,731,390
<b>At 31 December 2008</b>			
<b>Fixed rate</b>			
Fixed deposits with licensed bank	22	2.95	26,000,000
<b>Floating rate</b>			
Loan debtor	18	6.75	32,500,000
Bank overdraft	28	7.80	3,825,449

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Interest rate risk (Cont'd)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for floating rate loan which are repriced annually. The other financial instruments of the Company that are not included in the above tables are not subject to interest rate risks.

### (d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD). Foreign exchange exposures in transactional currencies are kept to an acceptable level.

### (e) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

### (f) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except those disclosed in the financial statements.

### (g) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 35. SEGMENT INFORMATION

### a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### b) Business segments

The Group comprises the following main business segments:

- i) Timber - sales of timber logs and related timber products and holding of timber concession.
- ii) Automotive - sales and distribution of motor vehicles and provision of related services.

### c) Geographical segments

The Group's activities are all within Malaysia.

### d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 35. SEGMENT INFORMATION (Cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Timber RM	Automotive RM	Others RM	Elimination RM	Total operations RM
<b>31 December 2009</b>					
<b>Revenue</b>					
Sales to external customers	38,887,011	80,272,973	127,250	-	119,287,234
Inter-segment sales	-	-	156,000	(156,000)	-
Total revenue	38,887,011	80,272,973	156,000	(156,000)	119,287,234
<b>Results</b>					
Segment results	(205,972)	209,032	(886,605)	-	(883,545)
Finance costs					(216,107)
Loss before tax					(1,099,652)
Income tax expense					(431,764)
Loss for the year					(1,531,416)
<b>Assets</b>					
Total segment assets	155,950,297	55,434,638	191,719,569	(201,616,581)	201,487,923
<b>Liabilities</b>					
Total segment liabilities	31,566,644	57,768,661	19,272,442	(82,709,801)	25,897,946
<b>Other segment information</b>					
Capital expenditure	6,578	5,028,471	425,590	-	5,460,639
Amortisation of prepaid land lease payments	103,176	-	-	-	103,176
Amortisation of investment properties	9,262	-	-	-	9,262
Depreciation of property, plant and equipment	291,318	1,274,042	176,521	-	1,741,881

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 35. SEGMENT INFORMATION (Cont'd)

	Timber RM	Automotive RM	Others RM	Elimination RM	Total operations RM
<b>31 December 2008</b>					
<b>Revenue</b>					
Sales to external customers	59,559,874	96,263,648	-	-	155,823,522
Inter-segment sales	-	-	156,000	(156,000)	-
Total revenue	59,559,874	96,263,648	156,000	(156,000)	155,823,522
<b>Results</b>					
Segment results	(6,268,934)	(2,903,269)	968,426	-	(8,203,777)
Finance costs					(432,350)
Loss before tax					(8,636,127)
Income tax expense					(243,847)
Loss for the year					(8,879,974)
<b>Assets</b>					
Total segment assets	232,882,012	53,714,206	73,488,940	(141,122,893)	218,962,265
<b>Liabilities</b>					
Total segment liabilities	99,903,566	56,257,261	26,104,223	(141,122,893)	41,142,157
<b>Other segment information</b>					
Capital expenditure	-	1,779,565	455,966	-	2,235,531
Amortisation of prepaid land lease payments	118,779	-	-	-	118,779
Amortisation of investment properties	9,263	-	-	-	9,263
Depreciation of property, plant and equipment	316,717	819,840	210	-	1,136,767



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 36. OPERATING LEASE ARRANGEMENTS

### (a) The Group as lessee

The Group has entered into non-cancellable operating lease-agreements for the use of buildings. These leases have an average life of between 1 and 10 years with renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities and the total of future aggregate minimum sublease receipts expected to be received under non-cancellable subleases, are as follows:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Future minimum rentals payments		
Not later than 1 year	3,480,800	2,372,400
Later than 1 year and not later than 5 years	5,001,000	4,595,000
Later than 5 years	9,000,000	3,750,000
	17,481,800	10,717,400

### (b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its property portfolio. These leases have remaining non-cancellable lease term of between 1 and 4 years.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivable are as follows:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	2,605,596	69,600
Later than 1 year and not later than 5 years	7,897,250	100,200
	10,502,846	169,800

Rental income recognised in income statement during the financial year is disclosed in Note 5.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

## 37. SUBSEQUENT EVENTS

- (a) On 7 January 2010, the Company had acquired the entire issued and paid up share capital of Cergaz Autohaus Sdn. Bhd. for a cash consideration of RM2.00.
- (b) On 3 February 2010, Genbayu Gemilang Sdn. Bhd., a wholly-owned subsidiary had completed the three conditional sale and purchase agreements with Excellent Features Sdn. Bhd. in relation to the acquisition of the three parcels of land owned by Excellent Features Sdn. Bhd. located in Mukim Setul, Daerah Seremban, Negeri Sembilan, which are already planted with Kelampayan (*Neolamarkia Cadamba*) trees for a total cash consideration of RM27.90 million.
- (c) On 5 March 2010, the Company entered into a conditional sale and purchase agreement with Datin Pang Fook Kyun and Sim Men Kin @ Andrew Sim and Hardie Development Sdn. Bhd. in relation to the proposed acquisition of 70% equity interest in Hardie Development Sdn. Bhd. comprising 70 ordinary shares of RM1.00 each for a total cash consideration of RM33,680,000.00 The proposed acquisition is conditional upon the result of a due diligence exercise, the approvals of the Foreign Investment Committee and the shareholders of the Company.
- (d) On 9 March 2010, the Company had acquired the entire issued and paid up share capital of Team Japs Sdn. Bhd. for a cash consideration of RM2.00

# ANALYSIS OF SHAREHOLDINGS

3 May 2010

Authorised Share Capital	:	RM1,000,000,000.00
Issued and Paid-up Capital	:	RM194,265,871.00 #1
Class of Shares	:	Ordinary shares of RM1.00 each
Number of Holders	:	2,890 #1
Voting Right	:	One vote per ordinary share

## ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

Size of holdings	No. of Shares	% of Total Issued Capital #1	No. of Shareholders	% of Total Shareholders #1
1 – 99	781	0.00	13	0.45
100 – 1,000	1,006,300	0.52	1,033	35.74
1,001 – 10,000	6,392,197	3.29	1,315	45.50
10,001 – 100,000	13,765,200	7.09	423	14.64
100,001 – 9,713,292*	81,150,148	41.77	101	3.50
9,713,293 and above**	91,951,245	47.33	5	0.17
	<u>194,265,871</u>	<u>100.00</u>	<u>2,890</u>	<u>100.00</u>

#1 Excluding a total of 1,668,600 Permaju Industries Berhad (“Permaju”) shares bought-back by Permaju and retained as treasury shares as at 3 May 2010

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 3 May 2010 are as follows:-

Name of Substantial Shareholders	No of shares	Direct		Indirect	
		No of shares	% #1	No of shares	% #1
Dato’ Chai Kin Loong	18,310,600		9.43	#27,724,000	14.2
Tan Sri Datuk Chai Kin Kong	27,724,000		14.27	#18,310,600	9.43
Dato’ Chua Tiong Moon	10,001,900		5.15	-	-
Ma Bin Hing @ Ma Kam Yaw	13,928,571		7.17	-	-
Netkey Corporation Sdn Bhd	22,511,059		11.59	-	-
Datuk Lim Yen Ngiap	5,267,031		2.71	*22,511,227	11.59
Datuk Tiong Kung Hieng	10,000		0.01	^22,511,319	11.59
Loh Kia Chin	-		-	~22,511,151	11.59

#1 Excluding a total of 1,668,600 Permaju Industries Berhad (“Permaju”) shares bought-back by Permaju and retained as treasury shares as at 3 May 2010

# Deemed interest by virtue of Dato’ Chai Kin Loong and Tan Sri Datuk Chai Kin Kong are brothers.

\* Deemed interest by virtue of Datuk Lim Yen Ngiap having not less than fifteen percent of the voting shares in Netkey Corporation Sdn Bhd which has a direct interest of 22,511,059 shares together with his indirect interest of 168 shares held by his children.

^ Deemed interest by virtue of Datuk Tiong Kung Hieng having not less than fifteen percent of the voting shares in Netkey Corporation Sdn Bhd which has a direct interest of 22,511,059 shares together with his indirect interest of 260 shares held by his children.

~ Deemed interest by virtue of Loh Kia Chin having not less than fifteen percent of the voting shares in Netkey Corporation Sdn Bhd which has a direct interest of 22,511,059 shares together with her indirect interest of 92 shares held by S.K. Timber Corporation Sdn Bhd.

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

3 May 2010

## DIRECTORS' SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 3 May 2010 are as follows:-

Name of Directors	Direct		Indirect	
	No of shares	% #1	No of shares	% #1
Dato' Chai Kin Loong	18,310,600	9.43	#27,724,000	14.27
Ma Bin Hing @ Ma Kam Yaw	13,928,571	7.17	-	-
Datuk Lim Yen Ngiap	5,267,031	2.71	*22,511,227	11.59
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Datuk Muhamad Yasin bin Yahya	-	-	-	-
Chua Ah Nye	-	-	-	-
Boey Tak Kong	-	-	-	-

#1 Excluding a total of 1,668,600 Permaisuri Industries Berhad ("Permaisuri") shares bought-back by Permaisuri and retained as treasury shares as at 3 May 2010

# Deemed interest by virtue of his indirect interest of his brother, Tan Sri Datuk Chai Kin Kong's shareholdings.

\* Deemed interest by virtue of Datuk Lim Yen Ngiap having not less than fifteen percent of the voting shares in Netkey Corporation Sdn Bhd which has a direct interest of 22,511,059 shares together with his indirect interest of 168 shares held by his children.

## LIST OF TOP 30 SHAREHOLDERS AS AT 3 MAY 2010

No	Name	No of Shares Held	% of Total Issued Capital #1
1.	OSK Nominees (Tempatan) Sdn Berhad <i>Pledged securities account for Tan Sri Chai Kin Kong</i>	27,724,000	14.27
2.	Netkey Corporation Sdn Bhd	22,511,059	11.59
3.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pacific Trustees Berhad for Chai Kin Loong</i>	18,000,000	9.27
4.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pacific Trustees Berhad for Ma Bin Hing @ Ma Kam Yaw</i>	13,714,286	7.06
5.	OSK Nominees (Tempatan) Sdn Berhad <i>Pledged securities account for Chua Tiong Moon</i>	10,001,900	5.15
6.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Teh Yean Teong</i>	9,083,200	4.68
7.	OSK Nominees (Asing) Sdn Berhad <i>OSK Asia Securities Ltd for Grandever Group Limited</i>	6,460,300	3.33
8.	Lim Yen Ngiap	5,267,031	2.71
9.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Bright Memory Sdn Bhd</i>	5,055,700	2.60

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

3 May 2010

## LIST OF TOP 30 SHAREHOLDERS AS AT 3 MAY 2010 (Cont'd)

No	Name	No of Shares Held	% of Total Issued Capital #1
10.	Chew Poo	3,564,700	1.84
11.	Tang Mei Leng	3,415,000	1.76
12.	Ng Kok Yee @ Kaak Yee	2,806,500	1.44
13.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Teh Yean Teong</i>	2,503,000	1.29
14.	Wong Sau Kuen	2,429,600	1.25
15.	Chai Min	2,217,100	1.14
16.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Tan Kok Aun</i>	2,060,300	1.06
17.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Kuan Peng Ching @ Kuan Peng Soon (MM1076)</i>	2,000,000	1.03
18.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	1,703,300	0.88
19.	Amsec Nominees (Tempatan) Sdn Bhd <i>Ambank (M) Berhad for Teh Yean Teong (Smart)</i>	1,340,000	0.69
20.	Wong Chang Fong	1,332,000	0.69
21.	Tay Poh	1,290,900	0.66
22.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chu Yoke Hua</i>	1,250,900	0.64
23.	HLG Nominee (Asing) Sdn Bhd <i>Mei-Wood Corporation</i>	1,095,862	0.56
24.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Tang Mei Leng</i>	939,800	0.48
25.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Chiah Cheang (TCS/HLG)</i>	900,000	0.46
26.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Numina Gem Sdn Bhd</i>	867,000	0.45
27.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for The Bank of New York Mellon (BNYM AS E&amp;A)</i>	795,800	0.41
28.	Lai Mooi Far	720,300	0.37
29.	HDM Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lean Boon Bee (M08)</i>	669,500	0.34
30.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Mohamed Azhar bin Mohamed Taib</i>	650,000	0.33
		152,369,038	78.43

#1 Excluding a total of 1,668,600 Permaju Industries Berhad ("Permaju") shares bought-back by Permaju and retained as treasury shares as at 3 May 2010

# List of PROPERTIES

	<b>Location</b>	<b>Description and Existing use</b>	<b>Tenure</b>	<b>Expiring Date</b>	<b>Land Area (Acre)</b>	<b>Age of building (Year)</b>	<b>Net Book Value (RM)</b>
1)	CL105137068 Pasir Putih District of Tawau Sabah	Sawmill/ Plywood Mill	99	31.12.2097	16.71	14-26	1,938,854
2)	CL105422099 Pasir Putih District of Tawau Sabah	Log Storage Yard	99	31.12.2079	2.43	N/A	224,355
3)	CL105132250 Pasir Putih District of Tawau Sabah	Blockboard Mill	999	20.02.2940	12.24	15-20	1,535,182
4)	Lot 1 of CL105103179 CL105101326 CL105102878 Pasir Putih District of Tawau Sabah	Timber Storage Warehouse/ Film Overlay Plywood Mill	999*	14.08.2927 19.02.2924 22.04.2924	8.45	13	1,680,832
5)	TL107515935 Fajar Complex Distric of Tawau Sabah	6 Stories Intermediate Commercial Building	999	31.12.2895	1950 sq ft	9	972,654
6)	Lot 32 of TL017544866^ Sembulan Kota Kinabalu Sabah	Bungalow Lot	99	31.12.2091	16,846 sq ft	N/A	1,398,481
7)	Lot 7A of CL015585305+ Alamesra Kota Kinabalu Sabah	Undeveloped Commercial Land	99	31.12.2098	1.64	N/A	3,951,296

# LIST of PROPERTIES (CONT'D)

\* After subdivision of the parent titles, the issuance of land titles to individual subdivided lots would have a tenure of 99 years lease.

^ TL017544866 measuring 29.93 hectares more or less to be subdivided into individual bungalow lots.

+ CL015585305 measuring 23.20 acres more or less to be subdivided into commercial lots.

## Notes:

Date of last revaluation for items 1 to 4	: 06 October 1999
Date of last revaluation of item 5	: 14 June 2002
Date of acquisition of items 6	: 29 December 2004
Date of acquisition of item 7	: 18 April 2006



# Permaisuri Industries Berhad

(379057-V)  
(Incorporated in Malaysia)

# FORM OF PROXY

# 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 .....

..... NRIC no. .... (new) ..... (old)  
(name of proxy as per NRIC, in capital letters)

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at the Cempaka Room, 2nd Level, Hyatt Regency Hotel, Jalan Datuk Salleh Sulong, 88994 Kota Kinabalu, Sabah on Wednesday, 9 June 2010 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

Resolutions	For	Against
Resolution 1 - Approval of Directors' fees		
Re-election of Directors:		
Resolution 2 - Dato' Rahadian Mahmud bin Mohammad Khalil		
Resolution 3 - Datuk Lim Yen Ngiap		
Resolution 4 - Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
Resolution 5 - Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital		

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

Dated this..... day of ..... 2010

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	_____	_____ %

### NOTES:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or an attorney to attend and vote in his stead. A proxy or an attorney need not be a member of the Company.
2. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The form of proxy or power of attorney if executed by a corporation must be executed under Common Seal.
4. The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at 4th Floor, Bangunan Indahsabah, Segama Commercial Complex, 88000 Kota Kinabalu, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.
5. If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
6. Those proxy forms which are indicated with "X" 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 Company Secretary  
**PERMAJU INDUSTRIES BERHAD**  
(379057-V)

4<sup>th</sup> Floor, Bangunan Indahsabah  
Segama Commercial Complex  
88000 Kota Kinabalu  
Sabah

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