ANNUAL REPORT 2010

NAKAMICHI CORPORATION BERHAD

(301384-H)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Maj (H) Goh Tian Chuan	*Executive Chairman*
Jasen Vun Vui Fen	*Executive Director*
Chen Heng Mun	*Executive Director*
Dato' Hj Mohammad Mokhtar Bin Hj Hasan	*Independent Non-Executive Director*
Yahya Bin Razali	*Independent Non-Executive Director*
Mak Siew Wei	*Independent Non-Executive Director*
Tan Chi Siong	*Independent Non-Executive Director*

AUDIT COMMITTEE

Yahya Bin Razali (*Chairman*)
Mak Siew Wei
Tan Chi Siong

REMUNERATION COMMITTEE

Yahya Bin Razali *(Chairman)*
Mak Siew Wei

COMPANY SECRETARIES

Kang Shew Meng *(MAICSA No. 0778565)*
Seow Fei San *(MAICSA No. 7009732)*

NOMINATION COMMITTEE

Yahya Bin Razali *(Chairman)*
Mak Siew Wei
Dato' Hj Mohammad Mokhtar Bin Hj Hasan

AUDITORS

Messrs Baker Tilly Monteiro Heng
Monteiro Heng Chambers
No 22, Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel : 03-22748988
Fax : 03-22601708

REGISTERED OFFICE

312, 3rd Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-78031126
Fax : 03-78061387
Website: www.naka.com.my

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-26924271
Fax : 03-27325388

PRINCIPAL BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the Company will be held at Serunai, Level 4, Convention Centre, Grand BlueWave Hotel, Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 13 June 2011 at 2.30 p.m. for the purpose of transacting the following businesses:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' reports thereon. **Resolution 1**

2. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association:-

   (a) Dato' Hj Mohammad Mokhtar Bin Hj Hasan (Article 113) **Resolution 2**
   (b) Mr. Mak Siew Wei (Article 113) **Resolution 3**
   (c) Mr. Jasen Vun Vui Fen (Article 113) **Resolution 4**

3. To appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

4. To consider and if thought fit, to pass the following ordinary resolution with or without any modifications:-

   Authority to issue shares pursuant to Section 132D of the Companies Act 1965

   "THAT, pursuant to Section 132D of the Companies Act 1965 and subject to the approval from the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

5. To transact any other business which may properly be transacted at an Annual General Meeting for which due Notice shall have been given.

By Order of the Board

KANG SHEW MENG
SEOW FEI SAN
Company Secretaries

Selangor
20 May 2011

Notes:-

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.

2. A member may appoint up to two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by its attorney or by an officer duly authorised.

4. The Form of Proxy must be deposited at the office of the Company's Share Registrar's office at Mega Corporate Services Sdn. Bhd., Level 15-2, Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Explanatory Notes on Special Business:-

Authority to issue shares pursuant to Section 132D of the Companies Act 1965

The proposed Resolution 6, if passed, will give the Directors of the Company, from the date of the Seventeenth Annual General Meeting, authority to issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The proposed mandate is a new mandate which will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

MESSAGE FROM THE EXECUTIVE CHAIRMAN

OVERVIEW

2010 observed a broad economic recovery from the unprecedented financial crisis which overwhelmed the world in the years 2008 and 2009. The global economic recovery continued to strengthen at varying paces across regions in 2010, largely attributed to sustained fiscal stimulus and accommodative monetary policies. In the first half of 2010, emerging and developing economies posted strong growth, supported by consumption and investment activities. In the remaining half of 2010, global growth however moderated amid weaker external demand. Rounding up for the year, the Malaysian economy expanded by 7.2% (2009: -1.7%).

FINANCIAL AND OPERATIONS REVIEW

Against this generally improving economic climate, year on year, the Group's revenue has increased by RM15.5 million or 54% to RM44.3 million for 2010. The increase seen in 2010 when contrasted with 2009 was due mainly to the full year revenue contribution from our timber segment. Our timber segment was acquired only towards the end of the second quarter of last year. Despite the increase in revenue, the Group posted a net loss of RM0.4 million for 2010 versus a net profit of RM1.8 million in the previous year. However, it is worth noting that in 2009, the Group garnered a net non-recurring income of RM5.7 million, which comprised of a negative goodwill of RM12.1 million less impairment losses on certain assets of RM6.4 million. Excluding this non-recurring income, the Group's results for 2010 vis-à-vis 2009 has in fact improved by RM3.5 million.

The audio and visual segment did not generate any revenue in 2010 due to the challenging and competitive environment.

Our timber segment which commenced operations in April 2009 generated a revenue and net profit of RM44.3 million (2009: RM29.4 million) and RM9.8 million (2009: RM2.0 million) respectively. A total of 65,500 cubic meter (m^3) (2009: 78,627 m^3) and 71,963 m^3 (2009: 62,736 m^3) of timber were felled and sold in 2010 respectively.

Arising from the acquisition of the timber segment, there is a subsisting joint and several guarantee from the vendors of the timber segment on the achievement by the timber segment of an audited consolidated profit after taxation of not less than RM12 million for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012. For the twelve (12) months financial period ended 30 June 2010, TSB registered an audited consolidated profit after taxation of RM12.02 million which is above the profit guarantee of RM12 million. The subsequent financial period under guarantee shall be the twelve (12) months financial period ending 30 June 2011.

OUTLOOK

Although the impact of the global financial crisis has clearly abated with indistinct signs of economic recovery, the world economic outlook persists to be weighed down by lingering effects of the financial crisis of the advanced economies, structural issues such as the prevalent high unemployment and high fiscal deficits in developed nations, continued risk of commodity prices and foreign exchange volatility exacerbated by the recent Tsunami that struck Japan and the debt crisis in the European Union as well as the crisis in the Middle East and North Africa. As such, the Malaysian economy which has seen a healthy recovery in 2010, may still be susceptible to global developments to which the domestic economy cannot insulate itself.

Due to the challenging and competitive environment, losses since 2004 incurred by the audio and visual segment as well as the lack of resources in managing the audio and visual business, the Board has deliberated and is of the opinion that it is in the best interest of the Group to cease the audio and visual business commencing 2011 and to focus on the more profitable business of timber extraction. The Group is also exploring avenues for the sale of a vacant factory previously used for the audio and visual business located in Port Klang. The proceeds from the disposal shall be utilised to pare down the Group's borrowings thus reducing interest expense and increasing the Group's profitability and cash flow.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (CONT'D)

OUTLOOK (CONT'D)

Malaysia's 2011 furniture exports are likely to improve by 9% to RM8.7 billion and will thus improve demand for Malaysia's timber and timber products. In addition, the Tsunami tragedy as well other calamities affecting other countries may ironically be a boon to the timber trade in Malaysia. Given the dire situation of the aftermath of these calamities, Japan and these countries may face a shortage of home manufactured wood and other wood based products for their reconstruction efforts. All these bode well for our timber segment. Furthermore, price of Malaysian timber products continue to climb across the board in line with other commodity prices. This may further improve the margins earned by our timber segment.

However, the timber segment is fraught with various challenges, one of them notably is the unpredictable weather whereby heavy and prolonged rainy season will greatly hamper timber extraction activities. Other challenges include the supply of labour and continuous weakening of the United States Dollar. The government's policy to reduce the country's dependency on foreign workers is having an adverse impact on the timber extraction industry.

The Board also wishes to highlight that the implementation of Reduced Impact Logging ("RIL") by our timber segment is currently ongoing and is undertaken on a coupe by coupe basis. RIL will involve a number of practical measures that will require considerable amount of resources, efforts and time in adhering to the requirements. On this note, the Group is committed to and has undertaken measures to implement RIL for its timber segment. Intensive planning, time and careful implementation of timber harvesting operations will be undertaken to minimise the environmental impact on forest stands and soils.

In view of the above, the Board is of the view that the year 2011 will be challenging. Nevertheless, Your Board is committed to ensure the sustained growth and to improve the profitability of the Group.

APPRECIATION

On behalf of the Board, I wish to express my sincere thanks to all our loyal shareholders for your perseverance and wish to reiterate that the Board is committed to improve the Group's performance and enhance value to the shareholders.

I would like to express our sincere gratitude to our valued customers, business partners, bankers and the relevant government authorities for their continued support and trust.

I also wish to express my gratitude to my fellow Board members, the Management and staff of the Group for their loyalty and commitment.

Datuk Maj (H) Goh Tian Chuan, *PGDK, ASDK*
Executive Chairman

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of the Company ("Board") is committed to ensuring that high standards of corporate governance are practised throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial position of the Company and the Group. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("the Code").

Set out below is a statement of how the Group has applied the principles of good corporate governance and the extent to which it has complied with the best practices set out in the Code.

A. BOARD OF DIRECTORS

I. Board of Directors

The Board assumes responsibility for effective stewardship and control of the Group towards realising long term shareholders' value.

The Board has the overall responsibility for reviewing and adopting strategic plans for the Group, overseeing the conduct of the Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's systems of internal control. The composition of the Board reflects a balance of Executive and Non-Executive Directors, all from diverse professional backgrounds with a wide range of business, financial and operational experiences relevant to lead the Company, and as such, are able to bring an independent judgment to bear on issues in terms of business strategies, financial and operational performance, resources and standards of conduct.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 31 December 2010, five (5) Board meetings were held. Details of Board members' attendance at Board meeting for the financial year ended 31 December 2010 are as follows:-

Name of Director	Attendance
Datuk Goh Tian Chuan	5 of 5
Jasen Vun Vui Fen	5 of 5
Chen Heng Mun	5 of 5
Dato' Hj Mohammad Mokhtar Bin Hj Hasan	5 of 5
Yahya Bin Razali	5 of 5
Mak Siew Wei	5 of 5
Tan Chi Siong	5 of 5

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information to enable them to arrive at an informed decision.

The Board has delegated specific responsibilities to three (3) subcommittees (Audit, Nomination and Remuneration Committees), the details of which are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

A. BOARD OF DIRECTORS (CONT'D)

II. Board Balance

The Board currently has seven (7) members, comprising three (3) Executive Directors, and four (4) Independent Non-Executive Directors. The current Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad. A brief description of the background of each Director is presented in this Annual Report under Directors' Profile.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts its business.

Datuk Goh Tian Chuan is the Executive Chairman of the Board while Jasen Vun Vui Fen and Chen Heng Mun acted as the Executive Directors. There was a clear division of responsibility between these Directors to ensure balance of power and authority. Yahya Bin Razali, the Audit Committee Chairman, is the Independent Non-Executive Director to whom concerns may be conveyed.

III. Supply of Information

All Directors review a Board report prior to the Board meeting. The Board report is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board, where necessary in the furtherance of their duties and at the Group's expense.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

IV. Appointments to the Board

The Code endorses, as good practice, a formal procedure for appointment to the Board with a Nomination Committee making recommendations to the Board.

V. Nomination Committee

The Nomination Committee comprises the following Board members:-

(a) Yahya Bin Razali *(Chairman) (Independent Non-Executive Director)*

(b) Mak Siew Wei *(Independent Non-Executive Director)*

(c) Dato' Hj Mohammad Mokhtar Bin Hj Hasan *(Independent Non-Executive Director)*

The Nomination Committee recommends to the Board:-

- candidates for all directorships to be filled by shareholders or the Board; and
- Directors to fill the seats on Board Committees.

A. BOARD OF DIRECTORS (CONT'D)

V. Nomination Committee (Cont'd)

In addition, this Committee assesses and examines:-

- the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness;
- the effectiveness of the Board as a whole and the Committees of the Board; and
- the contribution of each individual Director.

VI. Re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors are subject to retirement and are entitled for re-election at the first annual general meeting after their appointment. All Directors shall retire from office once at least in each 3 years, but shall be eligible for re-election. An election of Directors shall take place each year.

B. DIRECTORS' REMUNERATION

I. The Remuneration

The Company has adopted the objective as recommended by the Code to determine the remuneration for a Director so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

II. Remuneration Procedure

The Remuneration Committee recommends to the Board the executive remuneration and its cost, and the remuneration package for each Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

III. Remuneration Committee

The Remuneration Committee comprises the following Board members:-

(a) Yahya Bin Razali *(Chairman) (Independent Non-Executive Director)*

(b) Mak Siew Wei *(Independent Non-Executive Director)*

B. DIRECTORS' REMUNERATION (CONT'D)

IV. Details of Remuneration

The number of Directors of the Company whose remuneration and fees received/receivable from the Group, fall in the following bands:-

	Executive		Non-Executive	
	2010	2009	2010	2009
RM150,000 – RM199,000	1	-	-	-
RM100,000 – RM149,000	-	1	-	-
Below RM50,000	2	1	4	5

The aggregate remuneration of Directors with categorisation into appropriate components is as follows:-

	Executive		Non-Executive	
RM'000	2010	2009	2010	2009
Remuneration	242	153	-	-
Fees	-	-	91	95

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "range disclosure" as required by the listing requirements.

C. DIALOGUE BETWEEN COMPANIES AND INVESTORS AND THE ANNUAL GENERAL MEETING

The Annual General Meeting is the principal forum for communicating with the shareholders of the Company. At each Annual General Meeting, the Board encourages shareholders to participate in the question and answer session. The Executive Directors and, where appropriate, the Chairman of the Audit Committee is available to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The notices convening such meetings are sent to shareholders at least fourteen (14) days before the shareholders' meetings in the case of an ordinary resolution and twenty-one (21) days in the case of a special resolution or Annual General Meeting. The shareholders are also kept informed of the Group's financial results and corporate developments through public announcements made to Bursa Malaysia Securities Berhad.

D. ACCOUNTABILITY AND AUDIT

I. Audit Committee

The Audit Committee comprises of the following Board members:-

(a) Yahya Bin Razali *(Chairman) (Independent Non-Executive Director)*

(b) Mak Siew Wei *(Independent Non-Executive Director)*

(c) Tan Chi Siong *(Independent Non-Executive Director)*

(d) Chen Heng Mun *(Executive Director) (Resigned on 13 April 2010)*

The report by the Audit Committee for the financial year ended 31 December 2010 is set out on pages 14 to 16 in this Annual Report.

II. Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Audit Committee reviews the financial statements of the Company and the Group with the assistance of the external auditors where necessary and recommends the same for consideration and approval by the Board. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Company and of the Group. In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price sensitive public reports and reports to regulators.

III. Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:-

- selected suitable accounting policies and apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent other irregularities.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

IV. Internal Control

The Board has overall responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as risk management. This system can only provide reasonable but not absolute assurance against material misstatements, losses and fraud.

The Internal Audit Function provides independent and objective reports on the Group's management, records, accounting policies and controls to the Audit Committee. Internal audits include evaluation of the processes by which risks are identified, assessed and managed and ensuring that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit Function also ensures that recommendations to improve controls are followed through by the Management.

The Statement on Internal Control set out on page 17 of this Annual Report provides an overview of the state of internal controls within the Group.

V. Relationship with Auditors

The Board maintains a transparent and formal relationship with the Group's external auditors, primarily through the Audit Committee in seeking professional advice and ensuring compliance with the relevant accounting standards. The external auditors are invited to attend the meetings of the Audit Committee and the Board whenever necessary to discuss the Group's Financial Statements.

E. DIRECTORS' TRAINING

All Directors have attended and completed the Mandatory Accreditation Programme.

The Board believes that continuous training for the Directors is important to enable them to discharge their duties effectively. The Directors were encouraged to attend training programmes and seminars to ensure that they are kept abreast on issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in the areas of corporate governance and regulatory compliance.

Conferences, seminars and training programmes attended by Directors in 2010 and up to the date of this report are as follows:-

Director	Name of conferences, seminars and training programme attended
Datuk Maj (H) Goh Tian Chuan	• Bursa Malaysia-RHB Invest Market Chat 2010 • Malaysian Capital Markets 2010 Forum
Jasen Vun Vui Fen	• 12th International Surveyors' Congress – "Reaching 50 and Surveying Ahead • Forest and Climate – Decoding and Realising REDD+ (Reducing Emissions from Deforestation and Degradation) in The Heart of Borneo (HoB), with Special Focus on Sabah • Bursa Malaysia Market Chat • 4th Sabah Surveyors' Congress – "Economic Transformation Programme – A New Horizon?"
Chen Heng Mun	• Economy Update for 2010 – Prospects for 2010 & Beyond • Invest Malaysia – 2010 • Tax Efficient Supply Chain Management and Intercompany Financing • Corporate Governance Week 2010: Towards Corporate Governance Excellence • Corporate Foreign Exchange Risk Management Seminar • KPMG Malaysian Tax Summit 2010 • Economic Transformation Programme • Sustainability Programme for Corporate Malaysia: Plantation, Construction, Property and Hotel Industries

E. DIRECTORS' TRAINING (CONT'D)

Director	Name of conferences, seminars and training programme attended
Dato' Hj Mohammad Mokhtar Bin Hasan	• Independent Directors – Actual versus Perceived Independence • Views from the Boardroom – Challenges Directors Face • Risk Management – Things Can Still Go Wrong • Assessing The Risk and Control Environment • Corporate Integrity Pledge • The Board's Responsibility for Corporate Culture – Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance
Yahya Bin Razali	• Sustainability Programme for Corporate Malaysia: Industrial Products • Corporate Integrity Pledge
Mak Siew Wei	• Managing Related Party Transactions • Common Pitfalls in Chapter 10 of Listing Requirements • Sustainability Programme for Corporate Malaysia
Tan Chi Siong *(Appointed on 2 February 2010)*	• Import & Export Procedures • Mandatory Acceditation Programme • ASEAN Framework Agreement for Services Workshop • Forum on Financial Reporting Standards for Small and Medium Enterpises • Workshop on Analysis of Recent Tax Cases, Construing Court Decisions & Managing Tax Appeals Efficiently • Private Finance Initiative: Uncover The Critical Success Factors • Real Property Gains Tax - Implications and Exemptions • Corporate Insolvency & Restructuring • Turn the Power of the Media to your Advantage! • Corporate Insolvency & Winding Up

F. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Our Group believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is vital to the growth of the Group. Our corporate social responsibilities covers the following key areas:-

Employee Welfare

Employees are provided with medical and healthcare insurance and adequate leave and compensation programs which commensurate with their rank and level of employments.

Further, the Group acknowledges the need to provide a healthy and balanced lifestyle to its employees. In this aspect, various initiatives, such as an annual dinner was organised during the year.

Supply Chain

The Group in its procurement policies strives wherever possible to source locally in the nation's interest and for products which adhere to good environment practices.

Environmental Preservation

It is our policy to comply with environmental laws particularly governing our timber logging activities. Practical measures and considerable time and effort has been made to implement Reduced Impact Logging ("RIL"). RIL entails careful planning and control of timber harvesting to minimise the environmental impact on forest stands and soils.

The above statement is made in accordance with the resolution of the Board of Directors dated 11 May 2011.

AUDIT COMMITTEE REPORT

(1) COMPOSITION

The Audit Committee comprised the following Board members:-

(a) Yahya Bin Razali *(Independent Non-Executive Director) (Chairman)*

(b) Mak Siew Wei *(Independent Non-Executive Director)*

(c) Tan Chi Siong *(Independent Non-Executive Director)**

(d) Chen Heng Mun *(Non-Independent Executive Director)* *
(Resigned on 13 April 2010)

* Members of the Malaysian Institute of Accountants

(2) SECRETARIES OF THE AUDIT COMMITTEE

(a) Kang Shew Meng

(b) Seow Fei San

(3) MEETINGS AND MINUTES

The quorum for meetings of Audit Committee shall be two (2) members and the majority of the members present shall be Independent Directors.

The presence of external auditors will be requested, if required. Other Board members may attend meetings upon the invitation of the Audit Committee. The auditors, both internal and external, may request a meeting if they consider it necessary.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

The Audit Committee had five (5) meetings during the financial year ended 31 December 2010 and the attendance record is as follows:-

Date of Meeting	Total Committee Members	Attendance by Committee Members Independent	Attendance by Committee Members Non-Independent
24 February 2010	4 of 4	3(100%)	1(100%)
13 April 2010	4 of 4	3(100%)	1(100%)
26 May 2010	3 of 3	3(100%)	-
18 August 2010	3 of 3	3(100%)	-
22 November 2010	3 of 3	3(100%)	-

(3) MEETINGS AND MINUTES (CONT'D)

The details of attendance by individual Committee Member in financial year 2010:-

Name of Member	Total Meetings Attended by Member	Percentage Attendance
1. Yahya Bin Razali	5	100%
2. Mak Siew Wei	5	100%
3. Tan Chi Siong	5	100%
4. Chen Heng Mun *(Resigned on 13 April 2010)*	2	100%

Since the last annual report until the date of this report, the Audit Committee had two (2) meetings with the external auditors without the presence of the Executive Directors and Management.

(4) SUMMARY OF ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2010:-

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Held two separate meetings with the external auditors without the presence of the Management.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services (if any).
- Reviewed the internal auditors' scope of work, function, competency and resources in carrying out the internal audit work.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with Management, actions taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.
- Reviewed the effectiveness of the Enterprise Risk Management framework and risk assessment reports. Significant risks issues were summarised and communicated to the Board for consideration and resolution.
- Reviewed the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards as determined and set out by The Malaysian Accounting Standard Board ("MASB"). Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated upon.
- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of the Executive Directors.
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad, applicable Approved Accounting Standards set out by the MASB and other relevant legal and regulatory requirements.

5) INTERNAL AUDIT FUNCTION

The Internal Audit Function of the Group has been outsourced to an independent consultant, Columbus Advisory Sdn.Bhd., to assist the Committee in discharging its duties and responsibilities in the aspect of assessing the integrity and adequacy of the system of internal controls of the Group.

During the financial year ended 31 December 2010, the internal audit carried out its duties in accordance with the Annual Internal Audit Plan.

The Internal Audit Report was issued to the Committee incorporating findings, recommendations to improve on the weaknesses noted in the course of the audit and management's responses on the findings.

The cost incurred for the internal audit function for the financial year ended 31 December 2010 is RM24,000.

(6) TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:-

(a) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Function and that it has the necessary authority to carry out its work.

(b) Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.

(c) Oversee the Internal Audit Function including the evaluation of the standards of the internal controls and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority, resources and effectiveness of the Internal Audit Function and audit findings and management's responses.

(d) Review of the quarterly results and year end financial statements, focusing particularly on:-

- any changes in accounting policies and practices;
- significant adjustments arising from audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.

(f) Review any related party transactions that may arise within the Company or the Group.

(g) Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors.

(h) Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

This Statement on Internal Control by the Board of Directors ("Board") on the Group is made pursuant to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in accordance with the Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code"). This statement is guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

Board's Responsibilities

The Board acknowledges its overall responsibility for the Group's systems of internal controls as well as reviewing the adequacy, integrity and effectiveness of these systems. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying and managing the significant risks faced by the Group. The process is in place up to the date of approval of the annual report and is subject to review by the Board.

The key features of the internal control systems are described below.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Group has put in place a formalised risk management policy and risk reporting structure. A database of risks and controls information was maintained via risk registers. Key risks are identified, scored and categorised to highlight the source of risks, their financial impacts and the likelihood of occurrence. The risk profile of the Group has been reported to the Audit Committee and the Board. Action plans were developed to further address the significant risks identified (in addition to existing control mechanisms).

Internal Controls

Issues relating to the corporate and business operations are highlighted to the Board's attention during Board meetings. Further independent assurance is provided by the Group Internal Audit Function and the Audit Committee. The Audit Committee reviews internal control matters and update the Board on significant issues for the Board's attention and action.

The Group's internal audit function is outsourced to an independent external consultant and has a primary function to assure the Board, through the Audit Committee, that the systems of internal controls function as intended. Further details of the Internal Audit Function are set out on page 16 in the Audit Committee Report.

Significant risks were considered in formulating the Group's strategies and plans which were approved and adopted by the Board. The strategies and plans are monitored and revised as the need arises.

OTHERS

The other salient features of the Group's systems of internal controls are as follows:

- Quarterly review of the financial performance of the Group by the Board and the Audit Committee;
- Defined organisation structure and delegation of responsibilities;
- Adequate insurance of major assets to ensure that the Group is sufficiently covered against any mishap that will result in material losses to the Group; and
- Management reports covering financial performance and key business indicators.

The above statement is made in accordance with the resolution of the Board dated 11 May 2011.

DIRECTORS' PROFILE

DATUK GOH TIAN CHUAN, PGDK, ASDK
Executive Chairman
Malaysian, aged 50

Datuk Goh Tian Chuan was appointed to the Board on 8 July 2008 as a Non-Independent Non Executive Chairman. He was redesignated as Executive Chairman on 3 February 2009.

He was a Senior Police Officer from 1982 to 1994. He started his own business in 1994 and joined Everise Ventures Sdn Bhd, a subsidiary of Repco Holdings Berhad in October 1995 as President. In September 2000, he was appointed by Danaharta Berhad as Non-Executive and Non-Independent Director of Repco Holdings Berhad and resigned on 27 August 2004.

On 8 November 2004, he was appointed as a Non-Independent and Non-Executive Director of Cepatwawasan Group Berhad. Subsequently, he was redesignated as Chief Executive Officer on 8 April 2005 and as Executive Chairman from 25 July 2005 to 31 October 2005.

He was also an Executive Director of Nucleus Electronics Ltd ("Nucleus"), which is listed on the Main Board of the Stock Exchange of Singapore from 1 June 2006 to 6 March 2007.

He is now the Executive Chairman of Jotech Holdings Berhad ("Jotech") and AIC Corporation Berhad ("AIC"), both listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. His shareholding in the Company is disclosed on page 24 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

JASEN VUN VUI FEN
Executive Director
Malaysian, aged 37

Jasen Vun Vui Fen was appointed to the Board on 3 February 2009 as an Executive Director. He graduated with a Bachelor of Commerce in Marketing and Bachelor of Business in Property. He has vast experience in property consultation work with keen interest in financial markets. Currently, he is a businessman and prior to joining the Company, he has more than 10 years working experience in property consultation and property development. He is also a member of the Institution of Surveyors, Malaysia.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. His shareholding in the Company is disclosed on page 24 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

CHEN HENG MUN
Executive Director
Malaysian, aged 41

Chen Heng Mun was appointed to the Board on 23 June 2008 as a Non-Independent Non-Executive Director and as a member of the Audit Committee on 4 September 2009. He was re-designated as an Executive Director on 13 April 2010 and resigned as an Audit Committee member on even date. He is currently the Executive Director/Chief Financial Officer of AIC. Prior to joining AIC as the Group Accountant in February 1996, he worked for five years in KPMG, an international public accounting firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He is also a Non-Independent Non-Executive Director of AutoV Corporation Berhad (formerly know as AV Ventures Corporation Berhad) ("AutoV"), a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. He does not hold any shares in the Company and its subsidiaries.

DATO' HJ MOHAMMAD MOKHTAR BIN HJ HASAN
Independent Non-Executive Director
Malaysian, aged 59

Dato' Hj Mohammad Mokhtar Bin Hj Hasan was appointed to the Board on 1 April 2009 as an Independent Non-Executive Director and as a member of the Nomination Committee on 13 April 2009. He graduated with a Masters in Business Administration and Diploma in Police Science. He has vast experience in solid security, investigation, training, disaster and crisis management and staff management. He retired with the rank of Deputy Commissioner of Police in 2007 and was honoured from Sultan of Pahang with numerous commendations and awards. He is also an Independent Non-Executive Director of Mexter Technology Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. He does not hold any shares in the Company and its subsidiaries.

YAHYA BIN RAZALI
Independent Non-Executive Director
Malaysian, aged 55

Yahya Bin Razali was appointed to the Board on 12 December 2007 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

He obtained his Bachelor of Science (Finance) from Southern Illinois University and MBA from Berkeley, United States in 1982 and 1984 respectively. He worked with the Ministry of Culture, Youth and Sports of Malaysia from 1977 to 1979. In 1984, he joined the United State Leasing Corporation, San Francisco, United States as a Financial Analyst. In 1986, he worked as a Consultant with Alexander Proudfoot Productivity Consultant Pte Ltd in Singapore. He also held the position of Investment Manager and Executive Director for Selangor Foundation and Grand United Holdings Berhad respectively from 1988 to 1993. He was the Fund Manager cum Associate Director for Spectrum Asset Management Sdn Bhd, a licensed fund management company. He is also an Independent Non-Executive Director of AIC. He was an Independent and Non-Executive Director of RNC Corporation Berhad for the period 1998 to 2004.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. He does not hold any shares in the Company and its subsidiaries.

MAK SIEW WEI
Independent Non-Executive Director
Malaysian, aged 36

Mak Siew Wei was appointed to the Board on 1 August 2008. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He pursued his education in the United States and graduated with a Bachelor degree in Management Information System and subsequently worked for Marvic International (NY) Ltd in New York as a Business Development Manager for 3 years. Currently, he is a businessman with interest in financial services. In addition, he was appointed as the Independent Non-Executive Director of Advance Information Marketing Berhad, a company listed on the ACE market, on 27 July 2010, and was later redesignated as an Executive Director on 22 September 2010. He is also an Independent Non-Executive Director of Jotech and AutoV.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. He does not hold any shares in the Company and its subsidiaries.

TAN CHI SIONG
Independent Non-Executive Director
Malaysian, aged 35

Tan Chi Siong was appointed to the Board and Audit Committee on 2 February 2010.

He is a partner of Richard Lean, Tan & Co. (Chartered Accountants), a public accounting firm and is also a director and shareholder of Richard Lean & Tan Taxation Services Sdn. Bhd., a taxation services firm. He is also the Company Secretary of several government linked companies in Sabah. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation, Institute of Internal Auditors Malaysia and Association of Chartered Certified Accountants.

He has no family relationship with any Director and/or Major Shareholder of the Company, no conflict of interest with the Company and has never been convicted for any offences (other than traffic offences) within the past 10 years. He does not hold any shares in the Company and its subsidiaries.

ANALYSIS OF SHAREHOLDINGS
AS AT18 APRIL 2011

Authorised Capital	:	RM100,000,000
Issued and fully paid-up Capital	:	RM55,410,180
Class of Shares	:	Ordinary shares of RM1.00 each fully paid up
Voting Right	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Shareholders	No. of Shares	%
Less than 100 shares	18	319	0.00*
100 to 1,000 shares	557	484,904	0.88
1,001 to 10,000 shares	1,964	4,883,100	8.81
10,001 to 100,000 shares	107	3,146,500	5.68
100,001 to less than 5% of issued shares	38	36,571,257	66.00
5% and above of issued shares	2	10,324,100	18.63
TOTAL	**2,686**	**55,410,180**	**100.00**

* *The actual percentage is 0.0006%*

30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN*	5,674,100	10.24
2.	CHAN SOW PHENG	4,650,000	8.39
3.	KONG KOK KEONG	2,500,000	4.51
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW*	2,500,000	4.51
5.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW*	2,291,000	4.13
6.	M.I.T NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW*	2,035,400	3.67
7.	AIBB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN*	2,000,000	3.61
8.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW*	2,000,000	3.61
9.	VETO CAPITAL SDN BHD	1,814,500	3.27
10.	TOPWISH POTENTIAL SDN BHD	1,800,000	3.25
11.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DOROTHY NG SIEW MAY*	1,776,000	3.21

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
12.	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BSI SA (BSI BK SG-NR)*	1,725,080	3.11
13.	BONUS RIVER SDN BHD	1,725,000	3.11
14.	LOW GEOK ENG	1,650,700	2.98
15.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN (CEB)*	1,445,000	2.61
16.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW*	1,229,600	2.22
17.	LIM HAW SEK	1,000,000	1.80
18.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CARA KAYA SDN BHD*	959,700	1.73
19.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN*	844,700	1.52
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR JUDDY CHU YEN TIEN*	797,000	1.44
21.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN*	654,100	1.18
22.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR KALAYARASU A/L SUBRAMANIAM*	608,400	1.10
23.	INNOSABAH NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ANTARA REKA SDN BHD*	543,200	0.98
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN*	500,000	0.90
25.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG YOKE KUEN*	424,200	0.77
26.	YAP LOO MIEN	420,000	0.76
27.	MAYBAN NOMINEES (ASING) SDN BHD *NOMURA SINGAPORE LIMITED FOR HON TAK KWONG*	398,700	0.72
28.	KOPERASI POLIS DIRAJA MALAYSIA BERHAD	392,177	0.71
29.	WONG YOKE KUEN	288,200	0.52
30.	TAN HEE MEE	285,200	0.51
	TOTAL	**44,931,957**	**81.07**

ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2011 (CONT'D)

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Goh Kheng Peow	10,333,600	18.65	*1 7,119,100	*1 12.85
See Thoo Chan	7,119,100	12.85	*2 10,333,600	*2 18.65
Datuk Goh Tian Chuan	2,500,000	4.51	*3 959,700	*3 1.73
Chan Sow Pheng	4,650,000	8.39	-	-

Notes:-

*1 Deemed interested by virtue of his spouse, See Thoo Chan's shareholding
*2 Deemed interested by virtue of her spouse, Goh Kheng Peow's shareholding
*3 Deemed interested by virtue of his interest in Cara Kaya Sdn. Bhd.

DIRECTORS' INTERESTS
(as per Register of Directors' Shareholdings)

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Datuk Goh Tian Chuan	2,500,000	4.51	*1 959,700	*1 1.73
Jasen Vun Vui Fen	258,500	0.47	-	-

Note:-

*1 Deemed interested by virtue of his interest in Cara Kaya Sdn. Bhd.

PROPERTY OF THE GROUP
AS AT 18 APRIL 2011

Location/Address	Description	Current use	Tenure of land (years)	Land area (sq.ft.)	Built up area (sq.ft.)	Net book value (RM)	Approximate age of building (years)	Date of acquisition
Lot 4A Jalan Sultan Mohamed 3 Kawasan Perindustrian Bandar Sultan Suleiman 42000 Port Klang Selangor Darul Ehsan	Industrial land with factory and office building	Vacant and held for sale	Lease over 99 years expiring on 30 June 2105	257,171	289,721	24.49 million	12	October 1998

OTHER DISCLOSURES

The following information is provided in accordance with paragraph 9.25 of the Main Market Listing Requirements as set out in Appendix 9C thereto:

1. Utilisation of proceeds

The Company did not undertake any fund raising corporate proposal during the financial year ended 31 December 2010.

2. Share buybacks

The Company did not purchase any of its own shares during the financial year ended 31 December 2010.

3. Options, warrants or convertible securities

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

4. American Depository Receipts ("ADR") or Global Depository Receipts ("GDR")

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

5. Imposition of sanctions and/or penalties

During the financial year ended 31 December 2010, there were no sanctions and/or penalties imposed on the Company and its subsidiaries (the "Group"), its Directors or Management by the relevant regulatory bodies.

6. Variation in results from profit estimates, forecasts or projections, or unaudited results announced

The Company did not release any profit estimates, forecasts or projections for the financial year, and the audited results did not differ by 10% or more from the unaudited results announced.

7. Profit guarantee

No profit guarantee was given by the Company in respect of the financial year. However, pursuant to the acquisition of Tamabina Sdn Bhd ("TSB"), the timber division of the Group, the vendors of TSB have jointly and severally guarantee on the achievement by TSB of an audited consolidated profit after taxation of not less than RM12,000,000 per annum for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012. In addition, any excess of the amount of the profit guarantee in any of the relevant financial period under guarantee shall be carried forward to the subsequent financial period under guarantee for the purposes of computing the guaranteed profit for such subsequent financial period.

For the twelve (12) months financial period ended 30 June 2010, TSB registered an audited consolidated profit after taxation of RM12.02 million which is above the profit guarantee of RM12 million. The subsequent financial period under guarantee shall be the twelve (12) months financial period ending 30 June 2011.

8. Non–audit fees

Non-audit fees paid/payable to the external auditors by the Group and the Company for the financial year ended 31 December 2010 amounted to RM18,500.

9. Revaluation of landed properties

The Group does not have a revaluation policy on landed properties.

10. Material contracts involving Directors' and Major Shareholders' interest

There were no material contracts involving Directors' interests which have been entered into by the Group since the end of the previous financial year.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in Note 7 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	2,434,685	(295,507)
Attributable to:		
Owners of the Company	(375,815)	(295,507)
Minority interest	2,810,500	-
	2,434,685	(295,507)

DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts need to be written off and that no allowance need to be made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of any bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than disclosed in Note 28 to the financial statements.

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

Except for the waiver of amounts owed to directors of a subsidiary amounting to RM848,528, the results of the operations of the Group for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

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 and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares and debentures.

DIRECTORS

The directors in office since the date of the last report are:

Datuk Goh Tian Chuan
Jasen Vun Vui Fen
Chen Heng Mun
Yahya bin Razali
Dato' Hj Mohammad Mokhtar bin Hj Hasan
Mak Siew Wei
Tan Chi Siong

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of the directors who held office at the end of the financial year, in shares in the Company and its related corporations during the financial year ended 31 December 2010 are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
The Company				
Datuk Goh Tian Chuan				
- direct interest	2,500,000	-	-	2,500,000
- indirect interest *	-	959,700	-	959,700
Jasen Vun Vui Fun	258,500	-	-	258,500

* Deemed interested by virtue of his interest in Cara Kaya Sdn. Bhd.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors and fees paid or payable to directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' BENEFITS (CONT'D)

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

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

……………………………………………...
DATUK GOH TIAN CHUAN
Director

……………………………………………..
JASEN VUN VUI FEN
Director

Shah Alam

Date: 5 April 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,742,318	1,670,020
Intangible asset	6	99,893,949	105,274,496
Other investment	8	-	-
Total non-current assets		101,636,267	106,944,516
Current assets			
Assets held for sale	9	24,487,573	24,487,573
Inventories	10	2,777,840	4,008,931
Trade receivables	11	73,384	732,969
Other receivables, deposits and prepayments	12	1,194,828	499,376
Cash and bank balances		469,871	2,257,958
Total current assets		29,003,496	31,986,807
TOTAL ASSETS		130,639,763	138,931,323
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	55,410,180	55,410,180
Reserves	14	(22,860,171)	(22,485,604)
Shareholders' funds		32,550,009	32,924,576
Minority interest	15	39,240,605	38,880,105
Total equity		71,790,614	71,804,681
Non-current liabilities			
Borrowings	16	5,725,154	15,892,630
Deferred tax	18	25,050,484	26,347,679
Total non-current liabilities		30,775,638	42,240,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010 (CONT'D)

	Note	Group 2010 RM	Group 2009 RM
Current liabilities			
Trade payables	19	5,011,105	5,566,481
Other payables and accruals	20	8,154,219	7,212,881
Tax liabilities		3,420,147	735,000
Borrowings	16	11,488,040	11,371,971
Total current liabilities		28,073,511	24,886,333
Total liabilities		58,849,149	67,126,642
TOTAL EQUITY AND LIABILITIES		130,639,763	138,931,323

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Company 2010 RM	Company 2009 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	153,000	-
Investment in subsidiaries	7	30,000,002	30,000,002
Total non-current assets		30,153,002	30,000,002
Current assets			
Other receivables, deposits and prepayments	12	21,996,062	21,793,895
Cash and bank balances		359,436	1,273
Total current assets		22,355,498	21,795,168
TOTAL ASSETS		52,508,500	51,795,170
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	55,410,180	55,410,180
Reserves	14	(35,486,893)	(35,191,386)
Total equity		19,923,287	20,218,794
Non-current liabilities			
Borrowings	16	5,083,788	14,988,000
Total non-current liabilities		5,083,788	14,988,000
Current liabilities			
Other payables and accruals	20	16,466,188	5,580,376
Borrowings	16	11,035,237	11,008,000
Total current liabilities		27,501,425	16,588,376
Total liabilities		32,585,213	31,576,376
TOTAL EQUITY AND LIABILITIES		52,508,500	51,795,170

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 RM	2009 RM
Revenue	21	44,342,610	28,816,730
Cost of sales		(37,481,924)	(30,959,079)
Gross profit/(loss)		6,860,686	(2,142,349)
Other income		920,178	49,453
Administrative expenses		(2,330,159)	(9,000,697)
Operating profit/(loss)	22	5,450,705	(11,093,593)
Finance costs	23	(1,430,123)	(881,090)
Negative goodwill arising from acquisition of a subsidiary		-	12,099,022
Profit before taxation		4,020,582	124,339
Taxation	25	(1,585,897)	569,591
Profit for the financial year		2,434,685	693,930
Other comprehensive income/(loss), net of tax:			
Foreign currency translation		1,248	(1,651)
Total comprehensive income for the financial year		2,435,933	692,279
Profit/(Loss) attributable to:			
Owners of the Company		(375,815)	1,771,905
Minority Interest		2,810,500	(1,077,975)
Profit for the financial year		2,434,685	693,930
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(374,567)	1,770,254
Minority Interest		2,810,500	(1,077,975)
Total comprehensive income for the financial year		2,435,933	692,279
Earnings per ordinary share (sen)			
- basic	26	(0.68)	3.20
- diluted		-	-

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Company 2010 RM	Company 2009 RM
Revenue	21	2,550,000	510,000
Cost of sales		-	-
Gross profit		2,550,000	510,000
Other income		-	-
Administrative expenses		(633,160)	(876,758)
Operating profit/(loss)	22	1,916,840	(366,758)
Finance costs	23	(2,212,347)	(848,583)
Loss before taxation		(295,507)	(1,215,341)
Taxation	25	-	-
Loss for the financial year		(295,507)	(1,215,341)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the financial year		(295,507)	(1,215,341)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Attributable to the owners of the Company	Non-Distributable					
	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total RM	Minority Interest RM	Total RM
Group							
Balance as at 1 January 2009	55,410,180	38,451,919	(6,827)	(62,700,950)	31,154,322	-	31,154,322
Total comprehensive income/(loss) for the financial year	-	-	(1,651)	1,771,905	1,770,254	(1,077,975)	692,279
Transactions with non-owners							
Minority interest	-	-	-	-	-	40,448,080	40,448,080
Dividends	-	-	-	-	-	(490,000)	(490,000)
Total transactions with non-owners	-	-	-	-	-	39,958,080	39,958,080
Balance as at 31 December 2009	55,410,180	38,451,919	(8,478)	(60,929,045)	32,924,576	38,880,105	71,804,681
Total comprehensive income/(loss) for the financial year	-	-	1,248	(375,815)	(374,567)	2,810,500	2,435,933
Transactions with non-owners							
Dividends	-	-	-	-	-	(2,450,000)	(2,450,000)
Balance as at 31 December 2010	55,410,180	38,451,919	(7,230)	(61,304,860)	32,550,009	39,240,605	71,790,614

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Attributable to the owners of the Company			
		Non-Distributable		
	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
Company				
Balance as at 1 January 2009	55,410,180	38,451,919	(72,427,964)	21,434,135
Total comprehensive loss for the financial year	-	-	(1,215,341)	(1,215,341)
Balance as at 31 December 2009	55,410,180	38,451,919	(73,643,305)	20,218,794
Total comprehensive loss for the financial year	-	-	(295,507)	(295,507)
Balance as at 31 December 2010	55,410,180	38,451,919	(73,938,812)	19,923,287

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group	
		2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		4,020,582	124,339
Adjustments for:			
Amortisation of intangible asset		5,380,547	5,026,552
Depreciation		460,390	813,796
Impairment loss on an investment		-	5,684,261
Impairment loss on property, plant and equipment		-	686,403
Impairment of receivables		-	316,455
Interest expenses		1,430,123	881,090
Interest income		(6,503)	(49,453)
Gain on disposal of property, plant and equipment		(65,147)	-
Negative goodwill arising from acquisition of a subsidiary		-	(12,099,022)
Unrealised loss on foreign exchange -net		696	2,368
Waiver of amounts due to directors of a subsidiary		(848,528)	-
Operating profit before working capital changes		10,372,160	1,386,789
Changes in working capital:			
Inventories		1,231,091	(1,067,949)
Receivables, deposits and prepayments		(35,315)	269,773
Payables and accruals		(1,362,475)	5,954,255
Taxation paid		(197,945)	-
Net cash generated from operating activities		10,007,516	6,542,868
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		6,503	49,453
Proceeds from disposal of property, plant and equipment		65,550	-
Purchase of property, plant and equipment *		(175,091)	(335,531)
Acquisition of a subsidiary, net of cash and cash equivalents		-	(29,812,707)
Net cash used in investing activities		(103,038)	(30,098,785)

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

	Note	Group 2010 RM	Group 2009 RM
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from directors		91,037	827,955
Drawdown of term loans		-	30,000,000
Repayment of term loans		(10,008,000)	(5,004,000)
Interest paid		(1,374,195)	(881,090)
Repayment of hire purchase payables		(401,407)	(143,054)
Net cash (used in)/generated from financing activities		(11,692,565)	24,799,811
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,788,087)	1,243,894
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		1,257,958	14,064
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		(530,129)	1,257,958
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances		469,871	2,257,958
Bank overdraft	16	(1,000,000)	(1,000,000)
Total cash and cash equivalents		(530,129)	1,257,958

* During the financial year, the Group acquired property, plant and equipment amounting to RM533,091 (2009: RM1,373,405) of which RM358,000 (2009: RM1,037,874) were acquired by means of hire purchase arrangements.

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

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Company 2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before taxation		(295,507)	(1,215,341)
Adjustments for:			
Depreciation		27,000	-
Dividend income		(2,550,000)	(510,000)
Interest expenses		2,212,347	848,583
Operating loss before working capital changes		(606,160)	(876,758)
Changes in working capital:			
Receivables		(202,167)	(338,538)
Payables and accruals		178,207	309,769
Net cash used in operating activities		(630,120)	(905,527)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of a subsidiary		-	(30,000,000)
Purchase of property, plant and equipment *		(30,000)	-
Dividends received		2,550,000	510,000
Net cash generated from/(used in) investing activities		2,520,000	(29,490,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from a subsidiary		9,789,590	5,148,000
Advances from a director		-	100,000
Drawndown of term loans		-	30,000,000
Repayment of term loans		(10,008,000)	(5,004,000)
Repayment of hire purchase payables		(18,975)	-
Interest paid		(1,294,332)	(848,583)
Net cash (used in)/generated from financing activities		(1,531,717)	29,395,417
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		358,163	(1,000,110)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		(998,727)	1,383
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		(640,564)	(998,727)
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances		359,436	1,273
Bank overdraft	16	(1,000,000)	(1,000,000)
Total cash and cash equivalents		(640,564)	(998,727)

* During the financial year, the Company acquired property, plant and equipment amounting to RM180,000 (2009: RM Nil) of which RM150,000 (2009: RM Nil) were acquired by means of hire purchase arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are stated in Note 7. There had been no significant change in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 4A, Jalan Sultan Mohamed 3, Kawasan Perindustrian Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors ("Board") in accordance with a resolution of the directors on 5 April 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 .

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") and Amendments to IC Int

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:

New FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement

Revised FRSs

FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payments – Vesting Conditions and Cancellations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosures of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 139	Financial Instruments: Recognition and Measurement
FRS 138	Intangible Assets
FRS 140	Investment Property

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int and Amendments to IC Int (Cont'd)

<u>IC Int</u>

IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

<u>Amendments to IC Int</u>

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosure to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that is internally provided to the Board of Directors and concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114.

The Group has adopted FRS 8 retrospectively and comparative segment information has been re-presented. Since the change in accounting policy only impact presentation and disclosure aspects, there is no impact on earnings per share. These revised disclosures, including the related revised comparative information, are shown in Note 30.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int and Amendments to IC Int (Cont'd)

FRS 101 Presentation of Financial Statements (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. This standard also introduce the statement of comprehensive income, together with all items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

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

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The adoptions do not have a significant impact on the financial statements.

(b) Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
Revised FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)

(b) Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Cont'd)

		Effective for financial periods beginning on or after
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
FRS 2	Share-based Payment	1 July 2010 and 1 January 2011
FRS 3	Business Combinations	1 January 2011
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 131	Interests in Joint Ventures	1 January 2011
FRS 132	Financial Instruments: Presentation	1 March 2010 and 1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Int		
IC Int 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Int 18	Transfers of Assets from Customers	1 January 2011
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Int		
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 13	Customer Loyalty Programmes	1 January 2011
IC Int 14	FRS 119 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 July 2011
IC Int 15	Agreements for the Construction of Real Estate	30 August 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)

(b) Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Cont'd)

The directors do not anticipate that the application of the above revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and of the Company, except for those discussed below:

FRS 3 Business Combinations (revised) and Amendments to FRS 127 Consolidated and Separate Financial Statements (revised)

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest. Any excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2.3(a). The Group does not intend to early adopt the above revised FRS and amendments to FRS.

2.3 Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Acquisitions of subsidiary are accounted for using the purchase method except for certain business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1 January 2006 in accordance with FRS 122_{2004} Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Previously, acquisition of subsidiaries as disclosed in Note 7 which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The resulting debit difference between the carrying value of the investments and the nominal value of shares acquired was treated as a merger deficit. This has been adjusted against the retained profits.

Going forward, subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(a) Basis of Consolidation (Cont'd)

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

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

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through the subsidiary. It is measured at the minorities' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Subsidiaries

Subsidiaries are those corporations in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. 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 costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any goodwill is reflected as a gain or loss on disposal in the consolidated statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(c) Property, Plant and Equipment and Depreciation

All property, plant and equipment are initially stated at cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Building	2.2%
Plant, machinery and tools	10%-33 1/3%
Camp and office equipment	20%
Furniture, fittings and leasehold improvement	10-20%
Computer equipment	20%
Motor vehicles	20-25%
Other assets	20%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each date of the statement of financial position. The effects of any revisions of the residual values and useful lives are included in the statement of comprehensive income for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

(d) Goodwill

Goodwill represents the excess of the cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Following the initial recognition, goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g).

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity being sold.

Negative goodwill represents the excess of the fair value of the Group's share of net fair value of the identifiable assets over the cost of business combination. Negative goodwill is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(e) Assets Held For Sale

Non-current assets (or disposal groups comprising assets and liabilities) those are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

No depreciation and amortisation is provided on the assets while classified as assets held for sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as assets held for sale shall be measured at the lower of its carrying amount before the asset was classified as assets held for sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as assets held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

(f) Investments

Investments in subsidiaries and other investments are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to statement of comprehensive income.

(g) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associate company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(g) Impairment of Assets (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill and intangible assets that has an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost 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 risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(h) Timber Extraction Rights

Timber extraction rights represent the exclusive rights of a subsidiary to extract, purchase and sale of commercial timber logs extractable from a designated timber concession area located at Pinangah Forest Reserve, Sabah. Timber extraction rights are stated at its acquisition costs and/or its fair value upon acquisition of the said subsidiary, less accumulated amortisation and impairment losses. Amortisation is provided on a unit of production basis of the financial year so as to write off the costs in proportion to the depletion of the total volume of extractable logs. Timber extraction rights are reviewed annually or more frequently if the events or changes in circumstances indicate the carrying value may be impaired.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in extracting the timber logs and bringing them to their existing location and condition. 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.

(j) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:

(i) Financial Assets

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gain or loss arising from changes in fair value is recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(j) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income, calculated using the effective interest method is recognised in profit and loss. Dividends on an available-for-sale equity instrument are recognised in profit and loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(j) Financial Instruments (Cont'd)

(ii) Financial Liabilities (Cont'd)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(k) Taxation

The tax expense in the profit or loss represents the aggregate amount of 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 reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(k) Taxation (Cont'd)

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, 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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

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 reporting date. Deferred tax is recognised in the statement of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly 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.

(l) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(m) Provision for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each date of the statement of financial position 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.

(n) Share Capital

Ordinary Shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of the statement of financial position. A dividend proposed or declared after the date of the statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(n) Share Capital (Cont'd)

Ordinary Shares (Cont'd)

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the statement of comprehensive income. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) Revenue Recognition

(i) Sale of Goods

The Group recognised revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue is recognised upon delivery of products, if any, or performance of services, net of sales taxes and discounts.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend Income

Dividend income from subsidiaries are recognised when the right to receive the payment is established while dividends from other investment are recognised when received.

(p) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. 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 sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-Employment Benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the statement of comprehensive income in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(q) 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 financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the statement of comprehensive income, any corresponding exchange gain or loss is recognised in the statement of comprehensive income.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates); and

- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(r) Segment Reporting

In the previous years, a segment was distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (Cont'd)

(r) Segment Reporting (Cont'd)

Following the adoption of FRS 8 Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the executive directors, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits and short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of bank overdrafts and deposits pledged to financial institutions.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

(i) Useful lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Impairment of Investment in Subsidiaries

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (Cont'd)

(ii) Impairment of Investment in Subsidiaries (Cont'd)

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

(iii) Impairment of Timber Extraction Rights

The Group assesses the timber extraction rights for impairment on an annual basis. This requires an estimation of the value-in-use of timber extraction rights. Estimating a value-in-use amount requires management to make an estimation of future expected cash flows from the timber extraction rights and to choose suitable discount rates in order to calculate the present value of these future expected cash flows. The carrying amount of timber extraction rights as at 31 December 2010 is RM99,893,949. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows from the timber operations, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of its timber extraction rights.

(iv) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(v) Deferred Tax Assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available 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 values of unrecognised tax losses and capital allowances of the Group was RM81,164,208 (2009: RM80,607,212).

(vi) Impairment of Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) Impairment of Inventories

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

4. PROPERTY, PLANT AND EQUIPMENT

Group 2010	Building RM	Plant, machinery and tools RM	Leasehold improvement RM	Camp & office equipment RM	Camp & office furniture & fittings RM	Motor vehicle RM	Computer equipment RM	Other assets* RM	Total RM
Cost									
At 1 January 2010	-	7,691,658	5,359,220	81,455	1,241,727	1,068,933	2,721,044	39,032	18,203,069
Additions	-	-	-	95,328	1,225	430,346	-	6,192	533,091
Write-offs	-	(6,634,228)	(5,359,220)	-	(1,231,392)	-	(2,721,044)	-	(15,945,884)
Disposals	-	-	-	(550)	-	-	-	-	(550)
At 31 December 2010	-	1,057,430	-	176,233	11,560	1,499,279	-	45,224	2,789,726
Accumulated Depreciation and Impairment Loss									
At 1 January 2010	-	6,682,081	5,359,220	12,077	1,232,428	521,300	2,721,044	4,899	16,533,049
Depreciation	-	211,487	-	30,440	2,208	207,752	-	8,503	460,390
Write-offs	-	(6,634,228)	(5,359,220)	-	(1,231,392)	-	(2,721,044)	-	(15,945,884)
Disposals	-	-	-	(147)	-	-	-	-	(147)
At 31 December 2010	-	259,340	-	42,370	3,244	729,052	-	13,402	1,047,408
Net Book Value at 31 December 2010	-	798,090	-	133,863	8,316	770,227	-	31,822	1,742,318

* Other assets consist of telecommunication items, electrical installation and other camp and quarters' assets.

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

Group 2009	Building RM	Plant, machinery and tools RM	Leasehold improvement RM	Camp & office equipment RM	Camp & office furniture & fittings RM	Motor vehicle RM	Computer equipment RM	Other assets* RM	Total RM
Cost									
At 1 January 2009	29,595,482	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	45,894,123
Acquisition of a subsidiary	-	42,951	-	35,993	1,640	436,932	-	13,507	531,023
Additions	-	1,014,479	-	45,462	8,695	279,244	-	25,525	1,373,405
Reclassified as assets held for sale	(29,595,482)	-	-	-	-	-	-	-	(29,595,482)
At 31 December 2009	-	7,691,658	5,359,220	81,455	1,241,727	1,068,933	2,721,044	39,032	18,203,069
Accumulated Depreciation and Impairment Loss									
At 1 January 2009	6,828,208	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	23,126,849
Acquisition of a subsidiary	-	2,295	-	4,379	137	103,362	-	1,995	112,168
Depreciation	656,677	45,558	-	7,698	899	65,181	-	2,904	778,917
Impairment loss	686,403	-	-	-	-	-	-	-	686,403
Reclassified as assets held for sale	(8,171,288)	-	-	-	-	-	-	-	(8,171,288)
At 31 December 2009	-	6,682,081	5,359,220	12,077	1,232,428	521,300	2,721,044	4,899	16,533,049
Net Book Value at 31 December 2009	-	1,009,577	-	69,378	9,299	547,633	-	34,133	1,670,020

* Other assets consist of telecommunication items, electrical installation and other camp and quarters' assets.

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

Company	**Motor vehicle RM**
Cost	
At 1 January 2009/31 December 2009/1 January 2010	-
Additions	180,000
At 31 December 2010	180,000
Accumulated Depreciation	
At 1 January 2009/31 December 2009/1 January 2010	-
Depreciation	27,000
At 31 December 2010	27,000
Net Book Value at 31 December 2010	153,000

Assets under hire purchase arrangements

The net book value of property, plant and equipment of the Group acquired under hire purchase arrangements are as follows:

	Group	
	2010 RM	**2009 RM**
Motor vehicles	686,076	547,633
Plant and machinery	736,500	911,250
	1,422,576	1,458,883

5. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	**2009**
	RM	**RM**
Cost:		
At 1 January/31 December	-	3,453,024
Transferred to assets held for sale	-	(3,453,024)
At 31 December	-	-
Accumulated amortisation:		
At 1 January	-	354,766
Amortisation during the year	-	34,879
	-	389,645
Transferred to assets held for sale	-	(389,645)
At 31 December	-	-
Carrying value at 31 December	-	-

6. INTANGIBLE ASSET

Timber Extraction Rights

	Group	
	2010	**2009**
	RM	**RM**
Cost:		
At 1 January	105,274,496	-
Rights recognised on acquisition of a subsidiary	-	110,301,048
Amortisation	(5,380,547)	(5,026,552)
At 31 December	99,893,949	105,274,496

Timber extraction rights arose from the acquisition of the timber division. The fair value of the timber extraction rights of RM110,301,048 on the acquisition date was made by the Directors of the Company and updated with certain assumptions based on the independent valuation performed by a licensed valuer dated 10 December 2007 in accordance with the number of units of timber logs extractable from the date of valuation. A deferred tax liability on the timber extraction rights of RM27,575,262 was recognised simultaneously with the timber extraction rights.

The updated Directors' valuation of the timber extraction rights was based on the value in use which was determined by discounting the future cash flows generated from the timber division after having taking into account the following key assumptions:

(i) 5 years cash flow projections based on expected operating results and on management's assessment of future trends in the timber division which are based on internal sources;

6. INTANGIBLE ASSET (CONT'D)

Timber Extraction Rights (Cont'd)

(ii) the salient cost components as stipulated in the Log Extraction and Timber Sale Agreement dated 29 May 2007 entered into by the timber division for the extraction and sale of timber logs from the concession area;

(iii) the total available volume of commercial timber located in the concession area; and

(iv) a pre-tax discount rate of 8% was applied in discounting the future cash flows. The discount rate was estimated based on the Company's weighted average cost of capital.

The directors estimate the fair value of the timber extraction rights to approximate their carrying amounts at year end.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2010 RM	**2009 RM**
At cost:		
Unquoted shares in Malaysia	37,847,302	37,847,302
Less:Accumulated impairment losses	(7,847,300)	(7,847,300)
	30,000,002	30,000,002

Details of subsidiaries are as follows:

Direct subsidiaries	**Effective Equity Interests 2010 %**	**2009 %**	**Principal Activities**
Nakamichi Malaysia Sdn. Bhd. #	100	100	Assembly and sale of audio and visual electronic consumer products
Capetronic Computer (Malaysia) Sdn. Bhd.	100	100	Dormant
Tamabina Sdn. Bhd. ("TSB")	51	51	Extraction and sale of timber logs

The financial statements of Nakamichi Malaysia Sdn. Bhd. have been consolidated in accordance with the principles of merger accounting as referred to in Note 2.3(a).

In 2009, the Company acquired 51,000 ordinary shares of RM1.00 each, representing 51% equity interest in TSB. Refer to Note 33 for details.

The investment in TSB was charged to a financial institution as security for credit facilities granted to the Company as disclosed in Note 16.

8. OTHER INVESTMENT

	Group 2010 RM	Group 2009 RM
Quoted shares outside Malaysia	-	43,692,033
Less: Accumulated impairment losses	-	(43,692,033)
At 31 December	-	-
Market value of quoted shares	-	-

In 2009, the quoted shares represented 27,495,000 bearer shares of Sansui Electric Co. Ltd. ("Sansui"), a company listed on the Tokyo and Osaka Stock Exchanges which was received on 9 November 2005 by a subsidiary, Nakamichi Malaysia Sdn. Bhd. (NMSB), pursuant to a Settlement Agreement dated 20 December 2004 with Grande (Nominees) Limited and Maple Profit Limited, which are former related companies of the Group.

On 7 August 2007, the Company announced that the certificates for the 27,495,000 bearer shares of Sansui owned by NMSB which were entrusted to the custody of a law firm in Tokyo, Japan are missing due to the abandonment of the said law firm and the disappearance of the only principal and partner of the said law firm.

The Board had filed a police report in Tokyo, Japan for the missing share certificates in order to facilitate the investigation into the missing share certificates and locating the missing partner of the said firm. The investigation of the missing shares certificates is currently ongoing.

The auditors' report dated 13 April 2009 on the financial statements of the Group for the financial year ended 31 December 2008 stated that the auditors were unable to carry out appropriate alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy themselves as to the existence, carrying value and ownership of the investment as the share certificates were unavailable.

In 2009, the carrying amount of the said investment had been fully impaired and during the current financial year, the said investment has been fully written off.

9. ASSETS HELD FOR SALE

In 2009, the Group had expressed its intention to sell its leasehold land and building. As such, the leasehold land and building has been reclassified as 'assets held for sale' and categorised under current assets. Prior to the reclassification, an impairment loss of RM686,403 has been provided to write down the carrying value of the leasehold building to its fair value less costs to sell. Details of the assets held for sale are as follows:

	Group 2010 RM	Group 2009 RM
Amount transferred from:		
Leasehold land	3,063,379	3,063,379
Leasehold building	21,424,194	21,424,194
	24,487,573	24,487,573

The directors estimate the fair value of the assets held for sale to approximate their carrying amounts at year end.

9. ASSETS HELD FOR SALE (CONT'D)

Security

At 31 December 2010, the assets held for sale of the Group was charged to a financial institution as security for credit facilities granted to the Company as disclosed in Note 16.

10. INVENTORIES

	Group	
	2010 RM	**2009 RM**
At cost:		
Timber logs	2,777,840	4,008,931

11. TRADE RECEIVABLES

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Current				
Trade receivables	73,384	780,188	-	-
Less: Impairment	-	(47,219)	-	-
Net	73,384	732,969	-	-

Trade receivables are non-interest bearing and are generally on 14 to 90 (2009: 30 to 60) days credit terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

Analysis on trade receivables
The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010 RM	**2009 RM**
Neither past due nor impaired	-	-
More than 120 days past due not impaired	73,384	780,188
	73,384	780,188
Impaired	-	(47,219)
	73,384	732,969

Receivables that are past due but not impaired

The Group is satisfied that the recovery of the trade debts is possible.

11. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

	Gross		Individually impaired		Net	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Group						
Trade receivables	-	47,219	-	(47,219)	-	-

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Movements in allowance accounts:

	Group	
	2010 RM	2009 RM
At 1st January	47,219	-
Charge for the financial year	-	47,219
Written off	(47,218)	-
At 31st December	-	47,219

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Due from subsidiaries	(a)	-	-	51,618,799	51,417,593
Due from former related companies	(b)	-	23,912	-	-
Other receivables		337,180	634,272	-	-
Deposits	(c)	1,042,963	55,382	-	-
Prepayments		57,566	55,046	961	-
		1,437,709	768,612	51,619,760	51,417,593
Less: Impairment		(242,881)	(269,236)	(29,623,698)	(29,623,698)
		1,194,828	499,376	21,996,062	21,793,895

(a) Amount owing by subsidiaries is unsecured, non-interest bearing and repayable upon demand.

(b) In 2009, the amount due from former related companies relates to amounts due from subsidiaries of the Company's previous holding and ultimate holding companies, The Grande Holdings Limited and The Grande International Holdings Limited respectively.

During the financial year, the Group had written off RM26,355 (2009: RM Nil) of other receivables and their corresponding impairment.

(c) Included in deposits of the Group are deposits amounting to RM1,000,000 (2009: RM Nil) placed with a company as guarantee for payment of log costs.

13. SHARE CAPITAL

	2010		2009	
	Number of Shares Unit	RM	Number of Shares Unit	RM
Ordinary shares of RM1.00 each				
Authorised				
At the beginning/end of the financial year	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At the beginning/end of the financial year	55,410,180	55,410,180	55,410,180	55,410,180

14. RESERVES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Share premium	38,451,919	38,451,919	38,451,919	38,451,919
Foreign currency translation reserve	(7,230)	(8,478)	-	-
	38,444,689	38,443,441	38,451,919	38,451,919
Accumulated losses	(61,304,860)	(60,929,045)	(73,938,812)	(73,643,305)
	(22,860,171)	(22,485,604)	(35,486,893)	(35,191,386)

Share Premium

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Disclosure of Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The determination of realised and unrealised profits/losses is compiled based on Guidance of Special Matter No. 1. Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia's Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits/losses is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

14. RESERVES (CONT'D)

Disclosure of Realised and Unrealised Profits/Losses (Cont'd)

The Group's accumulated losses as at reporting date may be analysed as follows:

	Group 2010 RM	Company 2010 RM
Realised losses	(100,342,956)	(73,938,812)
Unrealised losses	(78,245)	-
	(100,421,201)	(73,938,812)
Less: Consolidation adjustments	39,116,341	-
	(61,304,860)	(73,938,812)

15. MINORITY INTEREST

This consist of the minority shareholders' proportion of the share capital and reserves of subsidiaries that they have interest in and their share of the fair value less accumulated amortisation on the timber extraction rights arising on acquisition of that subsidiary.

16. BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current borrowings				
Secured:				
Bank overdraft	1,000,000	1,000,000	1,000,000	1,000,000
Term loans	10,008,000	10,008,000	10,008,000	10,008,000
Hire purchase payables (Note 17)	480,040	363,971	27,237	-
	11,488,040	11,371,971	11,035,237	11,008,000
Non-current borrowings				
Secured:				
Term loans	4,980,000	14,988,000	4,980,000	14,988,000
Hire purchase payables (Note 17)	745,154	904,630	103,788	-
	5,725,154	15,892,630	5,083,788	14,988,000

16. BORROWINGS (CONT'D)

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Total borrowings				
Secured:				
Bank overdraft	1,000,000	1,000,000	1,000,000	1,000,000
Term loans	14,988,000	24,996,000	14,988,000	24,996,000
Hire purchase payables (Note 17)	1,225,194	1,268,601	131,025	-
	17,213,194	27,264,601	16,119,025	25,996,000

The bank overdraft and term loans are secured by way of:

(i) legal charge over the leasehold land and building of a subsidiary;
(ii) a fixed and floating charge over all the existing and future assets of the Company;
(iii) a fixed charge over the 51,000 ordinary shares of TSB owned by the Company;
(iv) a third party fixed charge over third parties' fixed deposits;
(v) joint and several guarantee by certain directors of a subsidiary;
(vi) legal charge over certain current account(s) maintained by the Company;
(vii) assignment of insurance proceeds on the properties charged to the lending bank; and
(viii) assignment of the Company's rights and benefits under the share sale agreement for the acquisition of TSB, which include the Company's rights to the profit guarantee from the vendors of TSB.

The secured bank overdraft facility of RM1.0 million is subject to an interest rate of 1.5% per annum above the lending bank's base lending rate and is repayable on demand;

The first secured term loan facility of RM16.0 million is subject to an interest rate of 1.25% per annum above the lending bank's one month cost of funds and is repayable monthly over a period of 3 years commencing from 9 June 2009;

The second secured term loan facility of RM14.0 million is subject to an interest rate of 2.0% per annum above the lending bank's base lending rate and is repayable monthly over a period of 3 years commencing 9 June 2009.

17. HIRE PURCHASE PAYABLES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Future minimum hire purchase payments:				
Not later than one year	544,689	435,290	35,628	-
Later than one year but not later than five years	795,620	967,449	115,776	-
Later than five years	-	14,336	-	-
	1,340,309	1,417,075	151,404	-
Less: Future finance charges	(115,115)	(148,474)	(20,379)	-
Present value of hire purchase payables	1,225,194	1,268,601	131,025	-

17. HIRE PURCHASE PAYABLES (CONT'D)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Analysis of present value of hire purchase payables:				
Not later than one year	480,040	363,971	27,237	-
Later than one year but not later than five years	745,154	890,548	103,788	-
Later than five years	-	14,082	-	-
	1,225,194	1,268,601	131,025	-

18. DEFERRED TAX

(a) The movement in recognised deferred tax liabilities are as follows:

	Group	
	2010 RM	2009 RM
At 1 January	26,347,679	-
Arising on recognition of timber extraction rights (Note 6)	-	27,575,262
Origination of temporary differences	28,437	29,055
Under provision in prior year	19,505	-
Crystallisation of deferred tax liability on timber extraction rights	(1,345,137)	(1,256,638)
At 31 December	25,050,484	26,347,679

(b) The component and movement of deferred tax liabilities during the financial year are as follows:

Group	Property, plant and equipment RM	Timber extraction rights RM	Total RM
At 1 January 2009	-	-	-
Arising on acquisition of a subsidiary	-	27,575,262	27,575,262
Origination of temporary differences	29,055	-	29,055
Crystallisation of deferred tax liability	-	(1,256,638)	(1,256,638)
At 31 December 2009/1 January 2010	29,055	26,318,624	26,347,679
Origination of temporary differences	28,437	-	28,437
Underprovision in prior year	19,505	-	19,505
Crystallisation of deferred tax liability	-	(1,345,137)	(1,345,137)
At 31 December 2010	76,997	24,973,487	25,050,484

18. DEFERRED TAX (CONT'D)

(c) The temporary differences of which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unutilised tax losses	56,431,000	55,874,004	-	-
Unabsorbed capital allowances	24,733,208	24,733,208	-	-
	81,164,208	80,607,212	-	-

No deferred tax assets is recognised on the above deductible temporary differences as it is not certain whether taxable profits will be available in the future against which the deferred tax assets can be utilised.

19. TRADE PAYABLES

The normal trade credit term granted to the group is 14 to 30 days.

Included in trade payables is an amount of RM Nil (2009: RM672,163) owing to a company who has common shareholder and director with the Group.

20. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Due to a subsidiary	(a)	-	-	15,847,615	5,148,000
Other payables	(b)	257,505	512,131	7,183	65,976
Deposits		1,152,215	977,929	-	-
Accruals		2,888,571	3,615,330	503,400	266,400
Amount due to directors	(c)	3,855,928	2,107,491	107,990	100,000
		8,154,219	7,212,881	16,466,188	5,580,376

(a) The amount owing to subsidiaries are unsecured, interest-free and are repayable on demand except for balances amounting to RM14,937,590 (2009: RM Nil) which bears interest at the rate of 2% per annum above the base lending rate of a local bank (2009: Nil).

(b) Included in other payables is an amount owing to a company with common shareholders and directors with the Company of RM Nil (2009: RM9,971).

(c) The amount due to directors are unsecured, interest-free and are repayable on demand except for balances amounting to RM700,000 (2009: RM Nil) and RM100,000 (2009: RM Nil) owing to a director, of the Group and the Company respectively, which bears interest at the rate of 2% per annum above the base lending rate of a local bank (2009: Nil). In addition, the amount owed to a director by a subsidiary amounting to RM647,938 is secured by a corporate guarantee from the Company.

21. REVENUE

Revenue for the Company represents gross dividends received from a subsidiary. Revenue of the Group represents the invoiced value of goods sold net of returns and discounts.

22. OPERATING PROFIT/(LOSS)

Operating profit/(loss) has been arrived at:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
After charging:				
Amortisation of intangible asset	5,380,547	5,026,552	-	-
Amortisation of prepaid land lease payments	-	34,879	-	-
Auditor's remuneration:				
- statutory				
- current year	60,874	49,094	18,000	16,000
- under/(over)provision in prior year	10,000	(1,209)	-	-
- non statutory	18,500	2,000	18,500	2,000
Depreciation	460,390	778,917	27,000	-
Directors:				
- fees	90,900	95,400	90,900	95,400
- remuneration	241,500	153,000	241,500	153,000
Impairment loss on other investment	-	5,684,261	-	-
Impairment loss on property, plant and equipment	-	686,403	-	-
Impairment of receivables	-	316,455	-	-
Unrealised loss on foreign exchange - net	696	2,368	-	-
Realised loss on foreign exchange - net	171,951	-	-	-
Rental of premises	225,631	162,937	-	-
And crediting:				
Dividend income	-	-	2,550,000	510,000
Interest income	6,503	49,453	-	-
Gain on disposal of property, plant and equipment	65,147	-	-	-
Waiver of amounts due to directors of a subsidiary	848,528	-	-	-

23. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Interest expenses on:				
- bank overdraft	53,625	32,433	53,625	32,433
- term loans	1,232,961	816,150	1,232,961	816,150
- hire purchase payables	87,609	32,507	7,746	-
- amount due to a director	55,928	-	7,990	-
- amount due to a subsidiary	-	-	910,025	-
	1,430,123	881,090	2,212,347	848,583

24. EMPLOYEE BENEFITS

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Salaries, wages, allowances, bonuses and termination benefits	1,200,584	350,830	24,000	6,000
Contributions to defined contribution plans	26,967	14,000	-	-
Other employee benefits	34,172	6,077	-	-
	1,261,723	370,907	24,000	6,000

Included in employee benefit of the Group are Executive Director's remuneration amounting to RM241,500 (2009: RM153,000).

25. TAXATION

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Income tax expense:				
- current year	2,965,147	657,992	-	-
- overprovision in prior year	(82,055)	-	-	-
Deferred tax:				
- origination of temporary differences	28,437	29,055	-	-
- underprovision in prior year	19,505	-	-	-
- crystallisation of deferred tax liability on timber extraction rights	(1,345,137)	(1,256,638)	-	-
	1,585,897	(569,591)	-	-

Income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year.

25. TAXATION (CONT'D)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(Loss) before taxation	4,020,582	124,339	(295,507)	(1,215,341)
Taxation at Malaysian applicable tax rate of 25% (2009: 25%)	1,005,145	31,084	(73,877)	(303,835)
Different tax rates in other countries	(17,296)	9,348	-	-
Tax effects arising from				
- tax incentive	-	(25,000)	-	-
- non-taxable income	(212,132)	(3,790,161)	(637,500)	(127,500)
- non-deductible expenses	2,078,618	2,846,998	711,377	431,335
- effect of deferred tax assets not recognised in the financial statements	139,249	1,614,778	-	-
Crystallisation of deferred tax liability on timber extraction rights	(1,345,137)	(1,256,638)	-	-
Overprovision in income tax expense in prior year	(82,055)	-	-	-
Underprovision in deferred tax expense in prior year	19,505	-	-	-
Taxation for the financial year	1,585,897	(569,591)	-	-

26. EARNINGS PER SHARE

Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share for the financial year has been calculated based on the Group's profit/(loss) for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2010 RM	2009 RM
(Loss)/Profit for the year	(375,815)	1,771,905
Weighted average number of ordinary shares in issue	55,410,180	55,410,180
Basic (loss)/earnings per ordinary share (sen)	(0.68)	3.20

Diluted Earnings Per Share

Diluted earnings per share have not been presented as there were no potential ordinary shares outstanding in both the current and previous financial year.

27. CAPITAL COMMITMENTS

Capital expenditure for plant and equipment not provided for in the financial statements are as follows:

	Group	
	2010 RM	2009 RM
Plant and equipment		
- approved but not contracted for	-	4,356,000
- approved and contracted for	-	451,500
	-	4,807,500

28. CONTINGENT LIABILITIES

(a) Corporate Guarantee

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Corporate guarantees issued in favour of financial institutions for hire purchase facilities given to a subsidiary	1,011,250	-	1,011,250	-
Corporate guarantee issued in favour of a director for the advances given to a subsidiary	647,938	-	647,938	-
Bank guarantees issued in favour of various third parties	-	500,000	-	500,000

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantees is RM Nil.

(b) Material Litigation

The material litigation of the Group is as follows:

(i) TSB had on 4 October 2010 received a Writ of Summons Suit No. S-22-59 and Statement of Claim dated 17 September 2010 and 14 September 2010 respectively, from KKS Timber Trading ("KKS") filed through their solicitors, Messrs Ngui & Associates ("the Action") in the High Court of Sabah and Sarawak at Sandakan. The Action arises from the claim by KKS against TSB for non-payment for logging work performed by KKS at Coupe YS1/07(3) at the Pinangah Forest Reserve in the Yayasan Sabah Concession Area. The amount claimed is as follows:

- RM1,448,173, being the unpaid balance owed for the logging works performed;
- Interest at the rate of 8% per annum on the unpaid balance calculated from 27 July 2010 to the date of judgment;
- Interest at 8% per annum on the judgment sum from the date of judgment to the date of full settlement;
- Cost, on solicitors-clients basis; and
- Any other relief or order as the court deems fit and proper.

In the event TSB loses the case, the expected losses arising from the Action is RM975,008 plus interest and legal cost. An amount of RM473,165 has been provided for in the consolidated financial statements of the Group.

28. CONTINGENT LIABILITIES (CONT'D)

(b) Material Litigation (Cont'd)

However, the directors based on their solicitor's advices are of the opinion that the claims plus interest and legal cost have no merit and accordingly no provision have been made in financial statements.

(ii) TSB had on 29 November 2010 received a Writ of Summons Suit No. S-22-74 ("Writ") and Statement of Claim, both dated 23 November 2010, from Kini Abadi Sdn Bhd ("KASB") filed through their solicitors, Messrs William Liaw, Chan & Co ("the Claim") in the High Court of Sabah and Sarawak at Sandakan.

The Claim arises from the claim by KASB against TSB for non-payment for transportation services of timber logs of TSB by KASB. The amount claimed is as follows:

- RM557,097, being the unpaid balance owed for the transportation services performed;
- Interest at the rate of 8% per annum on the unpaid balance calculated from the date of the Writ to the date of judgment;
- Interest at 8% per annum on the judgment sum from the date of judgment to the date of full settlement;
- Costs; and
- Any other relief as the court deems fit.

TSB had on 17 January 2011 paid the judgement sum of RM490,451 to KASB, the Plaintiff. This judgement sum of RM490,451 was arrived at after TSB having made some partial repayments of RM71,858 subsequent to the date of the Claim.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of Related Parties

Parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel comprise persons, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The Company has controlling related party relationships with its subsidiaries.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Log loading and trucking services payable to a company with common shareholder and director with the Group	-	1,549,978	-	-
Rental of premises payable to a company with common shareholders and directors with the Company	7,478	6,278	-	-

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Executive Directors and Key Management Personnel Compensation

The remuneration of executive directors and key management personnel during the financial year was as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Salaries, wages, bonuses and allowances	406,387	282,401	241,500	153,000

The directors of the Group and of the Company are the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated terms.

30. OPERATING SEGMENTS

During the financial year, the Group adopted FRS 8 Operating Segments. FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

General Information

For management purpose, the Group is organised into business units based on their product and services, and has three reportable operating segments as follows:

(i) Investment holding : Investment holding and providing corporate and financial support to the Group

(ii) Audio and Visual : Assembly and sales of audio and visual electronic consumer products

(iii) Timber : Extraction and sale of timber logs

Measurement of Reportable Segments

Segment profit or loss is profit earned or loss incurred by each segment without allocation of central administrative costs, finance costs and income tax expense. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current tax liabilities and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

30. OPERATING SEGMENTS (CONT'D)

	Investment Holding RM	Audio and Visual RM	Timber RM	Others RM	Elimination RM	Group RM
2010						
Revenue	-	-	44,342,610	-	-	44,342,610
Results						
Segment results	(6,003,394)	(414,095)	11,871,997	(3,803)	-	5,450,705
Finance costs						(1,430,123)
Profit before taxation						4,020,582
Taxation						(1,585,897)
Profit for the year						2,434,685
Other comprehensive income						1,248
Total comprehensive income for the year						2,435,933
Total comprehensive income/(loss) attributable to:						
Owners of the Company						(374,567)
Minority interest						2,810,500
Assets						
Segment assets	152,402,450	24,604,929	21,475,099	2	(67,842,717)	130,639,763
Liabilities						
Segment liabilities	56,302,063	52,432,874	16,312,694	1,696,174	(96,365,287)	30,378,518
Tax liabilities						3,420,147
Deferred tax liabilities						25,050,484
Total						58,849,149
Other segment information						
Capital expenditure	180,000	-	353,091	-	-	533,091
Depreciation	27,000	-	433,390	-	-	460,390
Non-cash expenses/(income) other than depreciation	5,380,547	1,248	(848,528)	-	-	4,533,267

30. OPERATING SEGMENTS (CONT'D)

	Investment Holding RM	Audio and Visual RM	Timber RM	Others RM	Elimination RM	Group RM
2009						
Revenue	-	2,704,545	26,112,184	-	-	28,816,730
Results						
Segment results	(5,903,310)	(7,476,185)	2,289,518	(3,616)	-	(11,093,593)
Finance costs						(881,090)
Negative goodwill arising from acquisition of a subsidiary						12,099,022
Profit before taxation						124,339
Taxation						569,591
Profit for the year						693,930
Profit/(Loss) attributable to:						
Owners of the Company						1,771,905
Minority interest						(1,077,975)
Assets						
Segment assets	153,388,288	24,823,109	13,980,443	2	(53,260,519)	138,931,323
Liabilities						
Segment liabilities	57,894,999	52,200,582	12,825,107	1,692,371	(84,569,096)	40,043,963
Tax liabilities						735,000
Deferred tax liabilities						26,347,679
Total						67,126,642
Other segment information						
Capital expenditure	-	-	1,373,405	-	-	1,373,405
Depreciation	-	656,678	122,239	-	-	778,917
Non-cash expenses/(income) other than depreciation	(7,072,470)	6,481,486	242,881	-	-	(348,103)

Geographical Segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical segments of its customers.

30. OPERATING SEGMENTS (CONT'D)

Geographical Segments (Cont'd)

The following table provides an analysis of the Group's revenue by geographical segment:

	2010 RM	2009 RM
Asia	44,342,610	27,749,926
Europe	-	630,067
North America	-	317,534
Middle East	-	117,721
Others	-	1,482
	44,342,610	28,816,730

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	Segment Assets		Capital Expenditure	
	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	130,629,501	138,920,814	533,091	1,373,405
Singapore	10,262	10,509	-	-
	130,639,763	138,931,323	533,091	1,373,405

Information about a major customer

Major customer is defined as a single external customer where sales to such a customer amounts to ten percent or more of the Group's total revenue. A group of entities known to the Group to be under common control shall be considered a single customer, and a government and entities known to the Group to be under the control of that government shall be considered a single customer.

Revenue from major customers of the Group, all of whom are from the timber segment, during the year, amounts to RM37,622,921 (2009: RM19,498,356).

31. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

(a) Classification of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):- Designated upon initial recognition ("DUIR"); and
(c) Amortised cost ("AC").

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

2010	Carrying amount RM	L&R/AC RM	FVTPL-DUIR RM
Financial assets			
Group			
Trade receivables	73,384	73,384	-
Other receivables, deposits and prepayments	1,194,828	1,194,828	-
Cash and bank balances	469,871	469,871	-
Total loan and receivables	1,738,083	1,738,083	-
Company			
Other receivables, deposits and prepayments	21,996,062	21,996,062	-
Cash and bank balances	359,436	359,436	-
	22,355,498	22,355,498	-
Financial liabilities			
Group			
Trade payables	5,011,105	5,011,105	-
Other payables and accruals	8,154,219	8,154,219	-
Borrowings	17,213,194	17,213,194	-
	30,378,518	30,378,518	-
Company			
Other payables and accruals	16,466,188	16,466,188	-
Borrowings	16,119,025	16,119,025	-
	32,585,213	32,585,213	-

(b) Determination of fair value

<u>Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value</u>

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Financial assets	
Trade receivables	11
Other receivables, deposits and prepayments	12
Cash and bank balances	
Financial liabilities	
Trade payables	19
Other payables and accruals	20
Borrowings	16

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Determination of fair value (Cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

(c) Financial risk management objectives

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The management has a credit policy in place to monitor and minimise the exposure of default. Trade receivables and other receivables are monitored on an ongoing basis via the Group's management reporting procedure. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The Group's trade receivables credit risk is concentrated in Malaysia.

Financial assets that are neither past due nor impaired

Deposits with banks and other financial institutions, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 11.

Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Financial guarantees

The Company provides unsecured financial guarantees to third parties in respect of loan/hire purchase facilities granted to subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives (Cont'd)

(i) Credit Risk (Cont'd)

Financial guarantees (Cont'd)

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 Year RM	2 -5 Years RM	More than 5 Years RM	Total RM
Financial liabilities				
Group				
31 December 2010				
Trade payables	5,011,105	-	-	5,011,105
Other payables and accruals	8,154,219	-	-	8,154,219
Borrowings	11,488,040	5,725,154	-	17,213,194
	24,653,364	5,725,154	-	30,378,518
Company				
31 December 2010				
Other payables and accruals	618,573	-	-	618,573
Amount owing to subsidiaries	15,847,615	-	-	15,847,615
Borrowings	11,035,237	5,083,788	-	16,119,025
	27,501,425	5,083,788	-	32,585,213

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives (Cont'd)

(ii) Liquidity Risk (Cont'd)

Maturity analysis (Cont'd)

	On demand or within 1 Year RM	2 -5 Years RM	More than 5 Years RM	Total RM
Financial liabilities				
Group				
31 December 2009				
Trade payables	5,566,481	-	-	5,566,481
Other payables and accruals	7,212,881	-	-	7,212,881
Borrowings	11,371,971	15,878,548	14,082	27,264,601
	24,151,333	15,878,548	14,082	40,043,963
Company				
31 December 2009				
Other payables and accruals	432,376	-	-	432,376
Amount owing to subsidiaries	5,148,000	-	-	5,148,000
Borrowings	11,008,000	14,988,000	-	25,996,000
	16,588,376	14,988,000	-	31,576,376

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their amount owing to subsidiaries at pre-determined rates and interest bearing loans.

The Company and the Group manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

At 31 December 2010 Group	Interest rate per annum %	Within 1 Year RM	2 - 5 Years RM	More than 5 Years RM	Total RM
Financial liabilities					
Bank overdraft	7.05-7.80%	1,000,000	-	-	1,000,000
Terms loans	4.22-8.30%	10,008,000	4,980,000	-	14,988,000
Hire purchase payables	3.48-6.49%	480,040	745,154	-	1,225,194

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives (Cont'd)

(iii) Interest Rate Risk (Cont'd)

At 31 December 2010 **Company**	**Interest rate per annum** **%**	**Within 1 Year** **RM**	**2 - 5 Years** **RM**	**More than 5 Years** **RM**	**Total** **RM**
Financial liabilities					
Bank overdraft	7.05-7.80%	1,000,000	-	-	1,000,000
Terms loans	4.22-8.30%	10,008,000	4,980,000	-	14,988,000
Hire purchase payables	3.75%	27,237	103,788	-	131,025
At 31 December 2009 **Group**					
Financial liabilities					
Bank overdraft	7.05%	1,000,000	-	-	1,000,000
Terms loans	6.8-7.55%	10,008,000	14,988,000	-	24,996,000
Hire purchase payables	3.56-6.97%	363,971	890,548	14,082	1,268,601
Company					
Financial liabilities					
Bank overdraft	7.05%	1,000,000	-	-	1,000,000
Terms loans	6.8-7.55%	10,008,000	14,988,000	-	24,996,000

Sensitivity analysis for interest rate risk

An increase in market interest rates by 1% on financial liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would decrease the profit before tax of the Group and of the Company by RM159,880. This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the profit before tax based on the amounts shown above, on the basis that all other variables remain unchanged.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Singapore Dollar. The foreign currencies in which these transactions are denominated are mainly US Dollar and Singapore Dollar.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives (Cont'd)

(iv) Foreign Currency Risk (Cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

Group 2010	**US Dollar RM**	**Singapore Dollar RM**	**Total RM**
Financial assets and liabilities not held in functional currency			
Other receivables	-	10,262	10,262
Other payables	-	18,138	18,138
2009			
Trade receivables	282,371	-	282,371
Other receivables	-	10,509	10,509
Other payables	-	24,126	24,126

The Group is not significantly exposed to any foreign currency risk as most of the financial assets and liabilities are denominated in its functional currency.

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not have any exposure to market price risk as at the reporting date as the Group's investment in quoted equity instruments has been fully impaired as at the reporting date.

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2010 were as follows:

	Group	
	2010 RM	**2009 RM**
Total borrowings	17,213,194	27,264,601
Less : Cash and cash equivalents	(469,871)	(2,257,958)
Net debt	16,743,323	25,006,643
Shareholders' funds	32,550,009	32,924,576
Debt-to-equity ratio	51%	76%

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

33. ACQUISITION OF A SUBSIDIARY

In the prior year, the Company had on 9 June 2009 completed the sale and purchase agreement dated 17 December 2007 in respect of its acquisition of the 51% equity interest, comprising of 51,000 ordinary shares of RM1.00 each in TSB for a cash consideration of RM30,000,000. TSB is principally involved in the extraction and sale of timber logs. In the 7 months to 31 December 2009, TSB contributed a net profit attributable to the equity holders of the Company of RM800,681. If the acquisition had occurred on 1 January 2009, management estimates that the consolidated revenue for the financial year ended 31 December 2009 would have been RM32.1 million whereas the consolidated net profit attributable to the ordinary shareholders of the Company will remain the same.

The effects on the acquisition date are as follows:

	2009 RM
Cash consideration	30,000,000
Share of the fair value of net identifiable assets acquired	42,099,022
Negative goodwill	(12,099,022)

33. ACQUISITION OF A SUBSIDIARY (CONT'D)

The fair value of the net identifiable assets and liabilities at the acquisition date comprised the following:

	Pre-acquisition carrying amounts RM	Fair value adjustment RM	Recognised values on acquisition RM
Property, plant and equipment	418,855	-	418,855
Intangible asset			
- Timber extraction rights	-	110,301,048	110,301,048
Inventories	2,940,982	-	2,940,982
Trade receivables	911,703	-	911,703
Other receivables, deposits and prepayments	221,850	-	221,850
Cash and cash equivalents	187,293	-	187,293
Trade payables	(3,259,125)	-	(3,259,125)
Other payables and accruals	(359,917)	-	(359,917)
Tax liabilities	(77,008)	-	(77,008)
Amount owing to directors	(789,536)	-	(789,536)
Deferred tax liabilitty of timber extraction rights	-	(27,575,262)	(27,575,262)
Hire purchase payables	(373,781)	-	(373,781)
Net identifiable assets and liabilities	(178,684)	-	82,547,102
The Group's share of the fair value of the net identifiable assets and liabilities arising from the acquisition			42,099,022

The timber extraction rights of TSB were valued at RM110,301,048 and were recognised as an intangible asset on acquisition.

The net cash outflow on acquisition is derived as follows:

	2009 RM
Cash consideration	30,000,000
Cash and cash equivalents of TSB acquired	(187,293)
Net cash outflow to the Group	29,812,707

34. COMPARATIVE FIGURES

FRS 101 (revised), *Presentation of Financial Statements*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

STATEMENT BY DIRECTORS

We, **DATUK GOH TIAN CHUAN** and **JASEN VUN VUI FEN,** being two of the directors of **NAKAMICHI CORPORATION BERHAD.,** do hereby state that in the opinion of the directors, the financial statements set out on pages 32 to 89, are properly drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of the financial position of the Group and of the Company as at 31 December 2010 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 14 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the board,

....

DATUK GOH TIAN CHUAN
Director

....

JASEN VUN VUI FEN
Director

Shah Alam
Date: 5 April 2011

STATUTORY DECLARATION

I, **CHEN HENG MUN,** being the director primarily responsible for the financial management of **NAKAMICHI CORPORATION BERHAD,** do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 32 to 89 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....

CHEN HENG MUN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 5 April 2011

Before me,

....

ZULKIFLA MOHD DAHLIM
Commissioner for Oaths
License No.: W541

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NAKAMICHI CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Nakamichi Corporation Berhad, which comprise the statements of financial position as at 31st December 2010 of the Group and of the Company, and the statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 89.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Act so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Act in Malaysia, we also report on 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 by its subsidiaries have been properly kept in accordance with the provisions of the Act;

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

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

OTHER MATTERS

The supplementary information set out in Note 14 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M. J. Monteiro
No. 828/05/12 (J/PH)
Partner

Kuala Lumpur
Date: 5 April 2011

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NAKAMICHI CORPORATION BERHAD

(301384-H)
(Incorporated in Malaysia)

FORM OF PROXY

No.of Shares Held

I/We____(BLOCK LETTERS)

NRIC No./Company No.____of

____

being (a) Member(s) of **NAKAMICHI CORPORATION BERHAD (301384-H)** hereby appoint____________________

____of

____

or failing him,____of

____

as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Serunai, Level 4, Convention Centre, Grand BlueWave Hotel, Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Monday, 13 June 2011 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTION RELATING TO		FOR	AGAINST
1	Receive Reports and Financial Statements		
2	Re-election of Dato' Hj Mohammad Mokhtar Bin Hj Hasan		
3	Re-election of Mak Siew Wei		
4	Re-election of Jasen Vun Vui Fen		
5	Appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
6	Authority to the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

Please indicate with an "**X**" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this_______________day of________________2011

____
Signature/Common Seal

Notes:-

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.

2. A member may appoint up to two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by its attorney or by an officer duly authorised.

4. The Form of Proxy must be deposited at the Company's Share Registrar's office at Mega Corporate Services Sdn. Bhd., Level 15-2, Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Lastly, fold this flap for sealing

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AFFIX
STAMP

The Share Registrar

NAKAMICHI CORPORATION BERHAD (301384-H)

c/o MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

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NAKAMICHI CORPORATION BERHAD
(301384-H)