Annual Report **2011**

PAHANCO
CORPORATION
BERHAD
(71024-T)

CONTENTS

FINANCIAL STATEMENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY- FIRST ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT MERANTI HALL, LEVEL 2, CITIVIEW HOTEL SDN BERHAD, LOT 113, SEKSYEN 19, JALAN HAJI ABDUL AZIZ, 25000 KUANTAN, PAHANG ON WEDNESDAY, 27 JUNE 2012 AT 2.00 PM FOR THE FOLLOWING PURPOSES:-

ORDINARY BUSINESS

Resolution 1

To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.

Resolution 2

To approve the payment of Directors' Fees for the financial year ended 31 December 2011.

Resolution 3

To re-elect Mr Sukhinderjit Singh Muker as a Director of the Company retiring in accordance with Articles 78 & 79 of the Company's Articles of Association.

Resolution 4

To re-elect Mr Andrew Su Meng Kit as a Director of the Company retiring in accordance with Article 81 of the Company's Articles of Association.

Resolution 5

To consider and if thought fit, to pass the following Resolution pursuant to Section 129(6) of the Companies Act 1965:-

"That Mr See Seng Hong PJK retiring in accordance with Section 129(6) of the Companies Act, 1965 be and is hereby appointed a director of the Company to hold office until the conclusion of the next Annual General Meeting".

Resolution 6

To re-appoint Messrs SSY Partners as Auditors of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

ORDINARY RESOLUTION

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

Resolution 7

Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares

"That, subject always to the Companies Act, 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next annual general meeting upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued capital for the time being of the Company 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".

BY ORDER OF THE BOARD

Secretaries

LIM KUI SUANG (F)
MAICSA 0783327

LIM KING HUA (F)
MAICSA 0798613

PAUL IGNATIUS STANISLAUS
MACS 01330

Date: 29 May 2012
Klang.

NOTES

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy shall be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.*

2. *A member shall be entitled to appoint one (1) proxy to attend and vote at the meeting.*

3. *Where a member appoints more than one (1) proxy the appointment shall be invalid.*

4. *The instrument appointing a proxy must be deposited at the Company's Registered Office at No 9 Jalan Bayu Tinggi 2A/KS6, Taipan 2 Batu Unjur, 41200 Klang, Selangor not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.*

5. ***EXPLANATORY NOTES FOR ORDINARY RESOLUTION 7***

   Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 (the "Act")

   The Company had, during its Thirtieth Annual General Meeting ("AGM") held on 30 June 2011, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company did not issue any shares pursuant to this mandate obtained.

   The Ordinary Resolution 7 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors of the Company to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The authority 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 investment project(s), working capital and/or acquisitions.

STATEMENT ACCOMPANYING THE NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING

OF PAHANCO CORPORATION BERHAD

A. NAMES OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION

(a) Sukhinderjit Singh Muker (retiring pursuant to Articles 78 & 79 of the Articles of Association)

(b) Andrew Su Meng Kit (retiring pursuant to Article 81 of the Articles of Association)

(c) See Seng Hong PJK (retiring pursuant to Section 129(6) of the Companies Act, 1965)

B. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A total of seven (7) Board Meetings were held during the year 2011:

- six (6) Board Meetings were held at the Registered Office, No 9 Jalan Bayu Tinggi 2A/KS6, Taipan 2 Batu Unjur, 41200 Klang, Selangor;

- one (1) Board Meeting were held at the Office Premises, Kawasan Perindustrian Batu 3, Jalan Kuantan/Gambang, 25700 Kuantan, Pahang.

The attendance record of each Director is as follows:-

Name	**Attendance**	**Percentage (%)**
See Teck Wah	7/7	100%
See Seng Hong PJK	6/7	86%
Sukhinderjit Singh Muker	4/7	57%
Tan Teng Cheok	7/7	100%
Seah Cheong Wei	7/7	100%
Andrew Su Meng Kit (appointed on 25/5/2012)	–	–

C. THE PLACE, DATE AND HOUR OF THE THIRTY-FIRST ANNUAL GENERAL MEETING

Place : Meranti Hall, Level 2
Citiview Hotel Sdn Berhad
Lot 113, Seksyen 19
Jalan Haji Abdul Aziz
25000 Kuantan, Pahang

Date & Time: 27 June 2012 at 2.00 PM

D. FURTHER DETAILS OF THE INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

1. *Sukhinderjit Singh Muker,* is a Malaysian, age 65, an independent Non-Executive Director and Chairman of the Remuneration Committee. He is also a member of Audit Committee and Nomination Committee.

   He graduated with a Bachelor of Laws (Honours) degree from the University of London in 1972 and qualified as a barrister-at-law from the Honourable Society of Grays Inn. He has more than 30 years experience as a Lawyer and a member of the Malaysian Bar and partner of Messrs Lovelace & Hastings.

   He is also a Director of Southern Acids (M) Berhad, Harvest Court Industries Bhd, Kuok Hock Chin Foundation Bhd, BELL Foundation Bhd and several private limited companies.

   He has direct interest in the Company but has no shareholdings in the Company's subsidiaries.

   He is not related to any Director or major shareholder of the Company.

   He has no conflict of interest with the Company.

   He has no conviction for offences within the past 10 years.

2. *Andrew Su Meng Kit*, is a Malaysian, aged 41, is an Executive Director.

   He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He started his career under articleship training with KPMG where he qualified as a Certified Public Accountant in 1994. He worked as a financial controller for a subsidiary of a multi-national company listed in Australia from 1995 to 1997 and joined a wood based furniture product manufacturing company as General Manager and Executive Director from 1997 to 1999. He was involved in the internet industry and as a consultant for a company listed on the Second Board of Bursa Malaysia in 2000 and he joined the investment banking industry as a Director of Corporate Finance from 2001 to 2006. In 2006 to 2008, he was the Chief Executive Officer of Rhythm Consolidated Berhad. He is currently a management consultant in Pink Guava Sdn Bhd. He is also a Director of Mexter Technology Berhad, a company listed on the ACE Market of Bursa Malaysia.

   He has no direct interest in the Company but has no shareholdings in the Company's subsidiaries.

   He is not related to any Director or major shareholder of the Company.

   He has no conflict of interest with the Company.

   He has no conviction for offences within the past 10 years.

3. *See Seng Hong PJK*, is a Malaysian, aged 75, is an Executive Director and one of the founder members of the Company and has many years of working and management experience in wood-based industries especially in sawmilling, plywood and particleboard manufacturing.

   He does not hold any other directorship of public companies.

   He also sits on the Board of several private limited companies.

   He has indirect interest in the Company and its subsidiaries.

   He is the uncle of Mr See Teck Wah, the Chairman/Managing Director of the Company.

   He has no conviction for offences within the past 10 years.

CORPORATE INFORMATION

DIRECTORS

Name	Address	Occupation	Nationality
See Teck Wah *Chairman/Managing Director*	A924, Lorong Seri Kuantan 4 25250 Kuantan Pahang Darul Makmur	Company Director	Malaysian
See Seng Hong PJK *Executive Director*	6, Lengkok Haji Abbas, Kaw 15 Off Jalan Bukit Kuda 41300 Klang Selangor Darul Ehsan	Company Director	Malaysian
Sukhinderjit Singh Muker *Independent Non-Executive Director*	489, Jalan 5/53 Petaling Garden 46000 Petaling Jaya Selangor Darul Ehsan	Advocate & Solicitor	Malaysian
Tan Teng Cheok *Independent Non-Executive Director*	20 Jalan Serindit Taman Eng Ann 41150 Klang Selangor Darul Ehsan	General Manager	Malaysian
Seah Cheong Wei *Independent Non-Executive Director*	5-2A Jalan Bandar Satu Pusat Bandar Puchong 47160 Puchong, Selangor	Company Director	Malaysian
Andrew Su Meng Kit *Executive Director*	7 Jalan SS2/42, Damansara Jaya 47400 Petaling Jaya Selangor	Company Director	Malaysian

AUDIT COMMITTEE

Name	Position	Responsibility
Tan Teng Cheok	Independent Non-Executive Director	Chairman
Sukhinderjit Singh Muker	Independent Non-Executive Director	Member
Seah Cheong Wei	Independent Non-Executive Director	Member

NOMINATION COMMITTEE

Name	Position	Responsibility
Tan Teng Cheok	Independent Non-Executive Director	Chairman
Sukhinderjit Singh Muker	Independent Non-Executive Director	Member
Seah Cheong Wei	Independent Non-Executive Director	Member

REMUNERATION COMMITTEE

Name	Position	Responsibility
Sukhinderjit Singh Muker	Independent Non-Executive Director	Chairman
See Teck Wah	Chairman Managing Director	Member
Tan Teng Cheok	Independent Non-Executive Director	Member
Seah Cheong Wei	Independent Non-Executive Director	Member

COMPANY SECRETARIES

Lim Kui Suang (MAICSA 0783327)
No 10 Jalan Wangsa Murni 8
Wangsa Melawati, Setapak
53300 Kuala Lumpur

Lim King Hua (MAICSA 0798613)
3 Jalan Palas, Southern Park,
41200 Klang, Selangor Darul Ehsan

Paul Ignatius Stanislaus (MACS 01330)
138-H Jalan Kemboja, Taman Gembira,
41100 Klang, Selangor Darul Ehsan

REGISTERED OFFICE

No 9 Jalan Bayu Tinggi 2A/KS6
Taipan 2 Batu Unjur
41200 Klang
Selangor Darul Ehsan
Telephone : 03-33231916
Facsimile : 03-33233584

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46
47301 Petaling Jaya,
Selangor
Telephone : 03-78418000
Facsimile : 03-78418008

AUDITORS

SSY Partners
(Member of Nexia International)
SSY Building @ Sentral
Level 1, 2A Jalan USJ Sentral 3
USJ Sentral, Persiaran Subang 1
47620 Subang Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
1 Jalan Mahkota
25000 Kuantan
Pahang Darul Makmur

CIMB Bank Berhad
No A 1, Lorong Tun Ismail
Sri Dagangan 2
25000 Kuantan
Pahang Darul Makmur

Malayan Banking Bhd
UMNO Building
1 Jalan Haji Abdul Aziz
25000 Kuantan
Pahang Darul Makmur

PROFILE OF DIRECTORS

SEE TECK WAH

See Teck Wah, aged 63, is the Managing Director of Pahanco. He was appointed Chairman of Pahanco on 6 May 2009. He was appointed to the Board of Directors of Pahanco on 27 May 1981 and a member of Remuneration Committee on 29 November 2001. He resigned as member of the Audit Committee on 20 January 2009. He started working in 1969 when Pahanco began its sawmill operation and a year later, its plywood operation. Mr See Teck Wah is the driving force behind the setting up of its particleboard business in 1981. Mr See Teck Wah is responsible for the future direction and successful operations of the Pahanco Group. Besides overall supervision and management, Mr See Teck Wah also oversee the marketing, distribution and purchasing functions of the Group. He also sits on the Board of several private limited companies. He is the nephew of Mr See Seng Hong PJK. He has no conviction for offences within the past 10 years.

SEE SENG HONG PJK

See Seng Hong PJK, aged 75, is an Executive Director of Pahanco. He is also one of the founders of Pahanco. He has many years of working and management experience in wood-based industries especially in sawmilling, plywood and particleboard manufacturing. Mr See Seng Hong PJK is responsible for the general administration of the Pahanco Group. Mr See Seng Hong PJK also sits on the Boards of several private limited companies. He is the uncle of Mr See Teck Wah. He has no conviction for offences within the past 10 years.

SUKHINDERJIT SINGH MUKER

Sukhinderjit Singh Muker, aged 64, was appointed as an Independent Non-Executive Director of Pahanco and an Audit Committee member on 25 July 1995. He was appointed member of the Nomination Committee and Remuneration Committee on 29 November 2001. He is Chairman of the Remuneration Committee. He graduated with a Bachelor of Laws (Honours) degree from the University of London in 1972. Having qualified as a barrister-at-law from the Honourable Society of Grays Inn, he was called to the English bar in 1973. In 1974, he was admitted as a member of the Malaysian Bar and in 1977 was made a partner of Messrs Lovelace & Hastings. He is still a partner of the firm. He is also a Director of Southern Acids (M) Bhd, Harvest Court Industries Bhd, Kuok Hock Chin Foundation Bhd, BELL Foundation Bhd and several private limited companies. He has no conviction for offences within the past 10 years.

TAN TENG CHEOK

Tan Teng Cheok, aged 42 was appointed as an Independent Non-Executive Director of Pahanco and an Audit Committee member on 29 December 2001. He was appointed member of Nomination Committee and Remuneration Committee on 30 April 2003. He was appointed Chairman of Nomination Committee on 12 May 2011. He is Chairman of Audit Committee. He obtained a Bachelor of Business (Accounting) from Monash University, Australia in 1994. Mr Tan Teng Cheok is a member of Malaysian Institute of Accountants (MIA) and Australian Society of Certified Practising Accountants (ASCPA). He has no conviction for offences within the past 10 years.

SEAH CHEONG WEI

Seah Cheong Wei, aged 39 was appointed as an Independent Non-Executive Director of Pahanco and an Audit Committee member on 18 November 2010. He was appointed member of Nomination Committee and Remuneration Committee on 12 May 2011. He completed Master of Business Administration (MBA) and Bachelor of Commence in Accounting. He is a Chartered Accountant membership from Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. He is also a Certified Financial Planner (CFP) membership from Financial Planning Association of Malaysia. Currently he run his own firm providing services in Auditing, Accounting, Company Secretarial and Consultancy works.

ANDREW SU MENG KIT

Andrew Su Meng Kit, aged 41, was appointed as an Executive Director of Pahanco Corporation Berhad on 25 May 2012. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He started his career under articleship training with KPMG where he qualified as a Certified Public Accountant in 1994. He worked as a financial controller for a subsidiary of a multi-national company listed in Australia from 1995 to 1997 and joined a wood based furniture product manufacturing company as General Manager and Executive Director from 1997 to 1999. He was involved in the internet industry and as a consultant for a company listed on the Second Board of Bursa Malaysia in 2000 and he joined the investment banking industry as a Director of Corporate Finance from 2001 to 2006. In 2006 to 2008, he was the Chief Executive Officer of Rhythm Consolidated Berhad. He is currently a management consultant in Pink Guava Sdn Bhd. He is also a Director of Mexter Technology Berhad, a company listed on the ACE Market of Bursa Malaysia. He has no conviction for offences within the past 10 years.

CHAIRMAN’S STATEMENT

On behalf of the Board, I am pleased to present the Annual Report and the audited financial statement of Pahanco Group for the financial year ended 31st December 2011.

FINANCIAL PERFORMANCE

During the financial year, the revenue of Pahanco Group is RM 4.8 million compared to the revenue of RM 7.6 million in previous financial year.

The Group incurred loss before taxation of RM 6.6 million against the loss of RM 5.2 million in previous financial year.

In view of the loss, your Board is not recommending the payment of dividend.

BUSINESS PERFORMANCE

The revenue of the Group is lower by 36% compared to previous financial year due to weak demand for particleboard, breakdown of machinery and shortage of wood waste within vicinity. The manufacturing and distribution of plain and melamine laminated particleboard remains the core business of the Group.

Citiview Hotel is a tourist and business class hotel, It is located at the central business district of Kuantan. Citiview Hotel is generating profit for the group and is expected to perform well in the current year.

PROSPECTS

Particleboard industry faces the uncertainty of raw material cost such as glue, wood waste and others. The industry is also facing strong competition in terms of selling prices.
The contribution of wood pellets, which is under trial production and machinery improvement is insignificant during the year. However when the production of wood pellets is stabilized, it is likely to contribute to the performance of the group.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank the management and staff for their commitment and hard work.

I would also like to express my appreciation to all our customers, business associates, financers, government and regulatory authorities for their long time support and services.

SEE TECK WAH
Chairman

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

The Company continues to be led by the same board members. Presently, the Board has five (5) directors and majority of them being the Independent Non-Executive Directors. The roles and responsibilities of the Executive Chairman and Managing Director are assumed by the same director. Nonetheless, the Board believes the presence of majority independent director in the Board balances the combined roles of the Executive Chairman and Managing Director. In addition, Mr Sukhinderjit Singh Muker continues to act as the Senior Independent Non-Executive Director to provide shareholders with an alternative to convey their concerns and seek clarifications from the Board.

A description of the background of each director is presented on page 8.

Management is responsible for providing the Board with all information to enable the Board to discharge its responsibilities. The management is also invited to attend the Board and Audit Committee meetings and to provide explanation to the Board on the operations of the Group. In addition, the Board is also briefed by the Company Secretary, External Auditors and the Internal Auditors on new or changes in corporate regulatory requirements. The performance of the Group is reviewed by the Board in consideration of the quarterly financial results and explanation provided by the management.

Seven (7) board meetings were held during the financial year. The details of attendance by the Board members durign their tenure of office are as below.

Director	**No. of Meetings Attended**
See Teck Wah	7/7
See Seng Hong	6/7
Tan Teng Cheok	7/7
Sukhinderjit Singh Muker	4/7
Seah Cheong Wei	7/7

The Board maintains specific Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. The Chairman of the respective Board Committees would report to the Board during the Board meetings on significant matters and salient matters deliberated in the Committees.

APPOINTMENT TO THE BOARD

The Nominating Committee is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board and for the performance appraisal of directors. The current members of the Committee are made up of fully independent non-executive directors. The current composition of the Nomination Committee is as follows:

Chairman	:	Tan Teng Cheok (Independent Non-Executive Director)
Member	:	Sukhinderjit Singh Muker (Independent Non-Executive Director)
	:	Seah Cheong Wei (Independent Non-Executive Director)

During the financial year, the Nomination Committee conducted its meeting on 30 May 2011.

DIRECTORS' TRAINING

An in-house director workshop on Business Sucsession Planning on 21 April 2010 at Premier Hotel, Bandar Bukit Tinggi, Klang was conducted during the financial year. This training was attended by Mr Tan Teng Cheok and Mr See Seng Hong PJK.

RE-ELECTION OF DIRECTORS

Director re-election provides an opportunity for shareholders to renew their mandate conferred to the directors. The Articles of Association of the Company provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the Annual General Meeting ("AGM"). In addition, directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

DIRECTORS' REMUNERATION

The remuneration of the Executive Directors and Non-Executive Directors are reviewed by the Remuneration Committee and the Board respectively. All directors play no part in the decision of their own remuneration.

The current members of the Remuneration Committee are:

Chairman	:	Sukhinderjit Singh Muker *(Independent Non-Executive Director)*
Member	:	See Teck Wah *(Executive Chairman/ Managing Director)*
	:	Tan Teng Cheok *(Independent Non-Executive Director)*
	:	Seah Cheong Wei *(Independent Non-Executive Director)*

During the financial year, the Remuneration Committee conducted its meeting on 30 May 2011.

The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	–	3
RM50,001-RM100,000	1	–
RM100,001-RM150,000	–	–
RM150,001-RM200,000	1	–

CORPORATE GOVERNANCE STATEMENT *(CONT'D)*

The aggregate remuneration paid to all Directors of the Company are further categorised into the following components:

	Fees (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Allowance (RM)	Total (RM)
Executive Directors	36,000	216,744	–	6,500	259,244
Non-Executive Directors	49,500	–	–	9,000	58,500

The Board suggests Directors' fee of RM36,000 for Executive Director and RM49,500 for Non- Executive Directors to be payable for financial year 2011 subject to shareholders' approval at the forthcoming AGM.

The Board views that the transparency in respect of the Directors' remuneration has been reasonably dealt with by the 'band disclosure' presented in the above. Therefore, the detailed remuneration of each director is excluded.

SHAREHOLDERS

Information to shareholders is disseminated through various disclosures and announcements made to the Bursa Securities. This information is electronically published at the Bursa Securities website at http://www.bursamalaysia.com and it is accessible by public. The Company also maintains its website at http://www.pahanco.com.my containing brief information about the Company for the access of the general public.

The AGM remains as the principal forum for dialogue with all shareholders while the Extraordinary General Meetings would be held as and when required. At general meetings, before proposed resolutions are put to a vote, the shareholders would be provided with opportunities to seek clarifications.

ACCOUNTABILITY AND AUDIT

In presenting the annual financial statements and quarterly announcements of its results, the Board assures that the Group uses appropriate accounting policies consistently and estimates are supported by reasonable and prudent judgements.

It is the Board's responsibility to maintain a sound system of internal control for the Group. Information on the Group's state of internal control is reported in the Statement on Internal Control which is presented on page 14.

AUDIT COMMITTEE

The Audit Committee assists the Board in scrutinising audit activities, matters and findings. As and when necessary, separate meetings are convened with the Statutory Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group.

Further disclosure and details on the Audit Committee's activities conducted during the financial year are presented under the Audit Committee Report on pages 15 to 17.

COMPLIANCE WITH THE BEST PRACTICES

The Board believes that all material aspects of the Best Practices set out in Part 2 of the Revised Code have been complied with during the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:

I. The annual audited financial statements of the Group and of the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the Bursa Securities so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year, and

II. Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 31 December 2011, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statement with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

The Company would continue to participate in community activities which are appropriate.

STATEMENT OF INTERNAL CONTROL

The Board of Directors of Pahanco Corporation Berhad acknowledges the importance of the systems of internal control. Towards this end, it is recognised that the Board shall maintain a sound system of internal control; ensure the implementation of appropriate systems to manage risks; and review the adequacy and integrity of the Group's systems of internal control.

In discharging its risk management responsibilities, the Board is assisted by the Executive Director and management to assess the key business risks of the Group and to implement measures to manage risks.

At present, the Board's key review activities include the reviews of key financial and operating performances of the Group on a quarterly basis; discussions with the management on the progress of business operations and significant issues; and review of the internal and external audit findings reported by the Audit Committee.

Expectedly, all systems of internal control should be continuously improved in line with the evolving business development. However, it should be noted that risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

AUDIT COMMITTEE REPORT

1. COMPOSITION OF AUDIT COMMITTEE

Tan Teng Cheok
Chairman- Independent Non-Executive Director

Sukhinderjit Singh Muker
Member- Independent Non-Executive Director

Seah Cheong Wei
Member- Independent Non-Executive Director

2. TERMS OF REFERENCE

- **MEMBERSHIP**

  The Committee shall be appointed by the Board of Directors from amongst the Directors excluding Alternate Directors; shall consist of not less than 3 members, a majority of whom shall be independent non-executive directors.

  All the members of the Committee should be financially literate and at least one member should be a member of an accounting association or body.

  In order to form a quorum for any meeting of the Committee, the majority of members present must be independent non-executive directors. In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.

  The Board of Directors must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

  The Chairman shall be elected by the Committee from among their members who shall be an independent non-executive director. The Chairman should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to keep informed of matters affecting the Company.

- **RIGHTS**

  The Committee shall:

  i. Have authority to investigate any matter within its terms of reference;

  ii. Have the resources which are required to perform its duties;

  iii. Have full and unrestricted access to any information pertaining to the Company;

  iv. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any); and

  v. Be able to obtain independent professional or other advice.

AUDIT COMMITTEE REPORT *(CONT'D)*

- **FUNCTIONS**

  The Audit Committee shall review and report to the Board on the following key matters:

  i. To review the appointment, resignation, conduct and audit plans of the Internal and External Auditors;

  ii. To review the assistance given by the employees of the Company to the external auditors and the internal auditors;

  iii. To review the quarterly results and yearend financial statements, prior to the approval by the Board;

  iv. To review any related party transactions and conflict of interest situations that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity; and

  v. To review and report to the board of the state of the system of internal control of the Group.

3. AUDIT COMMITTEE MEETINGS ATTENDANCE

The Audit Committee conducted 5 meetings during the financial year ended 31 December 2011. The attendance of the Audit Committee members during their tenure of office are as below:

Tan Teng Cheok	[5]
Sukhinderjit Singh Muker	[3]
Seah Cheong Wei	[5]

4. ACTIVITIES OF THE AUDIT COMMITTEE

The activities undertaken by the Audit Committee during the financial period were summarized as follows:

(a) Reviewed the quarterly financial results and announcements for the financial quarters prior to submission to the Board of Directors for consideration and approval;

(b) Reviewed the annual audited financial statements for the financial year ended 31 December 2010;

(c) Reviewed and discussed with the External Auditors on audit and accounting issues in relation to the audited financial statements for the financial year ended 31 December 2010;

(d) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendation;

(e) Reviewed the Corporate Governance Statement, Audit Committee Report and Statement on Internal Control prior to submission to the Board for consideration and approval for inclusion in the 2010 annual report; and

(f) Deliberated with the Managing Director to improve the business operations the Group and its activities.

5. TRAINING

The training records of the members of the Audit Committee are shown on page 11 of the Corporate Governance Statement.

6. INTERNAL AUDIT FUNCTION

The Group had established its internal audit function. Currently, this function is outsourced to an internal audit services company and functionally, the internal audit team reports to the Audit Committee directly.

The Audit Committee reviews and approves the internal audit plan before the Internal Auditors carry out their audits. All audit findings are reported to the Audit Committee and areas of improvement and audit recommendations identified are communicated to the management for further action.

The cost for the internal audit function in respect of the financial year ended 31 December 2011 was RM38,053 (2010:RM37,862).

OTHER INFORMATION

SHARE BUY BACKS

There were no share buy backs transactions during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the financial year.

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

SANCTIONS AND / OR PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

NON-AUDIT FEES

There were no amount of non-audit fees paid to external auditor for the financial year.

PROFIT GUARANTEE

The Company did not issue any profit guarantee.

MATERIAL CONTRACTS

There were no material contracts by Pahanco or its Subsidiaries involving the directors' and major shareholders' interests during the financial year.

REVALUATION POLICY

The Group revalues its freehold land, factory and office buildings, hotel building and plant, machinery and equipment every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.
Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is recognized in the statement of comprehensive income to the extent of the decrease previously recognized. A revaluation deficit is first offset against unutilized previously recognized revaluation surplus in respect of the same asset and the balance is thereafter recognized in the statement of comprehensive income. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

RECURRENT RELATED PARTY TRANSACTION DURING THE FINANCIAL YEAR

There were no recurrent related party transactions during the financial year.

DIRECTORS' REPORT

For The Year Ended 31 December 2011

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 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are sales and marketing of particleboards. The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the year	6,788,335	1,932,775

DIVIDENDS

No dividends were paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2011.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES, WARRANTS AND DEBENTURES

There were no issue of shares, warrants or debentures during the financial year.

DIRECTORS

The Directors of the Company who held office since the date of the last report are as follows:
See Teck Wah
See Seng Hong, PJK
Sukhinderjit Singh Muker
Tan Teng Cheok
Seah Cheong Wei

Retirement and re-election of the Directors at the Annual General Meeting will be in accordance with the Company's Articles of Association.

DIRECTORS' REPORT *(CONT'D)*

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, particulars of interests in the shares and warrants of the Company and its related corporations of those Directors who held office at the end of the financial year were as follows:

	Number of ordinary shares of RM1 each in the Company			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Shareholdings in the name of the Directors:				
See Teck Wah	4,892,912	–	–	4,892,912
See Seng Hong, PJK	429,000	–	–	429,000
Sukhinderjit Singh Muker	7,500	–	–	7,500
Deemed interest				
See Teck Wah#	21,825,025	–	–	21,825,025
See Seng Hong, PJK*	18,608,060	–	–	18,608,060

	Number of warrants in the Company			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Direct interest				
See Teck Wah	405,000	–	–	405,000
See Seng Hong, PJK	126,073	–	–	126,073
Deemed interest				
See Teck Wah#	5,290,646	–	–	5,290,646
See Seng Hong, PJK*	4,935,691	–	–	4,935,691

* Deemed interest pursuant to Section 6A of the Companies Act 1965 by virtue of their interests in Pahangply Holdings Berhad, NGE Leasing & Credit Sdn. Bhd., Nanyang General Enterprises Sdn. Bhd., Nanyang Timber Industry Sdn. Bhd. and Far East Navigation (M) Sdn. Bhd..

#. Deemed interest pursuant to Section 6A of the Companies Act 1965 by virtue of their interests in Pahangply Holdings Berhad, NGE Leasing & Credit Sdn. Bhd., See Seng Lai & Sons Realty Sdn. Bhd., Nanyang General Enterprises Sdn. Bhd., Nanyang Timber Industry Sdn. Bhd. and Far East Navigation (M) Sdn. Bhd..

Mr. See Teck Wah and Mr. See Seng Hong, PJK by virtue of their interests in the shares of the Company are also deemed interested in the shares of all the Company's subsidiaries during the financial year to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in Note 26 of the financial statements.

Neither during nor at the end of the financial year was the Company a party 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.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount to which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for 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; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liability of any other person nor has any contingent liability arisen in the Group and in the Company.

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

AUDITORS

The auditors, Messrs SSY Partners, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2012.

SEE TECK WAH
Director

SEE SENG HONG, PJK
Director

Klang

STATEMENT BY DIRECTORS

Pursuant To Section 169(15) Of The Companies Act,1965

We, See Teck Wah and See Seng Hong, PJK, being two of the Directors of Pahanco Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 25 to 62 are drawn up in accordance with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 33 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2012.

SEE TECK WAH
Director

SEE SENG HONG, PJK
Director

Klang

STATUTORY DECLARATION

Pursuant To Section 169(16) Of The Companies Act,1965

I, Lee Sak Yon, being the officer primarily responsible for the financial management of Pahanco Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 62 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Lee Sak Yon
at Klang in the state of Selangor
on 27 April 2012.

LEE SAK YON
Officer

Before me,

INDEPENDENT AUDITORS' REPORT

To The Members Of Pahanco Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pahanco Corporation Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 25 to 62.

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 Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our 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 Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which discloses the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM6,788,335 and RM1,932,775 respectively during the year ended 31 December 2011, and as of that date, the Group's current liabilities exceeded its current assets by RM19,861,913, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The basis on which the Directors are of the opinion that the Group can continue as a going concern is disclosed in the said Note 2.

INDEPENDENT AUDITORS' REPORT *(CONT'D)*

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act;

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

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and does not form part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

SSY PARTNERS
AF: 0040
Chartered Accountants

JASON SIA SZE WAN
No. 2376/05/12 (J)
Partner

Subang Jaya
27 April 2012

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	51,918,348	45,232,995	17,134,972	11,097,329
Investments in subsidiaries	7	–	–	1,687,730	1,691,236
Quoted investments	8	4,806	4,982	4,806	4,982
		51,923,154	45,237,977	18,827,508	12,793,547
Current assets					
Inventories	9	1,457,677	1,927,552	–	–
Trade receivables	10	523,431	1,030,609	392,219	537,237
Other receivables, deposits and prepayments	11	422,491	299,131	173,422	172,099
Amount due from subsidiaries	12	–	–	31,358,466	30,097,651
Tax recoverable		13,331	13,310	8,087	8,066
Cash and bank balances		378,474	660,545	163,018	336,254
		2,795,404	3,931,147	32,095,212	31,151,307
TOTAL ASSETS		54,718,558	49,169,124	50,922,720	43,944,854
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	44,083,200	44,083,200	44,083,200	44,083,200
Revaluation surplus	14	30,835,315	21,038,184	11,165,220	4,526,156
Capital reserve	15	38,497	38,497	38,497	38,497
Accumulated losses		(43,310,592)	(36,522,257)	(23,210,167)	(21,277,392)
TOTAL EQUITY		31,646,420	28,637,624	32,076,750	27,370,461
Non-current liabilities					
Deferred tax liabilities	16	414,821	375,916	–	–
		414,821	375,916	–	–
Current liabilities					
Trade payables	17	1,545,289	2,168,017	1,001,671	1,515,067
Other payables, accruals and deposits received	18	13,143,216	9,375,580	9,777,505	6,253,098
Amount due to a subsidiary	19	–	–	191,879	194,241
Borrowings	20	7,874,915	8,611,987	7,874,915	8,611,987
Taxation		93,897	–	–	–
		22,657,317	20,155,584	18,845,970	16,574,393
TOTAL LIABILITIES		23,072,138	20,531,500	18,845,970	16,574,393
TOTAL EQUITY AND LIABILITIES		54,718,558	49,169,124	50,922,720	43,944,854

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

STATEMENTS OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	21	4,874,903	7,629,135	1,416,437	1,326,906
Cost of sales		(8,274,216)	(9,544,040)	(1,011,126)	(1,053,666)
Gross (loss)/profit		(3,399,313)	(1,914,905)	405,311	273,240
Other income		293,318	304,001	84	26,173
		(3,105,995)	(1,610,904)	405,395	299,413
Selling and distribution expenses		(208,209)	(403,698)	(133,335)	(84,876)
Other operating expenses		(7,188)	(211,190)	(3,682)	(2,412)
Administrative expenses		(2,875,351)	(2,524,691)	(1,742,363)	(1,738,730)
Loss from operations		(6,196,743)	(4,750,483)	(1,473,985)	(1,526,605)
Finance costs		(458,790)	(452,469)	(458,790)	(452,469)
Loss before taxation	22	(6,655,533)	(5,202,952)	(1,932,775)	(1,979,074)
Taxation	24	(132,802)	(151,008)	–	–
Loss for the year		(6,788,335)	(5,353,960)	(1,932,775)	(1,979,074)
Other comprehensive income:					
Revaluation of land and buildings		9,797,131	–	6,639,064	–
Total comprehensive income/ (loss) for the year		3,008,796	(5,353,960)	4,706,289	(1,979,074)
Loss attributable to:					
Owners of the parent		(6,788,335)	(5,353,960)	(1,932,775)	(1,979,074)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		3,008,796	(5,353,960)	4,706,289	(1,979,074)
Basic loss per share (sen)	25	(15.40)	(12.15)		

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

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

	Share capital RM	Revaluation surplus RM	Capital reserve RM	Accumulated losses RM	Total RM
Group					
At 1 January 2011	44,083,200	21,038,184	38,497	(36,522,257)	28,637,624
Total comprehensive income	–	9,797,131	–	(6,788,335)	3,008,796
At 31 December 2011	44,083,200	30,835,315	38,497	(43,310,592)	31,646,420
At 1 January 2010	44,083,200	21,038,184	38,497	(31,168,297)	33,991,584
Total comprehensive loss	–	–	–	(5,353,960)	(5,353,960)
At 31 December 2010	44,083,200	21,038,184	38,497	(36,522,257)	28,637,624
Company					
At 1 January 2011	44,083,200	4,526,156	38,497	(21,277,392)	27,370,461
Total comprehensive income	–	6,639,064	–	(1,932,775)	4,706,289
At 31 December 2011	44,083,200	11,165,220	38,497	(23,210,167)	32,076,750
At 1 January 2010	44,083,200	4,526,156	38,497	(19,298,318)	29,349,535
Total comprehensive loss	–	–	–	(1,979,074)	(1,979,074)
At 31 December 2010	44,083,200	4,526,156	38,497	(21,277,392)	27,370,461

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

STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2011

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Cash flows from operating activities				
Loss before taxation	(6,655,533)	(5,202,952)	(1,932,775)	(1,979,074)
Adjustments for:				
Depreciation of property, plant and equipment	3,151,573	3,064,404	601,421	562,229
Rental income	(217,137)	(167,200)	–	–
Dividend income	(84)	(56)	(84)	(56)
Interest income	–	(990)	–	-
Interest expense	458,790	452,469	458,790	452,469
Bad debts written off	25,000	–	25,000	–
Allowance for doubtful debts	215,671	6,084	44,624	–
Allowance for impairment on inventories	100,439	–	–	–
Gain on disposal of property, plant and equipment	–	(14,848)	–	(14,848)
Allowance for diminution in value of quoted investments	176	–	176	–
Reversal of allowance for diminution in value of quoted investments	–	(1,912)	–	(1,912)
Impairment loss on investment in subsidiaries	–	–	3,506	2,412
Inventories written off	94,133	274,965	–	–
Operating loss before working capital changes	(2,826,972)	(1,590,036)	(799,342)	(978,780)
Decrease in inventories	275,303	310,570	–	–
Increase in amount due from subsidiaries	–	–	(1,260,815)	(415,446)
Decrease in trade and other receivables, deposits and prepayments	143,147	489,012	74,071	154,965
Increase in trade and other payables, accruals and deposits received	3,144,908	3,019,988	3,011,011	2,930,354
Decrease in amount due to a subsidiary	–	–	(2,362)	(1,127)
Interest received	-	990	-	-
Interest paid	(458,790)	(452,469)	(458,790)	(452,469)
Income tax paid	(21)	(15)	(21)	(15)
Net cash generated from operating activities	277,575	1,778,040	563,752	1,237,482
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 30)	(39,795)	(719,030)	–	–
Dividend received	84	56	84	56
Proceeds from disposal of property, plant and equipment	–	14,850	–	14,850
Rental received	217,137	167,200	–	–
Net cash generated from/(used in) investing activities	177,426	(536,924)	84	14,906

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from financing activities				
Repayment of term loans	–	(297,500)	–	(297,500)
Withdrawal of fixed deposits previously pledged as security to bank	–	95,000	–	–
Drawdown of term loan	275,000	–	275,000	–
Net repayment of banker's acceptances	(448,000)	(743,000)	(448,000)	(743,000)
Net cash used in financing activities	(173,000)	(945,500)	(173,000)	(1,040,500)
Net increase in cash and cash equivalents	282,001	295,616	390,836	211,888
Cash and cash equivalents at beginning of the year	(698,442)	(994,058)	(1,022,733)	(1,234,621)
Cash and cash equivalents at end of the year	(416,441)	(698,442)	(631,897)	(1,022,733)
Cash and cash equivalents comprise:				
Cash and bank balances	378,474	660,545	163,018	336,254
Bank overdrafts (Note 20)	(794,915)	(1,358,987)	(794,915)	(1,358,987)
	(416,441)	(698,442)	(631,897)	(1,022,733)

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan. The principal places of business of the Company are located at No. 33 & 35, Jalan Batu Tiga, 41300 Klang, Selangor Darul Ehsan and Kawasan Perindustrian Batu Tiga, Jalan Kuantan/Gambang, 25150 Kuantan, Pahang Darul Makmur.

The principal activities of the Company are sales and marketing of particleboards. The principal activities of the subsidiaries are as stated in Note 7. There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 134 (2010: 153) and 9 (2010: 13) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2012.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

As at the end of the financial year, the Group and the Company had incurred a net loss of RM6,788,335 and RM1,932,775 respectively, and as of that date, the Group's net current liabilities was RM19,861,913. The continuation of the Group as a going concern is dependent upon the Group's abilities to operate profitably in the foreseeable future and continued availability of adequate financial support. Certain related parties of the Group have confirmed their intention to maintain the Group as a going concern.

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

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year except as disclosed in Note 4.

(a) Basis of consolidation

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

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

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

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

(b) Property, plant and equipment, and depreciation

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

Subsequent to recognition, property, plant and equipment are stated at historical cost, except for freehold land, factory and office buildings, hotel building, and plant, machinery and equipment which are stated at valuation, less accumulated depreciation and any accumulated impairment losses.

The Group revalues its freehold land, factory and office buildings, hotel building, and plant, machinery and equipment every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in the statement of comprehensive income to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the statement of comprehensive income. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an indefinite useful life and therefore is not depreciated. Leasehold land is depreciated over the remaining lease period of between 58 years and 64 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives, at the following annual rates:

Factory building	5.0%
Office building	2.0%
Hotel building	2.0%
Motor vehicles	15.0%
Furniture, fittings and equipment	10.0%
Plant, machinery and equipment	7.5%
Tractors	20.0%
Forklifts	20.0%

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of comprehensive income and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(c) Investment in subsidiaries

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

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

(d) Quoted investments

Investment in quoted investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments.

Where there is a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statements of comprehensive income.

(e) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw material, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Utility inventories are capitalised at the minimum level requirement for normal operations and replacement of such items are written off to the statement of comprehensive income as and when they are replaced.

(f) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the statement of financial position date.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(j) Provision for liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Segmental reporting

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

Segment revenues and expenses are those directly attributable to the segments where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segment on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(l) Equity instruments

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

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

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

(m) Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the statement of financial position 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 the 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 statement of financial position 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.

(n) Employee benefits

i Short term benefits

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

ii Defined contribution plan

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statement of comprehensive income as incurred.

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefit falling due more than twelve months after the statement of financial position date are discounted to present value.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

i Sale of goods

Revenue is recognised net of sales taxes (if any), returns and allowance, trade discounts, volume rebates and upon transfer of significant risks and rewards of ownership to the buyer.

ii Hotel operations

Revenue from hotel operations is recognised as services are rendered.

iii Dividend income

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

iv Interest income

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

v Rental income

Rental income is recognised on an accrual basis.

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

ii Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

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

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

The principal closing rates used in translation of foreign currency amounts are as follows:

	2011 RM	**2010 RM**
1 United States Dollar	Not applicable	3.0875

(r) Impairment of assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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 loss 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 the 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 profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(s) Financial instruments

Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'. Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

i Financial assets at 'fair value through profit or loss'

Financial assets are classified as at 'fair value through profit or loss' when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as at 'fair value through profit or loss'.

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

Financial assets (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

ii 'Held-to-maturity' investments

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity.

After initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

iii Loans and receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.
After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

iv 'Available-for-sale' financial assets

Investment in quoted equity and debt instruments that are traded in active market and certain unquoted equity instruments (when the fair value can be determined using a valuation technique) are classified as 'available-for-sale' financial assets. 'Available-for-sale' financial assets are measured at fair value.

Gains or losses on 'available-for-sale' financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the 'available-for-sale' financial assets are derecognised. At that time, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on 'available-for-sale' equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

v Investment in unquoted equity instruments carried at cost

Investment in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments, are measured at cost less any accumulated impairment losses.

vi Reclassifications of financial assets

The Group and the Company do not reclassify derivative out of the 'fair value through profit or loss' category while they are held or in issue. Equally, the Group and the Company do not reclassify other financial assets out of the 'fair value through profit or loss' category if upon initial recognition, those financial assets were designated as at 'fair value through profit or loss'. Other financial assets are not reclassified into the 'fair value through profit or loss' category after initial recognition under another category.

When it is no longer appropriate to classify an investment as 'held-to-maturity' as a result of a change in intention and ability, the investment is reclassified as held for sale and re-measured at fair value. Any difference between the carrying amount and fair value of the investment is recognised in other comprehensive income.

vii Impairment of financial assets

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that financial assets held, other than financial assets at 'fair value through profit or loss', are impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

For investment in equity instruments classified as 'available-for-sale', objective evidence that the financial assets are impaired include the disappearance of an active market for the financial assets because of financial difficulties, or the decline of the market price below the cost.

For other financial assets, objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

Impairment losses, in respect of 'held-to-maturity' investments carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated future cash flows discounted at the 'held-to-maturity' investments' original effective interest rate.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost, the amount of any impairment loss is measured as the differences between the carrying amounts of the financial assets and the present value of their estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses are not reversed.

For 'available-for-sale' financial assets, if a decline in fair value has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative losses that have been recognised are reclassified to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as 'available-for-sale' financial assets are not reversed through profit or loss. If the fair value of a debt instrument classified as an 'available-for-sale' financial asset subsequently increases, and the increase can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed and recognised in profit or loss.

viii Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group and the Company transfer the financial assets and the transfers qualify for derecognition.
On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at 'fair value through profit or loss'. After initial recognition, financial liabilities are either classified as at 'fair value through profit or loss' or amortised cost using the effective interest method.

i Financial liabilities at 'fair value through profit or loss'

Financial liabilities are classified as at 'fair value through profit or loss' when the financial liabilities are either 'held for trading' or upon initial recognition, the financial liabilities are designated as at 'fair value through profit or loss'.

A financial liability is classified as 'held for trading' if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

Financial liabilities (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial liabilities at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial liabilities at 'fair value through profit or loss'are recognised in profit or loss.

ii Financial liabilities at amortised cost using the effective interest method

Effective interest method is a method of calculating the amortised cost of financial liabilities and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts.

Estimate future cash payments through the expected life of the financial liabilities or a shorter period to the net carrying amount of the financial liabilities. After initial recognition, financial liabilities other than financial liabilities at 'fair value through profit or loss' are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

iii Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

(t) Related parties

Parties are considered to be related to the Group or the Company if the Group or 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 Group or the Company and the party subject to common control or common significant influence. Related parties may be individual or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

(u) Leases

i Finance leases

Leases of property, plant and equipment are classified as finance lease where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the Group and the Company.

The Group and the Company initially recognise finance leases as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments at the inception of the leases. Any initial direct costs are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. A finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss unless they are attributable to qualifying assets, in which case they are capitalised in accordance with the accounting policy for borrowing costs. Contingent rents are charged as an expense in profit or loss in the period in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that of depreciable assets that are owned. If there is no reasonable certainty that the Group and the Company will obtained ownership by the end of the lease term, the leased assets are depreciated over the shorter of the lease terms and their useful lives.

ii Operating leases

All other leases are classified as operating leases. Lease payments under operating leases are recognised as expense in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

4. CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company have adopted the following new and revised Financial Reporting Standards, Interpretations and amendments to certain Standards and Interpretations (collectively referred to as 'FRSs') issued by the Malaysian Accounting Standards Board (MASB), which are effective for the financial periods beginning on or after 1 January 2011:

FRS 1:	First-time Adoption of Financial Reporting Standards
FRS 3:	Business Combinations
FRS 127:	Consolidated and Separate Financial Statements
Amendments to FRS 1:	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1:	Additional Exemptions for First-time Adopters
Amendments to FRS 2:	Share-based Payment
Amendments to FRS 2:	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3:	Business Combinations
Amendments to FRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7:	Improving Disclosures about Financial Instruments
Amendments to FRS 101:	Presentation of Financial Statements
Amendments to FRS 121:	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 127:	Consolidated and Separate Financial Statements
Amendments to FRS 128:	Investments in Associates
Amendments to FRS 131:	Interests in Joint Ventures
Amendments to FRS 132:	Financial Instruments: Presentation
Amendments to FRS 134:	Interim Financial Reporting
Amendments to FRS 138:	Intangible Assets
Amendments to FRS 139:	Financial Instruments: Recognition and Measurement
IC Interpretation 4:	Determining Whether an Arrangement contains a Lease
IC Interpretation 12:	Service Concession Arrangements
IC Interpretation 16:	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17:	Distributions of Non-cash Assets to Owners
IC Interpretation 18:	Transfers of Assets from Customers
Amendments to IC Interpretation 9:	Reassessment of Embedded Derivatives
Amendments to IC Interpretation 13:	Customer Loyalty Programmes
Amendments to IC Interpretation 15:	Agreements for the Construction of Real Estate

Adoption of the above FRSs did not have any effect on the financial performance, position or presentation of financial information of the Group and of the Company.

The Group and the Company have not adopted the following FRSs that have been issued by the MASB but are not yet effective.

FRS 9* :	Reassessment of Embedded Derivatives
FRS 10*:	Consolidated Financial Statements
FRS 11*:	Joint Arrangements
FRS 12*:	Disclosure of Interests in Other Entities
FRS 13*:	Fair Value Measurement
FRS 119*:	Employee Benefits
FRS 124:	Related Party Disclosures
FRS 127*:	Separate Financial Statements
FRS 128*:	Investment in Associates and Joint Ventures
Amendments to FRS 1:	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7:	Disclosures - Transfers of Financial Assets
Amendments to FRS 101*:	Presentation of Items of Other Comprehensive Income
Amendments to FRS 112:	Deferred Tax: Recovery of Underlying Assets
IC Interpretation 15:	Agreements for Construction of Real Estate (withdrawn)
IC Interpretation 19:	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20*:	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 14:	Prepayments of a Minimum Funding Requirement

The new FRSs will be applicable to the Group and the Company for financial year beginning 1 January 2012, except for those marked "*" will be applicable for financial year beginning 1 January 2013.

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The Group and the Company is currently in the process of determining the financial impact arising from the MFRS Framework.

5. SIGNIFICANT ACCOUNTING ESTIMATES

Key Sources of Estimation Uncertainty

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

(a) Income taxes

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations 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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of particleboards is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 13 years. These are common life expectancies applied in the particleboards industry.

(c) Impairment of property, plant and equipment

During the current financial year, the Group has not recognised impairment losses in respect of property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Deferred tax assets

Deferred tax assets are recognised for unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which these 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

6. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands RM	Freehold land RM	Factory and office buildings RM	Hotel building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Plant, machinery and equipment RM	Tractors RM	Forklifts RM	Total RM
Carrying amount										
At 1 January 2011	1,600,000	3,578,369	8,497,500	14,787,000	12,296	185,799	16,572,023	4	4	45,232,995
Revaluation surplus	1,260,000	6,571,631	752,500	1,213,000	–	–	–	–	–	9,797,131
Additions	–	–	–	–	–	39,795	–	–	–	39,795
Depreciation charge	–	(173,561)	(462,500)	(320,000)	(12,290)	(40,966)	(2,142,256)	–	–	(3,151,573)
At 31 December 2011	2,860,000	9,976,439	8,787,500	15,680,000	6	184,628	14,429,767	4	4	51,918,348
At 31 December 2011										
Cost	–	–	–	–	1,196,635	3,215,114	2,287,597	710,709	212,500	7,622,555
Valuation	2,860,000	10,150,000	9,250,000	16,000,000	–	–	49,422,006	–	–	87,682,006
Accumulated depreciation	–	(173,561)	(462,500)	(320,000)	(1,196,629)	(3,030,486)	(32,671,704)	(710,705)	(212,496)	(38,778,081)
Accumulated impairment loss	–	–	–	–	–	–	(4,608,132)	–	–	(4,608,132)
Carrying amount	2,860,000	9,976,439	8,787,500	15,680,000	6	184,628	14,429,767	4	4	51,918,348
At 31 December 2010										
Cost	–	4,263,924	–	–	1,196,635	3,175,319	2,287,597	710,709	212,500	11,846,684
Valuation	1,600,000	–	10,300,000	15,900,000	–	–	49,422,006	–	–	77,222,006
Accumulated depreciation	–	(685,555)	(1,802,500)	(1,113,000)	(1,184,339)	(2,989,520)	(30,529,448)	(710,705)	(212,496)	(39,227,563)
Accumulated impairment loss	–	–	–	–	–	–	(4,608,132)	–	–	(4,608,132)
Carrying amount	1,600,000	3,578,369	8,497,500	14,787,000	12,296	185,799	16,572,023	4	4	45,232,995
Depreciation - 2010	–	62,323	515,000	318,000	24,577	40,847	2,103,657	–	–	3,064,404

Company	**Leasehold land RM**	**Factory building RM**	**Motor vehicles RM**	**Furniture, fittings and equipment RM**	**Total RM**
Carrying amount					
At 1 January 2011	3,305,936	7,755,000	12,296	24,097	11,097,329
Revaluation surplus	5,954,064	685,000	–	–	6,639,064
Depreciation charge	(159,655)	(422,000)	(12,290)	(7,476)	(601,421)
At 31 December 2011	9,100,345	8,018,000	6	16,621	17,134,972
At 31 December 2011					
Cost	–	–	1,126,435	329,000	1,455,435
Valuation	9,260,000	8,440,000	–	–	17,700,000
Accumulated depreciation	(159,655)	(422,000)	(1,126,429)	(312,379)	(2,020,463)
Carrying amount	9,100,345	8,018,000	6	16,621	17,134,972
At 31 December 2010					
Cost	3,943,924	–	1,126,435	329,000	5,399,359
Valuation	–	9,400,000	–	–	9,400,000
Accumulated depreciation	(637,988)	(1,645,000)	(1,114,139)	(304,903)	(3,702,030)
Carrying amount	3,305,936	7,755,000	12,296	24,097	11,097,329
Depreciation - 2010	57,999	470,000	24,577	9,653	562,229

(a) Freehold land and buildings of the Group and building of the Company stated at carrying amounts of RM27,327,500 (2010: RM24,884,500) and RM8,018,000 (2010: RM7,755,000) respectively have been charged to financial institutions for credit facilities granted to the Group and the Company as disclosed in Note 20.

(b) Leasehold lands of the Group and Company stated at carrying amounts of RM9,976,439 (2010: RM3,578,369) and RM9,100,345 (2010: RM3,305,936) respectively have been charged to financial institutions for credit facilities granted to the Group and the Company as disclosed in Note 20.

(c) The freehold land and buildings of the Group and building of the Company were revalued by the Directors on 1 January 2011, based on valuation carried out by an independent firm of professional valuers, Messrs CH Williams Talhar & Wong Sdn. Bhd.. The valuation was based on market value using the comparison and cost method of valuation.

(d) The plant, machinery and equipment of the Group were revalued by the Directors during the financial year 2007 based on valuation carried out by an independent firm of professional valuers, Messrs CH Williams Talhar & Wong Sdn. Bhd.. The valuation was based on market value using the depreciated replacement cost method.

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

(e) Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount of property, plant and equipment would be as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Freehold land	1,034,309	1,034,309	–	–
Leasehold land	3,516,046	3,578,369	3,247,937	3,305,936
Factory and office buildings	2,745,681	3,236,861	2,769,152	3,236,861
Hotel building	10,557,383	10,847,851	–	–
Plant, machinery and equipment	1,694,666	3,861,039	–	–
	19,548,085	22,558,429	6,017,089	6,542,797

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2011 RM	**2010 RM**
Unquoted shares, at cost	13,036,388	13,036,388
Less: Allowance for impairment losses	(11,348,658)	(11,345,152)
	1,687,730	1,691,236

The particulars of the subsidiaries are as follows:

Name of companies	**Equity interest held 2011 %**	**2010 %**	**Principal activities**
Citiview Hotel Sdn. Bhd.	100	100	Operates hotel.
Natural Renewable Energy Sdn. Bhd.	100	100	Letting of property and manufacturing of modular furniture. Ceased operations during the financial year.
Pahanco Manufacturing Sdn. Bhd.	100	100	Manufacturing of particleboards.
Pahanco Marketing Sdn. Bhd.	100	100	Not in operation.
Petani Particleboard Marketing Sdn. Bhd.^	100	100	Not in operation.
BLB-PPMB Marketing Sdn. Bhd.+	100	100	Not in operation.

^ Held through Pahanco Manufacturing Sdn. Bhd.
+ Held through Natural Renewable Energy Sdn. Bhd.

All of the above subsidiaries were incorporated in Malaysia and audited by Messrs SSY Partners, a member of Nexia International.

8. QUOTED INVESTMENTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Quoted shares, at cost	13,000	13,000	13,000	13,000
Less: Allowance for diminution in value	(8,194)	(8,018)	(8,194)	(8,018)
	4,806	4,982	4,806	4,982
Quoted shares, at market value	4,806	4,982	4,806	4,982

9. INVENTORIES

	Group	
	2011	**2010**
	RM	**RM**
Raw materials	255,254	398,366
Finished goods	399,992	563,071
Machinery spare parts	546,969	629,581
Factory consumables and other sundry materials	56,282	57,867
Food and beverage	17,217	12,790
Housekeeping	53,935	38,739
Utility stocks	228,467	227,138
	1,558,116	1,927,552
Less: Allowance for impairment on inventories	(100,439)	–
	1,457,677	1,927,552

10. TRADE RECEIVABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade receivables	1,495,607	1,787,114	847,105	947,499
Less: Allowance for doubtful debts	(972,176)	(756,505)	(454,886)	(410,262)
	523,431	1,030,609	392,219	537,237

The Group and the Company's normal trade credit terms range from 60 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

The aging analysis of the Group and the Company are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Neither past due nor impaired	198,448	503,827	116,276	166,145
1 to 30 days past due not impaired	14,352	56,990	–	25,525
31 to 60 days past due not impaired	28,091	2,705	–	–
61 to 90 days past due not impaired	–	–	–	–
91 to 120 days past due not impaired	–	–	–	–
More than 120 days past due not impaired	282,540	467,087	275,943	345,567
	523,431	1,030,609	392,219	537,237

The balance of receivables that is past due but not impaired is unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

Included in the Group's and the Company's trade receivables are amounts of RM133,790 (2010: RM133,790) and RM133,790 (2010: RM133,790) respectively due from corporations in which certain Directors of the Company have an interest.

Included in the Group's and the Company's trade receivables is an amount of RM Nil (2010: RM45,750) denominated in USD. This foreign financial assets were exposed to foreign currency risk.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sundry receivables	138,918	25,132	9,845	10,345
Deposits	34,231	34,263	12,793	12,793
Prepayments	249,342	239,736	150,784	148,961
	422,491	299,131	173,422	172,099

12. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Amount due from subsidiaries	38,320,348	37,059,533
Less: Allowance for doubtful debts	(6,961,882)	(6,961,882)
	31,358,466	30,097,651

The amount due from subsidiaries is unsecured, interest free and is repayable on demand.

13. SHARE CAPITAL

	Group and Company	
	2011	**2010**
	RM	**RM**
Authorised ordinary shares of RM1 each		
At beginning/end of the year	100,000,000	100,000,000
Issued and fully paid ordinary shares of RM1 each		
At beginning/end of the year	44,083,200	44,083,200

In 2002, a total of 8,396,800 free detachable warrants were issued pursuant to the rights issue of 8,396,800 ordinary shares to the entitled shareholders of the Company on the basis of one warrant for one rights share. Each warrant will entitle its registered holder to subscribe for one new share in the Company at an exercise price of RM1.00 per share at any time within 10 years from the date of issue.

After the issue of 14,694,400 new shares pursuant to the bonus issue in the same year, the number of warrants in issue was adjusted to 12,595,200. No adjustment was made to the exercise price as the exercise price of RM1.00 per share is also the par value of the Company's shares.

As at 31 December 2011, the warrants remained unexercised.

14. REVALUATION SURPLUS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
At beginning of the year	21,038,184	21,038,184	4,526,156	4,526,156
Revaluation surplus	9,797,131	–	6,639,064	–
At end of the year	30,835,315	21,038,184	11,165,220	4,526,156

15. CAPITAL RESERVE

This represents distributable reserve arising from the disposal of quoted investments in prior years.

16. DEFERRED TAX LIABILITIES

	Group	
	2011	**2010**
	RM	**RM**
At beginning of the year	375,916	224,908
Recognised in the statements of comprehensive income (Note 24)	38,905	151,008
At end of the year	414,821	375,916

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

	Group 2011 RM	Group 2010 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	–	(31,398)
Deferred tax liabilities	414,821	407,314
	414,821	375,916

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

Deferred tax assets of the Group:

	Group 2011 Tax losses RM	Group 2010 Tax losses RM
At beginning of the year	(31,398)	(182,232)
Recognised in the statement of comprehensive income	31,398	150,834
At end of the year	–	(31,398)

Deferred tax liabilities of the Group:

	Group 2011 Accelerated capital allowance RM	Group 2010 Accelerated capital allowance RM
At beginning of the year	407,314	407,140
Recognised in the statement of comprehensive income	7,507	174
At end of the year	414,821	407,314

17. TRADE PAYABLES

The normal trade credit terms granted to the Group and of the Company ranged from 60 days to 90 days.

18. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Other payables	120,804	116,855	107,891	107,891
Amount due to related parties	11,644,733	8,044,537	9,394,274	5,844,274
Accruals	1,031,579	1,151,838	273,540	299,133
Deposits received	346,100	62,350	1,800	1,800
	13,143,216	9,375,580	9,777,505	6,253,098

The amount due to related parties is unsecured, interest free and is repayable on demand.

19. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest free and is repayable on demand.

20. BORROWINGS

	Group and Company	
	2011	**2010**
	RM	**RM**
Current		
Bank overdrafts (secured)	794,915	1,358,987
Banker's acceptances (secured)	6,805,000	7,253,000
Term loan (secured)	275,000	–
Total borrowings	7,874,915	8,611,987

The bank overdrafts, banker's acceptances, and term loan are secured by first legal charge over the property of the Group and of the Company as disclosed in Note 6.

The banker's acceptances of the Group and of the Company carry interest at the interbank offer rate ranging from 2.63% to 3.25% (2010: 1.99% to 3.02%).

The bank overdraft and term loan facilities of the Group and of the Company carry interest at the rate of 2.00% (2010: 2.00%) and 2.30% (2010: Nil) above the bank's base lending rate (BLR). During the year, BLR ranged from 6.30% to 6.60% (2010: 5.55% to 6.30%).

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

21. REVENUE

Revenue of the Group and of the Company consists of the followings:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Sale of goods	2,207,343	4,986,208	1,416,437	1,326,906
Hotel operations	2,667,560	2,642,927	–	–
	4,874,903	7,629,135	1,416,437	1,326,906

22. LOSS BEFORE TAXATION

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Loss before taxation is arrived at after charging:				
Auditors' remuneration				
- statutory audit	45,000	45,000	20,000	20,000
- others	3,000	–	3,000	–
Bank overdrafts interest	83,201	109,417	83,201	109,417
Depreciation of property, plant and equipment	3,151,573	3,064,404	601,421	562,229
Inventories written off	94,133	274,965	–	–
Allowance for impairment on inventories	100,439	–	–	–
Staff costs (Note 23)	2,400,338	2,562,997	635,368	714,353
Bad debts written off	25,000	327,432	25,000	60,186
Banker's acceptance interest	349,195	333,414	349,195	333,414
Term loan interest	26,394	9,638	26,394	9,638
Impairment loss on investment in subsidiaries	–	–	3,506	2,412
Loss on foreign exchange - realised	1,897	–	–	–
Allowance for diminution in value of quoted investments	176	–	176	–
Allowance for doubtful debts	215,671	6,084	44,624	–
and crediting:				
Gain in foreign exchange - realised	–	29	–	165
Interest income	–	990	–	–
Bad debts recovered	–	2,890	–	–
Rental income	217,137	167,200	–	–
Gross dividend from quoted investments	84	56	84	56
Reversal of allowance for diminution in value of quoted investments	–	1,912	–	1,912
Gain on disposal of property, plant and equipment	–	14,848	–	14,848
Reversal of allowance for doubtful debts	–	327,432	–	60,186

23. STAFF COST

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors:				
- Fees	85,500	90,000	85,500	90,000
- Salaries and allowance	232,244	229,744	223,844	221,344
	317,744	319,744	309,344	311,344
Staff:				
- Salaries, bonus and allowance	1,852,680	1,967,207	266,155	334,556
- Employees' Provident Fund	201,358	242,701	57,109	64,636
- Social security costs	28,556	33,345	2,760	3,817
	2,082,594	2,243,253	326,024	403,009
	2,400,338	2,562,997	635,368	714,353

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Company				
Executive:				
Fees	31,500	36,000	31,500	36,000
Salaries and allowance	224,744	222,244	216,344	213,844
Total executive Directors' remuneration	256,244	258,244	247,844	249,844
Non-executive:				
Fees	54,000	54,000	54,000	54,000
Allowance	7,500	7,500	7,500	7,500
Total non-executive Directors' remuneration	61,500	61,500	61,500	61,500
Grand total	317,744	319,744	309,344	311,344

The number of Directors of the Company whose total remuneration during the year fall within the following band is analysed below:

	Number of Directors 2011	Number of Directors 2010
Executive Directors:		
RM150,001 – RM200,000	1	1
RM50,001 – RM100,000	1	1
	2	2
Non-executive Directors:		
RM50,001 – RM100,000	3	3
	5	5

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

24. TAXATION

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Malaysian income tax				
Current year	93,897	–	–	–
	93,897	–	–	–
Deferred tax				
Related to origination and reversal of temporary differences (Note 16)	38,905	151,008	–	–
	132,802	151,008	–	–

The reconciliations of income tax expense applicable to the results of the Group and of the Company at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Loss before taxation	(6,655,533)	(5,202,952)	(1,932,775)	(1,979,074)
Taxation at Malaysian statutory tax rate of 25%	(1,663,883)	(1,300,738)	(483,194)	(494,769)
Tax effects of:-				
- Expenses not deductible for tax purposes	680,825	678,338	147,988	92,799
- Utilisation of previously unrecognised tax losses	(31,134)	–	–	–
Current year taxable temporary differences not recognised	107,520	81,583	68,713	63,948
Deferred tax assets not recognised in respect of current year's tax losses	1,039,474	691,825	266,493	338,022
Tax expense for the year	132,802	151,008	–	–

Subject to agreement with the Inland Revenue Board, the Group and the Company have unabsorbed tax losses and unutilised capital allowances for offset against future chargeable income as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Unabsorbed tax losses	21,182,022	17,148,663	10,056,854	8,990,882
Unutilised capital allowances	21,317,043	20,886,964	1,387,883	1,113,029
	42,499,065	38,035,627	11,444,737	10,103,911

Deferred tax assets arising from these unabsorbed tax losses and unutilised capital allowances of the Group and of the Company amounting to approximately RM10,624,766 (2010: RM9,508,907) and RM2,861,184 (2010: RM2,525,978) respectively have not been recognised in the financial statements as the Directors are uncertain whether future taxable profits from the Group and the Company will be available against which these unabsorbed tax losses and unutilised capital allowances can be utilised.

25. BASIC LOSS PER SHARE

The basic loss per share is calculated by dividing the Group's loss after taxation by the weighted average number of shares during the financial year.

	Group	
	2011 RM	**2010 RM**
Net loss after taxation	(6,788,335)	(5,353,960)
Weighted average number of ordinary shares	44,083,200	44,083,200
Basic loss per share (sen)	(15.40)	(12.15)

There is no dilution to the loss per share as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its loss per share.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Purchases from related company				
Pahanco Manufacturing Sdn. Bhd.	–	–	1,011,126	1,053,666

The Directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions agreed on negotiated basis.

The significant outstanding balances of the Group and of the Company with its related parties (prior to allowance for doubtful debts) are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Receivables				
Amount due from subsidiary companies				
Pahanco Manufacturing Sdn. Bhd.	–	–	27,191,536	25,145,406
Natural Renewable Energy Sdn. Bhd.	–	–	4,343,236	4,343,236
Citiview Hotel Sdn. Bhd.	–	–	6,785,576	7,570,891
Amount due from related party				
Panply Wood Industries Sdn. Bhd. (included in trade receivables)	133,790	133,790	133,790	133,790

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Payables				
Amount due to subsidiary company				
Pahanco Marketing Sdn. Bhd.	–	–	191,879	194,241
Amount due to related parties				
Panply Wood Industries Sdn. Bhd. (included in other payables)	3,890	3,890	3,890	3,890
Prime Forest Products (M) Sdn. Bhd. (included in other payables)	8,193,651	4,593,651	7,513,651	3,963,651
Pahangply Holdings Berhad (included in other payables)	2,627,192	2,626,996	1,056,733	1,056,733
See Seng Lai & Sons Realty Sdn. Bhd. (included in other payables)	820,000	820,000	820,000	820,000

Panply Wood Industries Sdn. Bhd. is owned substantially by Pahanply Holdings Berhad, a company in which certain Directors of the Company have substantial interest.

Prime Forest Products (M) Sdn. Bhd. and See Seng Lai & Sons Realty Sdn. Bhd. are companies in which certain Directors of the Company have substantial interest.

27. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors				
- Fee	85,500	90,000	85,500	90,000
- Salaries and allowances	232,244	229,744	223,844	221,344
	317,744	319,744	309,344	311,344

Key management personnel of the Group and of the Company comprises Directors of the Group and of the Company, having authority and responsibility for planning, directing and controlling activities of the entity either directly or indirectly. There is no other personnel considered as key management personnel of the Group.

28. SEGMENT INFORMATION

2011 **Business segment**	**Manufacturing** RM	**Hotel operations** RM	**Consolidated** RM
Revenue			
External sales	2,207,343	2,667,560	4,874,903
Inter-segment sales	–	–	–
	2,207,343	2,667,560	4,874,903

2011 **Business segment**	**Manufacturing** **RM**	**Hotel operations** **RM**	**Consolidated** **RM**
Results			
Segment results	(4,781,977)	473,832	(4,308,145)
Unallocated corporate expenses			(1,888,598)
Operating loss			(6,196,743)
Finance costs	(458,790)	–	(458,790)
Loss before taxation			(6,655,533)
Taxation			(132,802)
Loss after taxation			(6,788,335)
Assets and liabilities			
Segment assets	35,398,406	19,306,821	54,705,227
Unallocated corporate assets			13,331
Consolidated total assets			54,718,558
Segment liabilities	13,142,243	9,515,074	22,657,317
Unallocated corporate liabilities			414,821
Consolidated total liabilities			23,072,138
Other information			
Capital expenditure	–	39,795	39,795
Depreciation	2,798,084	353,489	3,151,573

2010 **Business segment**			
Revenue			
External sales	4,986,208	2,642,927	7,629,135
Inter-segment sales	–	–	–
	4,986,208	2,642,927	7,629,135
Results			
Segment results	(3,583,769)	571,854	(3,011,915)
Unallocated corporate expenses			(1,738,568)
Operating loss			(4,750,483)
Finance costs	(452,469)	–	(452,469)
Loss before taxation			(5,202,952)
Taxation			(151,008)
Loss after taxation			(5,353,960)

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

2010 **Business segment**	**Manufacturing** **RM**	**Hotel operations** **RM**	**Consolidated** **RM**
Assets and liabilities			
Segment assets	32,023,856	17,131,958	49,155,814
Unallocated corporate assets			13,310
Consolidated total assets			49,169,124
Segment liabilities	9,962,438	10,193,146	20,155,584
Unallocated corporate liabilities			375,916
Consolidated total liabilities			20,531,500
Other information			
Capital expenditure	686,217	32,813	719,030
Depreciation	2,715,210	349,194	3,064,404

29. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the policies in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

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

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Sensitivity analysis

The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate (BLR) was to increase/decrease by 1%, it would impact the Group's profit/(loss) by approximately RM78,750 (2010: RM86,000).

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

(c) Liquidity risk

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

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	Group	
	2011 RM	**2010 RM**
Total borrowings (Note 20)	7,874,915	8,611,987
Total equity	31,646,420	28,637,624
Gearing ratio	24.9%	30.1%

30. CAPITAL EXPENDITURE

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM39,795 (2010: RM719,030) which were satisfied as follows:

	Group	
	2011 RM	**2010 RM**
Cash payments	39,795	719,030

NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

31. FAIR VALUES OF THE FINANCIAL INSTRUMENTS

The fair values of the financial instruments of the Group and of the Company as at 31 December 2011 are not materially different from their carrying values.

32. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(a) Loans and receivables ["L&R"]
(b) Other financial liabilities ["OFL"]

	Carrying amount RM	L&R RM	OFL RM
Group			
2011			
Financial assets			
Trade receivables	523,431	523,431	–
Other receivables and deposits	173,149	173,149	–
Cash and bank balances	378,474	378,474	–
At 31 December 2011	1,075,054	1,075,054	–
Financial liabilities			
Trade payables	1,545,289	–	1,545,289
Other payables and accruals	1,498,483	–	1,486,578
Amount due to related parties	11,644,733	–	11,656,638
Borrowings	7,874,915	–	7,874,915
At 31 December 2011	22,563,420	–	22,563,420
2010			
Financial assets			
Trade receivables	1,030,609	1,030,609	–
Other receivables and deposits	59,395	59,395	–
Cash and bank balances	660,545	660,545	–
At 31 December 2010	1,750,549	1,750,549	–
Financial liabilities			
Trade payables	2,168,017	–	2,168,017
Other payables and accruals	1,331,042	–	2,563,296
Amount due to related parties	8,044,538	–	6,812,284
Borrowings	8,611,987	–	8,611,987
At 31 December 2010	20,155,584	–	20,155,584

	Carrying amount RM	L&R RM	OFL RM
Company			
2011			
Financial assets			
Trade receivables	392,219	392,219	–
Other receivables and deposits	22,638	22,638	–
Amount due from subsidiaries	31,358,466	31,358,466	–
Cash and bank balances	163,018	163,018	–
At 31 December 2011	31,936,341	31,936,341	–
Financial liabilities			
Trade payables	1,001,671	–	1,001,671
Other payables and accruals	383,231	–	383,231
Amount due to related companies	9,394,274	–	9,394,274
Amount due to a subsidiary	191,879	–	191,879
Borrowings	7,874,915	–	7,874,915
At 31 December 2011	18,845,970	–	18,845,970
2010			
Financial assets			
Trade receivables	537,237	537,237	–
Other receivables and deposits	23,138	23,138	–
Amount due from subsidiaries	30,097,651	30,097,651	–
Cash and bank balances	336,254	336,254	–
At 31 December 2010	30,994,280	30,994,280	–
Financial liabilities			
Trade payables	1,515,067	–	1,515,067
Other payables and accruals	408,824	–	408,824
Amount due to related parties	5,844,274	–	5,844,274
Amount due to subsidiary	194,241	–	194,241
Borrowings	8,611,987	–	8,611,987
At 31 December 2010	16,574,393	–	16,574,393

33. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2011 into realised and unrealised profits is prepared and presented in accordance with the directive of Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants.

	Group	
	2011 RM	**2010 RM**
Total accumulated losses		
- Realised	(61,350,632)	(54,601,202)
- Unrealised	(414,821)	(375,916)
	(61,765,453)	(54,977,118)
Less: Consolidation adjustments	18,454,861	18,454,861
Accumulated losses as per financial statements	(43,310,592)	(36,522,257)

	Company	
	2011 RM	**2010 RM**
Total accumulated losses		
- Realised	(23,210,167)	(21,277,392)
- Unrealised	–	–
Accumulated losses as per financial statements	(23,210,167)	(21,277,392)

PARTICULARS OF LANDED PROPERTIES

Location	Description/ Existing use	Approximate Age of Building (year)	Tenure	Land Area	Built-up Area		Net Book Value as at 31.12.2011 RM'000
1. QT (R) 63 Lot L .O . 2236 (R) Mukim of Kuala Kuantan District of Kuantan Pahang Darul Makmur	a) Single storey factory and building	41	99 years leasehold expiring on 14/12/2068	6.430 hectares	36,540 sq. metres	)	17,118
	b) Single storey factory and warehouse	28		–	7,190 sq. metres	)	
	c) Single storey factory building	14		–	11,114 sq. metres	)	
2. HS (D) 843 PT 7480 Mukim of Kuala Kuantan District of Kuantan Pahang Darul Makmur	Single storey factory building	28	99 years leasehold expiring on 11/9/2074	0.411 hectares	2,184 sq. metres		1,646
3. Lot 113 Jalan Hj. Abdul Aziz Kuantan Pahang Darul Makmur	Ten storey hotel with a basement carpark	14	Freehold	0.198 hectares	5,608 sq. metres		18,540
				7.039	62,636		37,304

ANALYSIS OF SHAREHOLDINGS

As At 2 May 2012

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000/-
Issued and Paid-up Capital	:	RM44,083,200/-
Class of Share	:	Ordinary shares of RM1/- each
Voting Rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

No of Holders	Size of Holdings	Total Holdings	%
50	1 - 99	974	0.00
79	100 - 1,000	44,932	0.10
910	1,001 - 10,000	2,781,170	6.31
164	10,001 - 100,000	4,252,608	9.65
24	100,001 - less than 5% of issued shares	11,300,128	25.63
4	5% and above of issued shares	25,703,388	58.31
1,231		44,083,200	100.00

SUBSTANTIAL SHAREHOLDERS

	Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1.	Pahangply Holdings Bhd	17,274,923	39.19	–	–
2.	See Seng Lai & Sons Realty Sdn Bhd	3,513,665	7.97	–	–
3.	See Han Liong	2,511,800	5.70	–	–
4.	See Teck Wah	2,403,000	5.45	–	–
		25,703,388	58.31	–	–

DIRECTORS' SHAREHOLDINGS

Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
See Teck Wah	4,892,912	11.10	21,825,025	49.51
See Seng Hong PJK	429,000	0.97	18,608,060	42.21
Sukhinderjit Singh Muker	7,500	0.02	–	–
Tan Teng Cheok	–	–	–	–
Seah Cheong Wei	–	–	–	–
Andrew Su Meng Kit	–	–	–	–

30 LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. Pahangply Holdings Bhd	17,274,923	39.19
2. See Seng Lai & Sons Realty Sdn Bhd	3,513,665	7.97
3. See Han Liong	2,511,800	5.70
4. See Teck Wah	2,403,000	5.45
5. Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for See Teck Wah (474205)*	1,992,812	4.52
6. Ehsan Otomobil Sdn Bhd	1,686,284	3.83
7. Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang	1,207,500	2.74
8. HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chun Sau Chin (MO2)*	806,900	1.83
9. Chun Sau Chin	707,500	1.60
10. NGE Leasing & Credit Sdn Bhd	549,807	1.25
11. Chun Sau Chin	487,600	1.11
12. See Seng Hong PJK	429,000	0.97
13. Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Jacob Mathew A/L K.M. Mathew*	390,000	0.88
14. Yeong King Hui	387,500	0.88
15. Nanyang General Enterprises Sdn Bhd	333,330	0.76
16. Nanyang Timber Industry Sdn Bhd	300,000	0.68
17. Chu Pak Mue	257,981	0.59
18. Chiah Lam Chin	233,600	0.53
19. Chiah Kwong Way	217,400	0.49
20. Lim Kim Long	216,800	0.49
21. Eng Leong Holdings Sdn Bhd	191,100	0.43
22. Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ngeam Chai Yi*	165,900	0.38
23. Lee Chee Beng	154,000	0.35
24. Far East Navigation (Malaysia) Sdn Berhad	150,000	0.34
25. See Ban Soon	115,864	0.26
26. Wong Yew Loong	110,000	0.25
27. Siow Sing Heng	109,000	0.25
28. Eng Leong Holdings Sdn Bhd	100,250	0.23
29. Low Yok Lian	100,000	0.23
30. Sarojini a/p Sivanandam	100,000	0.23

ANALYSIS OF WARRANT HOLDINGS
As At 2 May 2012

DISTRIBUTION OF WARRANT HOLDINGS

No of Holders	Size of Holdings	Total Holdings	%
5	1 - 99	169	0.00
28	100 - 1,000	20,657	0.16
223	1,001 - 10,000	757,391	6.01
80	10,001 - 100,000	2,591,300	20.57
13	100,001 - less than 5% of issued warrant	3,128,728	24.84
2	5% and above of issued warrant	6,096,955	48.41
351		12,595,200	100.00

SUBSTANTIAL WARRANT HOLDERS

Name	Direct Interest No. of Warrant	%	Indirect Interest No. of Warrant	%
1. Pahangply Holdings Bhd	4,935,691	39.19	–	–
2. See Han Liong	1,161,264	9.22	–	–
	6,096,955	48.41	–	–

DIRECTORS' WARRANT HOLDINGS

Name	Direct Interest No. of Warrant	%	Indirect Interest No. of Warrant	%
See Teck Wah	405,000	3.22	5,290,646 (*)	42.00
See Seng Hong PJK	126,073	1.00	4,935,691 (**)	39.19
Sukhinderjit Singh Muker	–	–	–	–
Tan Teng Cheok	–	–	–	–
Seah Cheong Wei	–	–	–	–
Andrew Su Meng Kit	–	–	–	–

* By virtue of warrants held in Pahangply Holdings Berhad and See Seng Lai & Sons Realty Sdn Berhad

** By virtue of warrants held in Pahangply Holdings Berhad

30 LARGEST WARRANT HOLDERS

Name	No. of Warrant	%
1. Pahangply Holdings Bhd	4,935,691	39.19
2. See Han Liong	1,161,264	9.22
3. DB (Malaysia) Nominee (Asing) Sdn Bhd *Deutsche Bank AG London for RAB-Northwest Fund Limited*	524,600	4.17
4. Ng Thiam Seong	405,200	3.22
5. See Teck Wah	405,000	3.22
6. See Seng Lai & Sons Realty Sdn Bhd	354,955	2.82
7. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London for RAB-Northwest China Opportunities Fund Limited	262,400	2.08
8. TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah*	241,600	1.92
9. SBH Development Sdn Bhd	158,000	1.25
10. MERCSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Thiam Seong*	154,900	1.23
11. Lee Chee Beng	154,500	1.23
12. Teh Yee Qing	126,100	1.00
13. See Seng Hong PJK	126,073	1.00
14. Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ting Tie Hau*	115,000	0.91
15. HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Bank Bhd for Lee Siew Lan*	100,400	0.80
16. Azhar Bin Abu Bakar	100,000	0.79
17. Ler Swee Hock	100,000	0.79
18. Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Heng Teong*	96,300	0.76
19. Thean Wooi Khiong	95,500	0.76
20. Ng Choon Peng @ Ng Lu Sin	90,300	0.72
21. Teh Teaw Kee	83,200	0.66
22. Sieh Chong Lin	80,000	0.64
23. Low Yoke Choo	79,000	0.63
24. Ong Eng Huat	78,500	0.62
25. Tan Fooh Seng @ Tan Poh Seng	75,000	0.60
26. Liew Kok Ming	73,000	0.58
27. Leong Siew Pit	61,000	0.48
28. Ong Boon Chiang @ Chan Boon Chiang	61,000	0.48
29. Tung Pui Hiew	51,300	0.41
30. Siew Chin Yuan	50,900	0.40

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PAHANCO CORPORATION BERHAD (71024-T)

FORM OF PROXY

I/We ____

of ____

being a member/members of Pahanco Corporation Berhad hereby appoint ______________________

____

or failing him / her ______________________ of ______________________

____

as my/our proxy to vote for me/us on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held on 27 June 2012 and at any adjournment thereof. I/We direct my/our proxy to vote for or against the resolutions to be proposed at the Meeting as hereunder indicated.

No	Ordinary Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2011.		
3.	To re-elect Mr Sukhinderjit Singh Muker as a Director of the Company in accordance with Articles 78 and 79 of the Company's Articles of Association.		
4.	To re-elect Mr Andrew Su Meng Kit as a Director of the Company in accordance with Article 81 of the Company's Articles of Association.		
5.	To re-appoint Mr See Seng Hong PJK as a Director pursuant to Section 129 (6) of the Companies Act, 1965.		
6.	To appoint Messrs SSY Partners as Auditors.		
7.	To approve the proposed renewal authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Dated this ________________ day of ______________

______________________________ ______________________________

Signature/Common Seal No. of Shares held

NOTES

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy shall be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.*
2. *A member shall be entitled to appoint one (1) proxy to attend and vote at the meeting.*
3. *Where a member appoints more than one (1) proxy the appointment shall be invalid.*

   If the appointer is a corporation, this form must be executed under its Seal or under the hand of its attorney.
4. *Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If this Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.*
5. *A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting in accordance with Section 147 of the Companies Act, 1965.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office at No 9 Jalan Bayu Tinggi 2A/ KS6, Taipan 2 Batu Unjur, 41200 Klang, Selangor not less than 48 hours before the time set for the Meeting.*