SUBUR TIASA
HOLDINGS BERHAD
341792-W

ANNUAL REPORT 2008

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Proxy Form

Notices of Annual General Meeting, Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak on Tuesday, 30 December 2008 at 11.30 am for the following purposes :-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2008 together with the Reports of the Directors and Auditors thereon.

2. To declare a first and final dividend of 3% per share, less income tax, for the financial year ended 31 July 2008. **Resolution 1**

3. To approve the payment of directors' fees for the financial year ended 31 July 2008. **Resolution 2**

4. To re-elect the following Directors who retire in accordance with Article 86 of the Company's Articles of Association and being eligible, offer themselves for re-election :-

   (i) Mr. Tiong Kiong King; and **Resolution 3**
   (ii) Mr. Ngu Woo Hieng. **Resolution 4**

5. To consider and if thought fit, to pass the following resolution :-

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai be hereby re-appointed as a director of the Company to hold office until the conclusion of the next annual general meeting." **Resolution 5**

6. To re-appoint Messrs. Ernst & Young as the Company's auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

7. As special business

   To consider and, if thought fit, pass the following resolutions as ordinary and special resolutions :-

   Ordinary Resolution No. 1 **Resolution 7**

   ■ **Proposed renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandates")**

   "**THAT** approval be hereby given to the Company and its subsidiaries to enter into any of the category of recurrent related party transactions of a revenue or trading nature as outlined in point 3(b) (pages 4

Notices of Annual General Meeting, Dividend Entitlement and Payment (contd.)

to 6) of the Circular to Shareholders dated 28 November 2008 ("Circular"), with the specific related parties mentioned therein which are necessary for the Subur Tiasa Holdings Berhad ("STHB") Group's day-to-day operations subject further to the following :-

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders; and

(b) disclosure is made in the annual report a breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandates during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of the Practice Note 12/2001, and amongst others, based on the following information :-

- the type of the recurrent transactions made; and
- the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company.

AND THAT such approval shall continue to be in force until :-

(a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of STHB subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new Shareholders' Mandates.

AND THAT the estimated value given on the recurrent related party transactions specified in point 3(b) of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in point 3(e) of the Circular."

Notices of Annual General Meeting, Dividend Entitlement and Payment (contd.)

Ordinary Resolution No. 2 **Resolution 8**

■ **Proposed renewal of authority for purchase of own shares by the Company**

"**THAT** subject always to the Companies Act, 1965 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Bursa Malaysia Securities Listing Requirements and any other relevant authorities, the Directors of the Company be hereby authorised to purchase and hold on the market of Bursa Malaysia Securities Berhad ("Bursa Securities") such number of ordinary shares of RM1.00 each ("Shares") in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that the total aggregate number of Shares purchased and/or held or to be purchased and/or held pursuant to this resolution shall not exceed 20,900,000 Shares representing approximately ten percent (10%) of the total issued and paid-up share capital of 209,000,000 ordinary shares of RM1.00 each of the Company as at 31 October 2008 and the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the total of the Company's share premium reserve account which stood at RM59,679,744 based on the latest audited financial statements as at 31 July 2008 **AND THAT**, such Shares purchased are to be retained as treasury shares, distributed as dividends and/or resold on the market of Bursa Securities, or subsequently may be cancelled **AND THAT** the Directors be hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required by any relevant authority or authorities **AND FURTHER THAT** the authority hereby given shall commence immediately upon passing of this ordinary resolution and shall continue in force until :-

(a) the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of STHB after that date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities."

Notices of Annual General Meeting, Dividend Entitlement and Payment (contd.)

Ordinary Resolution No. 3 **Resolution 9**

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

"**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject always to the Company's Articles of Association and approvals of the relevant authorities, the Directors be hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being **AND THAT** the Directors be hereby empowered to obtain approval for the listing and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

Special Resolution No. 1 **Resolution 10**

- **Proposed amendment to the Company's Articles of Association**

"**THAT** the existing Article 127(i) of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 127(i) :-

*A copy of every balance sheet and **income statement** which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the auditors' report relating thereto and of the directors' report, **in printed form or in CD-ROM form or in such other form of electronic media**, shall, not more than six (6) months after the close of the financial year and not less than twenty-one (21) days before the date of the meeting, be sent to every member and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles."*

8. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a first and final dividend of 3% per share, less income tax, in respect of the financial year ended 31 July 2008, if approved at the forthcoming Annual General Meeting, will be paid on 18 March 2009 to Depositors whose names appear in the Record of Depositors on 20 February 2009.

A Depositor shall qualify for entitlement only in respect of :-

(a) shares transferred to the Depositor's securities account before 4.00 pm on 20 February 2009 in respect of transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board

Yeo Eng Siang (MIA 5905)
Voon Jan Moi (MAICSA 7021367)
Joint Company Secretaries

Dated : 28 November 2008
Sibu, Sarawak

Explanatory Notes on Special Business

(a) Ordinary resolution on Shareholders' Mandates for recurrent related party transactions

Paragraph 10.09 of Bursa Malaysia Securities Listing Requirements states that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the public listed company may seek a Shareholders' Mandates.

The proposed resolution No. 7, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties as identified in point 3(b) (pages 4 to 6) of the Circular, which are necessary for the STHB Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders.

By obtaining the Shareholders' Mandates, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the STHB Group or adversely affecting the business opportunities available to the STHB Group.

Notices of Annual General Meeting, Dividend Entitlement and Payment (contd.)

Please refer to the Circular for further information.

(b) *Ordinary resolution on proposed renewal of authority for purchase of own shares by the Company*
The proposed resolution No. 8, if passed, will renew the authority for the Company to purchase up to ten per cent (10%) of the issued and paid-up ordinary share capital of the Company through Bursa Malaysia Securities Berhad. The authority to purchase share will expire at the conclusion of the next AGM, unless revoked or varied by ordinary resolution passed by shareholders at general meeting.

Please refer to the Statement to Shareholders dated 28 November 2008 for further information.

(c) *Ordinary resolution on authority to allot shares pursuant to Section 132D of the Companies Act, 1965*
The proposed resolution No. 9, if passed, will empower the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next AGM. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the costs to be incurred will also be lower as the need to convene an extraordinary general meeting will be dispensed with.

(d) *Special resolution on the proposed amendment to the Company's Articles of Association*
The proposed resolution No. 10 in relation to the proposed amendment to the Company's Articles of Association is to allow faster dissemination of audited financial statements to the public and to facilitate the issuance of financial statements in CD-ROM form or in such other form of electronic media, if deemed appropriate.

Notes :-

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member appoints more than one proxy to attend the said meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*

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

4. *The instrument appointing a proxy must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Corporate Information

Board of Directors
YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai
- Chairman, Independent Director

Mr. Tiong Kiong King
- Vice Chairman, Non-Independent Non-Executive Director

YBhg. Dato' Tiong Ing
- Managing Director

YBhg. Datuk William Lau Kung Hui
- Independent Director

YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh
- Independent Director

Mr. Ngu Woo Hieng
- Independent Director

Company Secretaries
Yeo Eng Siang (MIA 5905)
Voon Jan Moi (MAICSA 7021367)

Registered Office
No. 66-78, Pusat Suria Permata, Jalan Upper Lanang
C.D.T. 123, 96000 Sibu, Sarawak
Tel : 084-211 555
Fax : 084-211 545
E-mail : suburth@tm.net.my
Website : www.suburtiasa.com.my

Registrar
Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530 / 03-2721 2531

Advocates & Solicitors
Hii & Hii
Lau Yun Tseng & Co.

Principal Bankers
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad

Auditors
Ernst & Young (AF:0039)
3rd Floor, Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak
Tel : 082-243 233
Fax : 082-421 287

Stock Exchange Listing
Main Board of Bursa Malaysia Securities Berhad

Stock name
SUBUR

Stock Code
6904

Profile of Directors

YABHG. DATUK PATINGGI TAN SRI DR. WONG SOON KAI
Chairman, Independent Director, Age 81, Malaysian

YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai was first appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997. He is presently the Chairman of the Board, Audit Committee, Nomination Committee and Remuneration Committee of the Company.

He graduated with M.B.B.S from University Malaya, Singapore and worked as a Specialist Medical Practitioner for over 20 years. In addition, he had also held several State Ministerial positions and was the Deputy Chief Minister of Sarawak from 1994 to 1996. He has been the Science Advisor for the Sarawak Government since 1997.

YABhg. Datuk Patinggi Tan Sri Dr. Wong attended three out of the four Board Meetings held in the financial year ended 31 July 2008. He extended his apology for the meeting of which he did not attend. His shareholding in Subur Tiasa Holdings Berhad as at 31 October 2008 is disclosed in page 113 of this annual report.

YABhg. Datuk Patinggi Tan Sri Dr. Wong has no family relationship with any of the Directors or major shareholders of the Company and he has no conflict of interest with the Company. He doest not hold any directorship in any other public company.

TIONG KIONG KING
Vice Chairman, Non-Independent Non-Executive Director, Age 61, Malaysian

Mr. Tiong Kiong King was appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997. He is the Vice Chairman of the Board and also a member of the Nomination and Remuneration Committees formed by the Board of Subur Tiasa Holdings Berhad on 28 January 2002. He has more than 35 years of managerial experience in the timber industry in various capacities. Presently, Mr. Tiong also held key posts in several non-government organization. Among them, he is the President for Sibu Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Vice Chairman of Persekutuan Persatuan-Persatuan Foochow Sarawak, Chairman of Foochow Association Sibu, Vice president of the World Zhang Clan Association Limited and Vice President of Persatuan Klan Zhang Negeri Sarawak. Mr. Tiong also sits on the Board of a public listed company, Rimbunan Sawit Berhad.

Mr. Tiong attended three out of the four Board Meetings held in the financial year ended 31 July 2008. He extended his apology for the meeting of which he did not attend. His shareholding in Subur Tiasa Holdings Berhad as at 31 October 2008 is disclosed in page 113 of this annual report.

Mr. Tiong is a brother of YBhg. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and an uncle to YBhg. Dato' Tiong Ing who is the Managing Director of the Company. He is deemed interested in recurrent related party transactions as disclosed in Note 27(a) of the Notes to the Financial Statements as disclosed in pages 98 to 99 of this annual report.

Profile of Directors (contd.)

YBHG. DATO' TIONG ING
Managing Director, Age 51, Malaysian

YBhg. Dato' Tiong Ing was first appointed to the Board of Subur Tiasa Holdings Berhad on 25 July 2001. Subsequently on 1 October 2003, she was appointed as the Managing Director. She holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Canada and is a licensed company secretary. She has more than 25 years hands on experience in the timber industry with in-depth knowledge and market networking of the industry.

On 19 July 2007, YBhg. Dato' Tiong Ing was conferred with the title "Dato'" Darjah Sultan Ahmad Shah Pahang (D.S.A.P) by Kebawah Duli Yang Maha Mulia Sultan Pahang, Sultan Haji Ahmad Shah Al-Musta' In Billah Ibni Al-Marhum Sultan Abu Bakar Ri' Ayatuddin Al-Mu' Adzam Shah, on the occasion of His Royal Highness' 76th Birthday.

YBhg. Dato' Tiong attended three out of the four Board Meetings held in the financial year ended 31 July 2008. She extended her apology for the meeting of which she did not attend. Her shareholdings in Subur Tiasa Holdings Berhad are disclosed in page 113 of this annual report.

YBhg. Dato' Tiong is the eldest daughter of YBhg. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a niece to Mr. Tiong Kiong King who is also a Director of the Company. She does not hold any directorship in any other public company. She is deemed interested in recurrent related party transactions as disclosed in Note 27(a) of the Notes to the Financial Statements as disclosed in pages 98 to 99 of this annual report.

YBHG. DATUK WILLIAM LAU KUNG HUI
Independent Director, Age 58, Malaysian

YBhg. Datuk William Lau Kung Hui was first appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997 and he is a member of the Audit, Nomination and Remuneration Committees of the Company. He is a Chartered Arbitrator, and is a Panel Arbitrator and Mediator of the Kuala Lumpur Regional Centre of Arbitration (KLRCA) and Arbitrator of the London Maritime Arbitrators Association (LMAA). He is also an Accredited Mediator with LEADR and a Registered Adjudicator. He graduated with a Bachelor and Master of Laws Degrees from the London School of Economics and Political Science of the University of London, United Kingdom, and a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London. He has been a senior partner of a legal firm for over 29 years. Presently, he also sits on the Board of a public listed company, Ekran Berhad.

YBhg. Datuk William Lau also served as a Senator of the Malaysian House of Senate from 1998 to 2004 and was the former Executive Chairman of Samanda Holdings Berhad.

He attended all of the four Board Meetings held in the financial year ended 31 July 2008. His shareholding in Subur Tiasa Holdings Berhad as at 31 October 2008 is disclosed in page 113 of this annual report.

YBhg. Datuk William Lau has no family relationship with any of the Directors or major shareholders of the Company. He has no conflict of interest with the Company.

Profile of Directors (contd.)

YBHG. TEMENGGONG DATUK KENNETH KANYAN ANAK TEMENGGONG KOH
Independent Director, Age 66, Malaysian

YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh was first appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997. He graduated from Chartered Institute of Business Administration, Ireland. He was the Political Secretary to YAB Chief Minister of Sarawak from 1967 to 1970 and a member of Council Negeri Sarawak from 1970 to 1974. From 1974 to 1981, he was the Political Secretary to YAB Deputy Prime Minister and YAB Prime Minister of Malaysia. He also served as a Senator from 1981 to 1987.

YBhg. Temenggong Datuk Kenneth Kanyan was appointed as a paramount Iban Chief with the title of Temenggong for the Kapit Division by the State Government of Sarawak on 24 April 2003 in recognition of his contribution to the community. He also sits on the Board of Media Chinese International Ltd., a company incorporated in Hong Kong and dually listed on both the Stock Exchange of Hong Kong Limited and Bursa Malaysia Securities Berhad.

He attended all of the four Board Meetings held in the financial year ended 31 July 2008. His shareholding in Subur Tiasa Holdings Berhad as at 31 October 2008 is disclosed in page 113 of this annual report.

YBhg. Temenggong Datuk Kenneth Kanyan has no family relationship with any of the Directors or major shareholders of the Company and he has no conflict of interest with the Company.

NGU WOO HIENG
Independent Director, Age 55, Malaysian

Mr. Ngu Woo Hieng joined the Board of Subur Tiasa Holdings Berhad on 22 February 2002 and he is a member of the Audit, Nomination and Remuneration Committees of the Company. He holds a diploma in Business majoring in Accounting from Ballarat College of Advanced Education, Australia. He is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation and Fellow Member of the CPAs Australia. Currently, he is also a partner/chairman of an audit firm in Sarawak.

Mr. Ngu attended three out of the four Board Meetings held in the financial year ended 31 July 2008. He extended his apology for the meeting of which he did not attend. His shareholding in Subur Tiasa Holdings Berhad as at 31 October 2008 is disclosed in page 113 of this annual report.

Mr. Ngu has no family relationship with any of the Directors or major shareholders of the Company. He does not hold any directorship in any other public company and he has no conflict of interest with the Company.

Note: All the Directors of Subur Tiasa Holdings Berhad have no convictions for any offences within the past 10 years.

Corporate Structure
As at 31 October 2008

SUBUR TIASA HOLDINGS BERHAD
341792-W

SUBUR TIASA PLYWOOD SDN. BHD. (167681-D)	**100%**
SUBUR TIASA PARTICLEBOARD SDN. BHD. (198523-K)	**100%**
SARAWAK PLYWOOD (M) SDN. BHD. (012934-U)	**100%**
TRIMOGREEN SDN. BHD. (190362-D)	**100%**
R H TIMBER PROCESSING INDUSTRIES SDN. BHD. (48217-K)	**100%**
SUBUR TIASA FORESTRY SDN. BHD. (323421-T)	**100%**
HOMET RAYA SDN. BHD. (189955-D)	**100%**
T.Q. ORIENTAL SDN. BHD. (257848-D)	**100%**
PALMLYN SDN. BHD. (614569-U)	**100%**
SUPREME STANDARD DEVELOPMENT SDN. BHD. (717556-V)	**100%**
ALLIED ASIATIC SDN. BHD. (734184-M)	**100%**
DIAMOND PLYWOOD SDN. BHD. (750284-A)	**100%**
AA PLYWOOD SDN. BHD. (752393-M)	**100%**
EXCELLE TIMBER SDN. BHD. (761744-T)	**100%**
VICTORY ROUND SDN. BHD. (751569-X)	**100%**
JOYFUL REALTY SDN. BHD. (770831-M)	**100%**
JPH ENTERPRISE SDN. BHD. (771097-V)	**100%**
BLESSINGS REALTY SDN. BHD. (775270-M)	**100%**
BORNEO LUMBER INDUSTRIES SDN. BHD. (34515-V)	**100%**
JPH LOGGING SDN. BHD. (809224-M)	**100%**
GRACE MILLION SDN. BHD. (624862-D)	**100%**
SEMARAK VENEER & PLYWOOD SDN. BHD. (230578-K)	**100%**
BLESSINGS PALM SDN. BHD. (776528-A)	**100%**
INFRAPALM SDN. BHD. (769262-T)	**55%**

Audit Committee Report

MEMBERS AND MEETINGS

The Audit Committee comprised the directors listed below. During the financial year ended 31 July 2008, four meetings were held. The details of attendance of each of them are outlined as follows:

NAME	DESIGNATION	NO. OF MEETING APPLICABLE	ATTENDANCE OF MEETINGS
YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	Chairman (Independent Director)	4	3
YBhg. Datuk William Lau Kung Hui	Member (Independent Director)	4	4
YBhg. Dato' Tiong Ing #	Member (Managing Director)	3	3
Mr. Ngu Woo Hieng	Member (Independent Director)	4	3

* Mr. Ngu Woo Hieng is a member of the Malaysian Institute of Accountants, one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

YBhg. Dato' Tiong Ing resigned as a member on 26 March 2008.

TERMS OF REFERENCE

1. Constitution

1.1 The Board of Directors of Subur Tiasa Holdings Berhad ("STHB"), in accordance with Article 120 of the Memorandum and Articles of Association of STHB, has established a Committee of the Board, known as the Audit Committee ("AC"), vide the Board of Directors' Resolution in writing dated 21 June 1997.

1.2 The functions and authority of the AC extend to STHB and all its subsidiaries, where management's responsibility is vested to STHB or subsidiaries of STHB (collectively referred to as the "Group").

2. Primary Purpose

2.1 The AC has been formed with the following objectives:

(a) Enhance openness, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the Shareholders.
(b) Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices.
(c) Enhance the Group's business efficiency, the quality of the accounting and audit function and strengthening of the public's confidence in the Group's reported results.
(d) Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors.
(e) Enhance the independence of the external and internal audit functions.

Audit Committee Report (contd.)

3. Membership

3.1 The members of the AC shall be appointed by the Board of Directors of STHB from among their members based on the recommendations of the Board Nomination Committee and shall consist of not less than three members, all of whom shall be non-executive directors with a majority of them being independent directors. If membership for any reason falls below three members, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to fulfil the minimum requirement.

3.2 No alternate directors shall be appointed to the AC.

3.3 At least one member of the AC must meet the criteria set by Paragraph 15.10 (1)(c) of the Bursa Malaysia Securities Listing Requirements and Paragraph 7.1 of the Practice Note No. 13/2002, i.e.:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - he fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

3.4 Paragraph 15.21 of the Bursa Malaysia Securities Listing Requirements requires the term of office and performance of the AC and each of its members to be reviewed by the Board of Directors at least once every 3 years.

3.5 Chairman of the AC shall be elected from among their independent director as according to Paragraph 15.11 of the Bursa Malaysia Securities Listing Requirements.

4. Authority

4.1 The AC for the performance of its duties, shall in accordance with the same procedures adopted by the Board and at the cost of the Group:

a) Have authority to investigate any activity within its Terms of Reference;
b) Have the resources which are required to perform its duties;
c) Have full and unrestricted access to any employee and information pertaining to the Group. All documents of the Group shall be made accessible to the AC;
d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity for the Group;
e) Have authority to direct the Internal Audit Functions (both corporate and subsidiaries where applicable) in its activities, including approval of appointments of senior executives and budgets in these functions; and
f) Be able to engage independent professional advisers or other advisers and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

Audit Committee Report (contd.)

5. Functions and Duties

The AC shall carry out the following responsibilities:

5.1 Review the quarterly results and annual financial statements of the Group prior to submission to the Board, focusing primarily on:
(a) any changes in or implementation of major accounting policy changes
(b) major judgmental areas, significant and unusual events
(c) significant adjustments resulting from audit
(d) the going concern assumptions
(e) compliance with applicable approved accounting standards
(f) compliance with Bursa Malaysia Securities Listing Requirements and other legal requirements

5.2 Review with the Group's Management Committee and external legal expertise, any legal matter that could have a significant impact on the organisation's financial statements.

5.3 Review and report the same to the Board with the external auditors:
(a) the audit plan.
(b) the evaluation of the system of internal control.
(c) the audit report and management's response towards the audit reports and recommendations made. Ensure appropriate actions are taken in respect of these reports.

5.4 Review the assistance provided to the external auditors by the employees of the Group.

5.5 Review any resignation letter from the external auditors of the Company.

5.6 Recommend the appointment or re-appointment of the external auditors.

5.7 Approve the charters of Internal Audit Functions in the Group and ensure that the Internal Audit Functions are adequately resourced and have appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit functions.

5.8 Review the audit plans with the Internal Auditors, adequacy of the scope, functions, competency and resources of the internal audit functions and whether it has the necessary authority to carry out its works.

5.9 Review internal audit reports, consider any significant findings and management's response and ensure appropriate actions are taken.

5.10 Approve the appointment of the Head of Internal Audit.

5.11 Review appraisals or assessments of senior staff members of the internal audit functions.

5.12 Direct any special investigations to be carried out by Internal Audit.

5.13 Review related party transactions entered into by the Group and any conflict of interest situation that may arise.

Audit Committee Report (contd.)

6. Meetings

6.1 The AC shall hold at least four meetings during a financial year.

6.2 Upon the request of any member of the AC, the Head of Internal Audit or the external auditors, the Chairman of the AC shall convene a special meeting of the AC to consider any matters brought up by them.

6.3 Meetings shall be attended by members of the AC and the Company Secretary(ies).

6.4 The meetings of the AC shall normally be attended by the Head of Internal Audit and the Management of STHB shall be represented by the Head of Finance, or their nominated persons, at the invitation of the AC.

6.5 The AC may request other directors, members of management, counsels, internal auditors (including subsidiaries) and external auditors, applicable to participate in AC meetings, as necessary and when so invited, to carry out the AC's responsibilities.

6.6 At least once a year, the AC shall meet with the external auditors, excluding the attendance of other directors and employees, whenever deemed necessary.

6.7 Majority members of independent directors must be present in meeting in order to form a quorum for an AC meeting.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

In line with the terms of reference of the AC, the AC carried out the following activities during the financial year ended 31 July 2008 in discharging its functions and duties:

a) Review of the audit plans prepared by the internal and external auditors for the Group;
b) Review of the audit reports of the Group, consideration of the findings by the internal and external auditors and management's responses thereto;
c) Review of the quarterly and annual financial results of the Group prior to submission to the Board of Directors for consideration and approval;
d) Review of related party transactions entered into by the Group on quarterly basis;
e) Review of pertinent issues and matters that had a significant impact on the results of the Group;
f) Meet with the external auditors to review their findings and recommendations;
g) Review of the Internal Audit Charter prior to the recommendation to the Board of Directors;
h) Consideration of the re-appointment of external auditors and their fees;
i) Reviewed of the Statement on Internal Control and AC Report prior to submission to the Board of Directors for consideration and approval; and
j) Review of the proposed amendments to the Terms of Reference of the AC prior to recommendation to the Board of Directors for approval.

Audit Committee Report (contd.)

INTERNAL AUDIT FUNCTION

The Internal Audit Department plays an essential role in assisting the AC in executing its duties and functions. It undertakes independent, regular and systematic reviews of the system of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group.

Annual audit plans reviewed and approved by the AC will be the embarking point of Internal Audit Department to carry out its internal audit function. Along the way, Internal Audit Department also performed ad-hoc audits and investigative assignments whenever relevant or required. The followings are summary of activities being carried out by the Internal Audit Department during the year:

a) Reviewing and appraising the soundness, adequacy and application of accounting, financial, operational and other controls, thus promoting effective and improved control in the Group at reasonable cost;

b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;

c) Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses of all kinds;

d) Concluding the dependability and integrity of information generated for management reporting purposes;

e) Identifying opportunities to improve the operations of and processes in the Group;

f) Attending physical inventories count of finished goods, raw materials and spare parts; and

g) Reviewing related party transactions entered into by the Group.

Corporate Governance Statement

The Board of Directors of Subur Tiasa Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance ("Code") and the relevant provisions in the Bursa Malaysia Securities Listing Requirements. The Board is committed to ensuring that the highest standard of corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

Subur Tiasa Holdings Berhad acknowledges that corporate governance is a continuous process that requires periodic reassessment and refinement of management practices and systems.

Set out below is a statement of how the Group has applied the principles of the Code and compliance with the Best Practices provisions and the extent to which it has complied with the Best Practices set out in the Code.

DIRECTORS

The Board

An effective Board leads and controls the Group. To ensure that the direction and control of the Group is firmly in its own hands, the Board reserves appropriate strategic, financial and organizational matters for its collective decision and/or monitoring. The Board meets at least four times a year, with additional meetings convened as necessary. All non-executive Directors bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

During the financial year ended 31 July 2008, four Board Meetings were held. The details of attendance of each of the Board Members at the Board Meeting are outlined as follows:

	Directors	Total
1	YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	3 out of 4
2	Mr. Tiong Kiong King	3 out of 4
3	YBhg. Dato' Tiong Ing	3 out of 4
4	YBhg. Datuk William Lau Kung Hui	4 out of 4
5	YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh	4 out of 4
6	Mr. Ngu Woo Hieng	3 out of 4

Where appropriate, matters have been delegated to Board Committees, all of which have written constitutions and terms of references. Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee were set up and delegated with specific responsibilities to assist the Board in discharging some of its functions.

Corporate Governance Statement (contd.)

Board Balance

The Board currently has six members, comprising four Independent Directors (including the Chairman), one Non-Independent Non-Executive Director and one Managing Director. Together, the Directors bring wide business, regulatory, industry and financial experience relevant to the direction of the Group. A brief description of the background of each Director is presented on pages 9 to 11 of this annual report.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. There is also balance in the Board because of the presence of Independent Non-Executive Directors of calibre necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of Independent Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts its business.

The Board had appointed YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai as the Senior Independent Director since 24 June 2002.

Supply of and access to information

Management has a positive responsibility to provide the whole Board with all the information of which it is aware to the discharge of the Board's responsibilities. The Board therefore expects to receive timely advice on all material information about the Group, its operating units, its activities and performance, particularly any significant variances from a planned course of progress. As a general rule, papers on specific subjects are sent to the Board in advance so that time at the Board Meeting can be conserved and used for focused discussion. All Directors have the right and duty to make further enquiries where they consider this necessary.

All Directors have access to the advice and services of the Company Secretary and where necessary, may take independent advice at the Group's expense, in the furtherance of their duties.

Appointments to the Board

The Code endorses, as good practice, a formal procedure for appointments to the Board, with the Nomination Committee making recommendations to the Board. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that this responsibility be delegated to a committee.

Nomination Committee

Chairman	:	YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	Independent Director
Members	:	YBhg. Datuk William Lau Kung Hui	Independent Director
		Mr. Tiong Kiong King	Non-Independent Non-Executive Director
		Mr. Ngu Woo Hieng	Independent Director

Corporate Governance Statement (contd.)

Nomination Committee (contd.)

The Nomination Committee will be responsible for:

- Reviewing the Board composition and recommending to the Board, appointments of new Directors for Subur Tiasa Holdings Berhad and its subsidiaries and Board Committees;
- Evaluating the effectiveness of the Board, in particular, its required mix of skills and experience, Board Committees and the contributions of each individual Director; and
- Reviewing the Chairman's and Executive Director's objectives and goals and the assessment of performance of these persons.

The Nomination Committee shall consist of not less than three members, all of whom shall be non-executive directors with the majority being independant directors.

The Nomination Committee has met once during the financial year ended 31 July 2008.

Directors' Training

As an integral element of the process for appointing new Directors, the Nomination Committee provides for adequate orientation of new Directors with respect to the business structure and management of the Group as well as the expectations of the Board with regards to their contributions to the Board and Group. All the Directors had completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad and had fulfilled their minimum Continuing Education Programme ("CEP") points requirements as at 31 December 2005. The Board acknowledges that continuous training is important to broaden their perspectives and to keep them abreast with regulatory and corporate governance developments. The descriptions of the trainings/seminars attended by some of the Directors during the financial year ended 31 July 2008 are as follows:

Title of training/seminar	Mode of training	Duration of seminar
Latest Updates of Companies Act 1965	External speaker	Half day
Deferred Taxation	External speaker	2 days
ITD Mega Guru Event – Building the Leadership Team for Outstanding Results	External speaker	1 day
National Tax Conference 2008	External speaker	2 days
2009 Budget Seminar	External speaker	1 day
National Seminar on Taxation 2008	External speaker	1 day

The Directors are actively encouraged to attend relevant programmes to further enhance their skills and knowledge whilst keeping abreast with industry developments on a continuous basis.

Corporate Governance Statement (contd.)

Remuneration Committee

Chairman	:	YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	Independent Director
Members	:	YBhg. Datuk William Lau Kung Hui	Independent Director
		Mr. Tiong Kiong King	Non-Independent Non-Executive Director
		Mr. Ngu Woo Hieng	Independent Director

The Remuneration Committee will be responsible for determining the level and make-up of Executive Directors' remuneration for Subur Tiasa Holdings Berhad and its subsidiaries so as to ensure that the Group attracts and retains the Directors of the necessary calibre, experience and quality needed to run the Group successfully. In formulating the remuneration package, the Remuneration Committee takes into account the responsibility and job functions, remuneration packages of comparable companies in the same industry as well as individual and corporate performance.

The Remuneration Committee shall consist of at least three members, all of whom must be non-executive directors.

The Remuneration Committee has met once during the financial year ended 31 July 2008.

Risk Management Committee

The Risk Management Committee is led by our Managing Director, YBhg. Dato' Tiong Ing. The team members consist of heads of the respective business units.

The Risk Management Committee is responsible for establishing an integrated risk management framework, reviewing overall risk management policies and procedures, monitoring significant risks and evaluating emerging new risks. The risk management activities are embedded in the Group's management system.

Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the ensuing Annual General Meeting after their appointment.

In addition, in accordance with the Company's Articles of Association and in compliance with the Bursa Malaysia Securities Listing Requirements, the remaining Directors, including the Managing Director shall retire from office once at least in each three years, but shall be eligible for re-election. The Articles provide that one-third (1/3) of the Directors, except the Managing Director but subject to the above, or if the number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) of the Directors shall retire from office and be subject to re-election at each Annual General Meeting.

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.

Corporate Governance Statement (contd.)

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors for the financial year ended 31 July 2008 distinguishing between executive and non-executive Directors in aggregate with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are set out below:

Aggregation	Non-Executive Director RM	Executive Director RM
Fees	229,000	70,000
Salary	-	920,000
Bonus	-	390,000
Allowance	264,000	1,774,000
EPF	-	367,200
Total	493,000	3,521,200

Remuneration	Non-Executive Director	Executive Director
Less than RM50,000	3	-
RM50,001 – RM100,000	1	-
RM250,001 – RM300,000	1	-
RM3,500,001– RM3,550,000	-	1

SHAREHOLDER COMMUNICATIONS AND INVESTOR RELATIONS

The Board of Directors recognises the importance of shareholders' and investors' communications. This is achieved through the timely release of annual reports, quarterly announcements and other corporate announcements made to Bursa Malaysia Securities Berhad.

Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations programme are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide a channel for prompt feedback to our senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Corporate Governance Statement (contd.)

Annual General Meeting

The Annual General Meeting provides the Board with an important forum for shareholders' communication. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. The Chairman and its Board members are available to respond to shareholders' questions during the meeting.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Internal Control System involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss. Information on Internal Control is detailed in the Statement on Internal Control on pages 26 to 27 of this annual report.

Relationship with the Auditors

The Group has established transparent and appropriate relationship with the Group's auditors, both external and internal, through the Audit Committee.

A report of the Audit Committee is as set out on pages 13 to 17 of this annual report.

Additional Compliance Information

The following information is presented in compliance with the Bursa Malaysia Securities Listing Requirements:-

SHARE BUY-BACKS

At the Annual General Meeting held on 28 December 2007, the Directors obtained the approval of the shareholders for the Company to purchase and/or hold up to 20,000,000 ordinary shares of RM1.00 each representing ten percent of the total issued and paid-up ordinary share capital of the Company.

During the financial year, the Company did not buy back any of its own shares. As at 31 July 2008, a total of 20,000,000 shares were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial year.

NON-AUDIT FEES

The non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 July 2008 by the Company's auditors, Messrs Ernst & Young ("EY"), or a firm or company affiliated to EY.

MATERIAL CONTRACTS

There were no other material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year ended 31 July 2008 or entered into since the end of the previous financial year.

REVALUATION OF LANDED PROPERTIES

The Group does not adopt any revaluation policy on landed properties.

RECURRENT RELATED PARTY TRANSACTIONS

At the Company's Annual General Meeting held on 28 December 2007, the shareholders approved the mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("RRPT"), which are necessary for its day-to-day operations and in the ordinary course of its business.

Additional Compliance Information (contd.)

RECURRENT RELATED PARTY TRANSACTIONS (CONTD.)

The aggregate value of the recurrent related party transactions conducted pursuant to the mandate by the Company and /or its subsidiaries with related parties during the financial year are as follows:

Mandated Related Parties[1]	Nature of Transaction	Amount Transacted RM
Borneo Tunas Sdn Bhd	Logging contract fee income	1,628,182
Gunong Mulu Lumber Development Co Sdn Bhd	Logging contract fee income	1,004,014
Jaya Tiasa Group[2]	Freight and handling charges paid/payable	1,543,169
	Purchase of electricity	695,266
	Helicopter charter charges paid/payable	750,320
	Towage and handling income	42,343
Lukutan Enterprises Sdn Bhd	Purchase of logs	10,400,669
Millennium Midland Sdn Bhd	Logging contract fee paid/payable	37,879,845
Ocean Shores Development Sdn Bhd	Logging contract fee income	4,333,886
Pertumbuhan Kekal Sdn Bhd	Logging contract fee paid/payable	37,182,593
Petanak Enterprises Sdn Bhd	Purchase of adhesive materials	41,467,278
Rejang Height Sdn Bhd	Contract fee income for logging or reforestation	22,897,111
	Purchase of logs	31,610,491
R.H. Development (Sarawak) Sdn Bhd	Freight and handling charges paid/payable	3,243,593
	Purchase of spare parts, fuel and lubricant	7,494,387
Rimbunan Hijau General Trading Sdn Bhd	Purchase of spare parts and equipment for operation use	9,318,407
Saforin Sdn Bhd	Logging contract fee income	4,936,240
Sarica Enterprise Sdn Bhd	Purchase of logs	4,789,866
Syarikat Perkapalan C. H. Ling Sdn Bhd	Freight and handling charges paid/payable	9,080,487
Tiong Toh Siong & Sons Sdn Bhd	Purchase of diesel	818,461
Unique Wood Sdn Bhd	Purchase of woodwaste	195,636
	Sale of logs	2,644,129
	Sales of sawn timber	115,481
		Total: 234,071,854

Note:
1. The Related Parties are companies in which directors or major shareholders of the Group or person(s) connected with them have substantial interests.

2. Jaya Tiasa Group includes Jaya Tiasa Holdings Bhd and its wholly owned subsidiaries, namely, Jaya Tiasa Timber Products Sdn Bhd, Jaras Sdn Bhd and Jaya Tiasa Aviation Sdn Bhd.

Statement on Internal Control

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Bursa Malaysia Securities Listing Requirements require directors of listed companies to include a statement in the annual reports on the state of their internal controls. Bursa Malaysia Securities Berhad's Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Guidance') provides guidance for compliance with these requirements. The Board of Directors of Subur Tiasa Holdings Berhad is pleased to present this Statement on Internal Control, which has been prepared in accordance with the Guidance.

Responsibilities

The Board acknowledges its responsibilities for the Group's system of internal controls and risk management practices covering all aspects of the Group's operations. The Board also recognises its responsibility for reviewing the adequacy and integrity of those systems frequently. Because of limitations that are inherent in any system of internal control, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatements, fraud or loss.

Risk Management

The Board realized that risks exist in every area of the Group's operation activities. Therefore, it is vital to incorporate an effective and efficient risk management framework to enable management to manage and control the risks to a tolerable rate. This is an on-going process adopted by the Board to identifying, evaluating, managing and reporting on the significant risk faced by the Group throughout the financial year.

The Board established a Risk Management Committee led by the Managing Director to oversee that Risk Management System is properly and adequately implemented. All heads of the respective business units will be responsible for monitoring and updating their risk profiles as well as evaluating emerging new risks. Ongoing assessment and action plans to administer and diminish the risk impacts are embedded in the Group's management system.

Equipped with the effective and efficient Risk Management Framework, the Board and the management will constantly enhance the Group's existing practices. Nevertheless, it should be noted that the system is to help, manage and control risks appropriately rather than to eliminate it.

Internal Controls

Besides the risk management framework, the Group has existing internal controls embedded in the daily operations of the Group through the followings:

- An organizational structure with clearly defined lines of responsibilities and accountability and delegation of authority for management at various levels of administration and operation.

- Documented internal policies and procedures, which are the subject of regular review and improvement.

Statement on Internal Control (contd.)

- Regular review of internal control system of the Group and reporting directly to Audit Committee on a quarterly basis by the Internal Audit Department that provides continuous independent assurance of the operations and validity of the internal control system.
- Monthly management meeting participated by the key personnel of functional departments and business units that provides updated information and performance of all the operations. Prompt appropriate controls with regards to cost/benefit, materiality and likelihood of the crystallisation of risks are made possible.
- Continuing education, training and development through in-house training and external courses or seminars that emphasize on enhancing the quality and capabilities of the Group's employees.
- Process governing appraisal and approval of capital/investment expenditure and asset disposal.
- Regular meetings held at operational and management levels to identify and resolve business as well as operational issues.
- Regular visits to operating units by senior management.
- Constant monitoring of budgets, containing financial and operating targets and performance indicators, which were approved by the Board, with major variances being accounted for and management actions being taken, if necessary.
- Reporting of significant weaknesses, if any, identified by Internal Audit Department during the reviews and recommendation of appropriate measures for implementation by management to ratify those weaknesses found.
- Conducting follow-up audits and ad-hoc audits by Internal Audit Department, which ensure proper and approved remedy actions have been implemented.

Board Review

The Board is pleased to report that there was no material loss realized as a result of weaknesses in internal control during the current financial year under review and up to the date of approval of the annual report. The Board and the management will continue to take active measures to strengthen and continuously improve the internal control system and risks management process of the Group to put up with constantly changing and challenging environment.

Statement of Directors' Responsibility
In respect of the financial statements

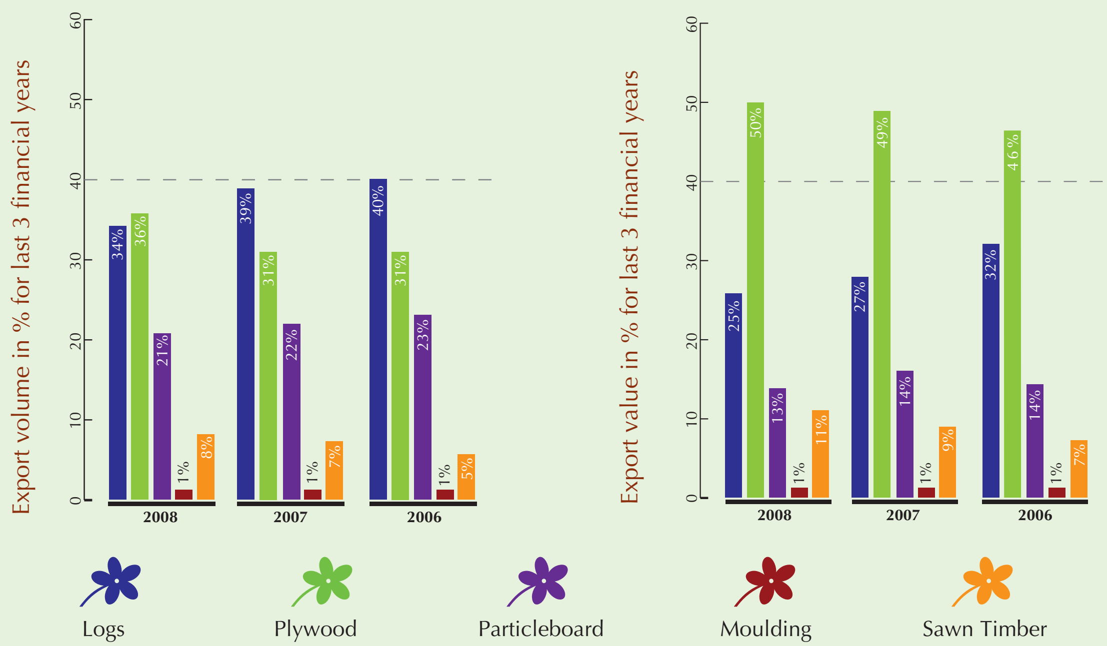
The directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Group and the Company at the end of the financial year, the results and cash flows of the Group and the Company for the financial year.

In preparing those statements, the directors have:

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

The directors hereby confirm that suitable accounting policies have been consistently applied in respect of the preparation of the financial statements and that the Group and the Company maintain adequate accounting records. Sufficient internal controls are also in place to safeguard the assets of the Group and the Company and to prevent as well as to detect fraud and other irregularities.

Financial Highlights



GROUP FINANCIAL HIGHLIGHTS

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Revenue	603,951	550,865	508,388	532,516	691,997
Profit Before Tax	30,018	88,597	93,123	109,597	88,690
Profit After Tax*	24,814	64,686	69,409	80,956	64,396
Shareholders' Fund*	569,224	548,349	472,130	427,843	367,798
Earnings Per Share (Sen)*	13.1	34.2	36.3	41.5	31.2
Return on Shareholders' Fund (%)*	4.36	11.80	14.70	18.92	17.51
Net Assets Per Share (RM)*	3.01	2.90	2.50	2.21	1.87

* Have been restated due to adoption FRS 112: Income tax and bonus issue

Export Market Highlights

SUBUR TIASA Holdings Berhad
341792-W

- Australia
- Pakistan
- Canada
- USA
- Singapore
- Japan
- Philippines
- United Arab Emirates
- Yemen
- Thailand
- Vietnam
- Taiwan
- India
- Hong Kong / China
- Indonesia
- Saudi Arabia
- Korea

Chairman's Statement

ON BEHALF OF THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF SUBUR TIASA HOLDINGS BERHAD ("SUBUR TIASA") FOR THE YEAR ENDED 31 JULY 2008

FINANCIAL PERFORMANCE

The financial year under review presented an increasingly challenging operating environment, in particular, the unprecedented crude oil prices at record level, surging cost of raw materials, spare parts and further weakening of US Dollar against the Ringgit Malaysia. Despite these challenges, Subur Tiasa was able to sustain a solid financial performance during the year through our ability to adapt to timely execution of strategies, business expansion, operation efficiency and cost management.

The Group achieved revenue of RM604.0 million, an increase of 10% from RM550.9 million in the previous financial year, mainly attributable to the higher plywood and particleboard export sales revenue arising from higher plywood and particleboard export sales volume. Profit before tax was RM30.0 million while profit after tax stood at RM24.8 million. Earnings per share was 13.10 sen for the financial year under review.

The profitability of the Group has resulted in a further increase of RM20.8 million of the shareholders' funds from RM548.4 million as at the end of previous financial year to RM569.2 million. Return on shareholders' fund was 3.8% and net assets per share also rose to RM3.01 per share from RM2.90 per share as at the end of the previous financial year.

OPERATIONS REVIEW

Logging

During the financial year under review, the logging division contributed about 28% to the total revenue of the Group. Although the share of contribution to the total revenue had declined from 33%, the logging division continued to contribute positively to the Group's results and meet the increasing demand of logs from the Group's downstream activities. When compared to the previous financial year, the decrease in logs revenue was mainly due to the decrease of logs sales volume which was partly counteracted by the increase of 4% of export log selling price. The Group's traditional markets of India, Taiwan and Japan continued to be the major consumers for our timber. The Group had during the financial year invested in additional new logging machineries which are more efficient.

Chairman's Statement (contd.)

Plywood

The plywood division remained as the top earner of the Group, contributing about 43% to the total revenue of the Group for the financial year under review. The increase of 20% of plywood revenue was contributed by the increase of 32% of export sales volume, despite the decrease of 12% of the export plywood selling price, as compared to the previous financial year.

South Korea, Taiwan, Middle East and Hong Kong continued to be our major market for the Group's plywood export. The Group's investment in machinery upgrading in prior years had seen enhanced operational efficiency in the utilisation of raw materials. The Group will continue to evaluate the return on the investment and make necessary investments to optimise the utilisation of resources and increase the production capacity.

Subur Tiasa Plywood Sdn. Bhd. ("STP") was awarded "Platinum Technology Award for Quality & Best Trade Name", Italy in recognition of its commitment to product quality, reliability of supplies and good business ethics and practices. STP was also awarded the JAS Certification by Japan Plywood Inspection Corporation in the financial year under review to well position itself to penetrate the Japanese markets. STP also passed the survellience audit and sustained its CE Marking System Certification. The Group will continue to work on certification to meet the requirements of different market.

Particleboard

The particleboard division contributed about 11% to the total revenue of the Group for the financial year under review. Export sales volume increased by 8% as compared to the previous financial year in spite of the marginal decrease of 2% of export selling price. Indonesia, Vietnam, South Korea and the Philippines remain as our major markets for our particleboard. Our particleboard is the preferred product due to its superior quality. We are proud to say that we have achieved a brand name in the international market. Subur Tiasa Particleboard Sdn. Bhd. was awarded "Diamond Eye Award for Quality Commitment & Excellence" and "Top Quality Customer Satisfaction Aptitude Seal for High Quality Performance & Best Customer Satisfaction" in recognition of its utmost commitment to quality and customer satisfaction.

Our particleboard division has always signified our efforts towards facilitating a cleaner environment. It transforms the wood waste not only from our own plywood mills and sawmills but also those along the Rejang Basin in addition to residual wood waste from tree plantations, which would otherwise pollute the environment.

CORPORATE DEVELOPMENT

The Group's commitment to sustainable forest management practices in logging is clearly shown by the continuous efforts in our tree planting projects in the various reforestation areas. As at the end of current financial year under review, a total of 9,450 hectares of forest land in the Licenses For Planted Forest (LPF) have been planted with both indigenous and extraneous species to date. The reforestation will ensure continuous supply of raw materials to our down stream manufacturing operations in the long run. Our venture into cultivation of oil palms had been progressing well so far and the crops are expected to mature in the year 2009. Our profit base will be expected to broaden in the future upon maturity of the crops.

The Group's investment in increasing the fleet of tugboat and barges during the financial year had seen the strategic effects and further enhancement of the provision of towage and transportation services in supporting the transportation of logs and timber products for the Group. The Group will continue to ensure stringent evaluation of further investment in its fleet of machineries which have synergistic and strategic effects on the Group's operations.

Chairman's Statement (contd.)

We continued to register improvements from all the initiatives that have been implemented as evidence from the many awards received. During the financial year under review, Subur Tiasa was awarded "International Gold Star for Quality" in recognition of its outstanding commitment to Quality and Excellence by Business Initiative Directions, Paris.

As part of the Group's commitment to enhancing shareholder value, the Company proposed a bonus issue of up to 10,000,000 new ordinary shares of RM1.00 each in the Company to be credited as fully paid-up on the basis of 1 new bonus share for every 20 existing shares held in the Company, during the financial year. The proposed bonus Issue was completed on 17 March 2008 with the listing and quotation of 9,000,000 shares in the Company on Bursa Malaysia Securities Berhad on the same date.

GOVERNANCE AND CORPORATE RESPONSIBILITY

Corporate Responsibility is evident across all aspects of our operations and has always been an integral part of our business since inception. We are committed to operating in an ethical, sustainable and socially responsible way. We have always subscribed to the notion of supporting government policies and communities where we operate by being good corporate citizens and discharging good corporate governance.

PROSPECTS

Towards the end of the financial year under review, timber prices, especially that of plywood, have softened due to the overstocked position in major timber importing countries, coupled by the slowdown of the housing sectors in Japan and the global financial crisis. The Group will continue to rationalise its operations, enhance production capacities and efficiencies as well as optimise resources coupled with prudent business practices. We will thus expect the current financial year to be a competitive and continually challenging. Nevertheless, the Board is confident that the Group has the resilience and strength to achieve satisfactory results in the current financial year as the Group is well positioned to meet the challenges ahead.

DIVIDENDS

The Group is committed to enhancing shareholder value by consistently delivering rewards to our loyal shareholders. The Board of Directors had recommended a first and final dividend of 3% per share, less income tax, for the financial year ended 31 July 2008, which will be payable, if approved by shareholders at the forthcoming Annual General Meeting.

APPRECIATION

I would like to take this opportunity to express our heartfelt thanks and appreciation to my fellow Board of Directors for their valuable contributions, support and guidance in ensuring our continued success in the increasing challenging global environment. I would also like to express my sincere thanks to our customers, suppliers, financial institutions, business partners, various government and regulatory bodies as well as shareholders for their continued invaluable support. My appreciation also goes to the employees of the Group for their loyalty, dedication and commitment that have been instrumental in the Group's ongoing success.

Datuk Patinggi Tan Sri Dr. Wong Soon Kai
Chairman

Corporate Social Responsibility

It has always been a fundamental principle of Subur Tiasa Holdings Berhad ("Subur Tiasa") to create wealth for its shareholders through ethical business practices, and at the same time benefiting all its stakeholders.

Strategy

In order to make these a reality, we have always played our roles as a responsible corporate citizen, by balancing our economic activities with social and environmental responsibilities in the communities where we operate. We treat our stakeholders as partners and ensure that they benefited economically and socially. Our system of sound sustainable forest management ensures that our stakeholders will continue to benefit for many generations to come from this partnership.

The Environment

Subur Tiasa has always practised sustainable forest management because it firmly believes that for it to survive into the future and for the common good of all its stakeholders, it must ensure the continuous supply of its raw material for its continuous prosperity. In view of this, Subur Tiasa has been doing its part as a responsible corporate citizen by complying fully with all forest legislations and committing itself to sustainable forest management practices. Protected flora and fauna are left to thrive in their natural habitat.

In addition, Subur Tiasa establishes its forest plantations to replenish trees that have been logged. This will ensure that Subur Tiasa has a sufficient supply of timber to sustain its business in future. Until now, Subur Tiasa has established three plantations and nurseries. The replanted forest consists of both indigenous and extraneous species.

Since more than a decade ago, Subur Tiasa has already taken part and played its roles in maximising its forest resources. In downstream timber processing, by-products that normally go to waste are instead turn into value-added products. The setting up of Subur Tiasa Particleboard plant was a prime example. Wood slabs, log core, log ends and veneer waste are some of the discarded timber parts that are used to make particleboard for the building and furniture industries. This reduces the need for more trees to be cut down.

Another example is the moulding plant. Timber ends which have no market value is usually discarded. At our moulding line, we make full use of this short length timber ends and turn it into valuable finger-joint moulding. In 2004, we added another moulding line at a cost of RM2.8 million to augment our existing line. Together, these two lines reduce a sizeable volume of waste timber end of each year.

At our plywood plant, waste veneer, sawdust and other unrecoverable by-products are used as fuel to generate heat for our dryers. Excess wood waste is disposed off in landfills. In consideration of the Kyoto Protocol and sales of carbon credit, Subur Tiasa is also planning to construct a cogeneration plant that will make use of this excess wood waste. It will generate electricity and steam for the factory consumption. This will further reduce environmental pollution caused by the wood waste and indirectly reduce the consumption of fossil fuel on the part of the power utility company from which Subur Tiasa is buying its electricity.

Corporate Social Responsibility (contd.)

The Community

Even prior to our listing on Bursa Malaysia Securities Berhad in 1997, Subur Tiasa has already been working hand-in-hand with the rural local communities to bring development to their areas. As a responsible corporate citizen, it helps the local communities to improve their quality of life.

Our main contributions include the construction of infrastructure such as roads, bridges and piers to link remote villages to urban centres within and outside the borders of its concession areas. In addition, we sponsor a kindergarten in Tanjung Manis and adopt a primary school in Baram. We contribute funds to schools to help them run their activities. We also donate funds and material towards the construction of longhouses and places of worship and provides machinery for the construction and repair of village roads and longhouses in areas that it operates. Contributions were also made to associations and organisations to help them run their activities and celebrate religious festivals.

Subur Tiasa also contributes actively to help the needy and the poor. Charitable organisations that have benefited included the local kidney foundation, autistic society, old folk's home and home for the mentally challenged.

Subur Tiasa also encourages volunteerism among its employees. Its employees participated in cleaning and sprucing up a local nursing home. At the same time, we brought joy and laughter to the occupants of the home. It was a happy occasion for both the occupants and the visitors.

The group's economic activities at various locations in both urban and remote locations have created ample jobs, providing employment and income for the people. In new areas of land development, the local communities are given priority in employment. They benefited as contractors and employees.

The Marketplace

We have been creating value for our shareholders year after year. The group has also seen its business expanded, with investments in new and modern machinery, plantations and new businesses, thus making the group more valuable than ever, with every passing year.

Our customers, both multinationals and local companies trust our quality products for their building and furniture businesses. Our products meet the high quality standards set by our major export markets. These include European CE Certificate of Factory Production Control. In addition, our wood packaging material has been certified with "Wood Packaging Material Treatment Providers Certification" issued by the Sarawak Department of Agriculture Plant Protection and Quarantine Branch in accordance with ISPM 15 (International Standards for Phytosanitary Measures, Publication No. 15) standards. We have also been awarded the Japanese Agricultural Standards (JAS) for our plywood products.

The awards, repeat purchases of our products and the strong business relationship with our customers further testified to the quality of our products and the excellent services provided by the group. It has been awarded "Grand Star Winner for Business Summit Award 2007" in recognition of its outstanding achievements and contributions by Business Productivity Network and a subsidiary has been awarded "International Award for the Best Trade Name 2007" as a recognition for its trajectory and business excellence by Trade Leaders' Club and Editorial OFICE, Madrid, Spain. Most recently, another subsidiary was awarded "The Platinum Technology Award For Quality & Best Trade Name".

Even when world demand for timber products was slow, our customers continue to purchase from us, thus establishing an even stronger bond with us.

For all the support given by our customers, we shall continue to build on our reputation by delivering quality products and excellent customer service.

The Workplace

Subur Tiasa is an employer of choice. With the group's continual expansion, and its reputation as an excellent employer offering bright career prospects and generous fringe benefits to its employees, it has been able to attract young, dedicated professionals into its fold. Its employees consist of a healthy mix of different ethnic groups.

In order to improve the skill levels of its employees, the group provides training to them. Where in-house training is not available, employees are sent for external training. This has improved the overall productivity of our workforce and has contributed positively to the bottom-line of the group. Altogether, about 180 sessions of in-house and external training were conducted for employees during the year.

Subur Tiasa is also fully committed to ensuring the safety and health of its employees. At the mills, the Safety and Health Committees and the safety officers enforced the Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967. Internal audits were carried out to ensure that these acts were fully complied with.

Practical training such as fire drills exercises were conducted quarterly to ensure employees at the sites were ready and well-prepared for any emergencies. Contractors and their workers were also briefed on work safety to prevent and reduce work place accidents. In addition, the group organised periodic fogging of the factory compound to ensure it was free from mosquitoes.

Sports and recreational facilities were provided to ensure employees' social and physical well-being. Social gathering were held in conjunctions with festivities and celebrations as appreciations and recognitions of their contributions. Sporting competitions were also held. These have been able to build camaraderie among its employees from different levels of management and staff.

Our people are our strength. Its workforce of diverse ethnicity and background, each having its own strength has all contributed to our success.

Awards & Recognition

AWARDS

SUBUR TIASA HOLDINGS BERHAD

1. BUSINESS SUMMIT AWARD 2007
2. WORLD QUALITY COMMITMENT (WQC) INTERNATIONAL GOLD STAR AWARD

SUBUR TIASA PARTICLEBOARD SDN. BHD.

1. INTERNATIONAL AWARD FOR THE BEST TRADE NAME 2007 (NEW MILLENNIUM AWARD)
2. DIAMOND EYE AWARD 2007 FOR QUALITY COMMITMENT & EXCELLENCE
3. TOP QUALITY CUSTOMER SATISFACTION APTITUDE SEAL FOR HIGH QUALITY PERFORMANCE & BEST CUSTOMER SATISFACTION

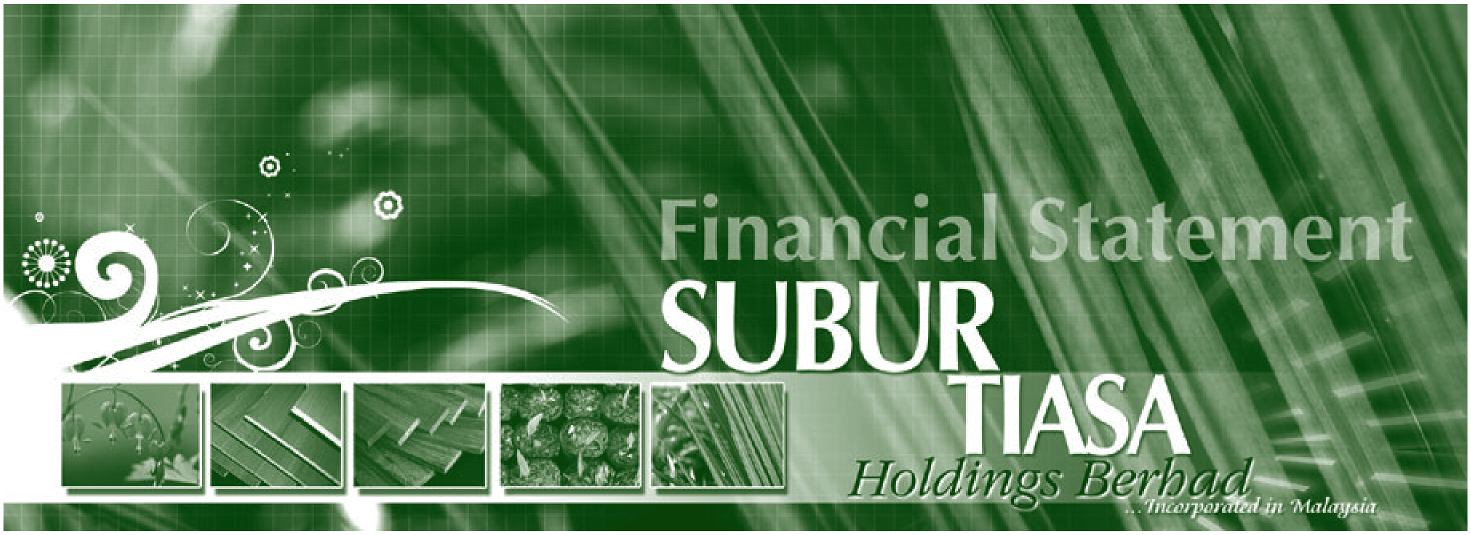
SUBUR TIASA PLYWOOD SDN. BHD.

1. PLATINUM TECHNOLOGY AWARD FOR QUALITY & BEST TRADE NAME

RECOGNITION

1. CE MARKING SYSTEM CERTIFICATE
2. JAPANESE AGRICULTURAL STANDARDS (JAS) CERTIFICATE


Tajikistan
Nepal
Bhutan
Bangladesh
India
Pakistan
Thailand
Laos
Vietnam
Philippines
Cambodia
Sri Lanka
Malaysia
JAPAN PLYWOOD INSPECTION CORPORATION
BM TRADA
CE
EC Certificate of Factory Production Control
CERTIFICATE
SUBUR TIASA PARTICLE BOARD SDN BHD.
AWARD CERTIFICATE
This is to certify that
Subur Tiasa Holdings Berhad
Grand Star Winner in Timber Industry
Business SUMMIT Award 2007
World Quality Commitment
CERTIFICATE
SUBUR TIASA HOLDINGS BERHAD
INTERNATIONAL GOLD STAR FOR QUALITY
International Award
OTHERWAYS
SUBUR TIASA PARTICLEBOARD SDN. BHD
RIMBUNAN HIJAU GROUP
SUBUR TIASA
Holdings Berhad
...Incorporated in Malaysia



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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2008.

Principal Activities

The principal activities of the Company are investment holding, extraction and sale of logs, manufacturing and sale of sawn timber.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

Results

	Group RM	**Company** RM
Profit for the year	24,814,539	2,721,665
	========	=======
Attributable to:		
Equity holders of the Company	24,816,789	2,721,665
Minority interest	(2,250)	-
	24,814,539	2,721,665
	========	=======

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted a decrease in the Group's profit for the year by RM2,052,000 as disclosed in Note 2.3(c)(ii) to the financial statements.

Dividends

The amount of dividends declared and paid by the Company since 31 July 2007 were as follows:

In respect of the financial year ended 31 July 2007 as reported in the directors' report of that year:

	RM
First and final dividend of 3% per share, less 27% taxation on 180,000,000 ordinary shares, declared on 19 November 2007 and paid on 26 February 2008	3,942,000
	=======

Directors' Report (contd.)

Dividends (contd.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 July 2008, of 3% less 25% taxation (2.25 sen net per ordinary shares), will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2009.

Directors

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

YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai
YBhg. Datuk William Lau Kung Hui
YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh
YBhg. Dato' Tiong Ing
Tiong Kiong King
Ngu Woo Hieng

Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27(a) to the financial statements.

Directors' Interests

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

	Number of Ordinary Shares of RM1 Each				
	1.8.2007	Bonus issue	Bought	Sold	31.7.2008
Direct Interest:					
YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	10,000	500	-	-	10,500
YBhg. Datuk William Lau Kung Hui	10,000	500	-	-	10,500
YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh	297,900	14,895	-	-	312,795
YBhg. Dato' Tiong Ing	1,410,156	71,357	17,000	-	1,498,513
Tiong Kiong King	1,090,804	54,539	-	-	1,145,343
Ngu Woo Hieng	20,000	1,000	-	-	21,000
Indirect Interest:					
YBhg. Dato' Tiong Ing	426,500	27,575	125,000	-	579,075

Issue of Shares

During the financial year, the Company increased its issued and paid-up ordinary shares from RM200,000,000 to RM209,000,000 by bonus issue of 9,000,000 new ordinary shares of RM1 each in the Company on the basis of 1 bonus share for every 20 existing ordinary shares of RM1 each held in the Company through capitalisation of retained profits.

Treasury Shares

As at 31 July 2008, the Company held as treasury shares a total of 20,000,000 of its 209,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM53,570,468 and further relevant details are disclosed in Note 24 to the financial statements.

Other Statutory Information

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

Directors' Report (contd.)

Other Statutory Information (contd.)

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant Events

Significant events are disclosed in Note 30 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 November 2008.

Dato' Tiong Ing **Tiong Kiong King**

Statement by Directors

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

We, **Dato' Tiong Ing** and **Tiong Kiong King**, being two of the directors of **Subur Tiasa Holdings Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 47 to 109 are drawn up in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 November 2008.

Dato' Tiong Ing **Tiong Kiong King**

Statutory Declaration

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

I, **Yeo Eng Siang**, being the officer primarily responsible for the financial management of **Subur Tiasa Holdings Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 109 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 **Yeo Eng Siang**
at Sibu in the State of Sarawak
on 17 November 2008.

Yeo Eng Siang

Before me,

Belinda Hii Tai King
Commissioner for Oaths (Q 64)
Sibu, Malaysia

Independent Auditors' Report

to the Members of Subur Tiasa Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of **Subur Tiasa Holdings Berhad**, which comprise the balance sheets as at 31 July 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 47 to 109.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Independent Auditors' Report
to the Members of Subur Tiasa Holdings Berhad
(Incorporated in Malaysia) contd.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounting and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

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

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

Other matters

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

CHIN MUI KHIONG PETER
No. 1881/03/10 (J)
Chartered Accountant

Kuching, Malaysia
Date: 17 November 2008

Income Statements
For the Year Ended 31 July 2008

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM
Revenue	3	603,950,883	550,865,032	316,858,724	348,003,711
Cost of sales		(463,906,626)	(368,845,962)	(239,537,929)	(220,272,796)
Gross Profit		140,044,257	182,019,070	77,320,795	127,730,915
Other income		7,586,195	5,093,707	1,828,147	1,075,242
Administrative expenses		(37,933,446)	(30,871,012)	(28,062,763)	(23,633,494)
Selling and distribution expenses		(53,219,254)	(45,995,732)	(25,992,118)	(25,275,918)
Other expenses		(22,619,063)	(20,320,301)	(13,723,268)	(13,723,268)
Operating Profit		33,858,689	89,925,732	11,370,793	66,173,477
Finance cost	4	(3,840,385)	(1,329,004)	(3,383,483)	(1,151,890)
Profit Before Tax	5	30,018,304	88,596,728	7,987,310	65,021,587
Income tax expense	8	(5,203,765)	(23,910,568)	(5,265,645)	(21,240,004)
Profit for the Year		24,814,539	64,686,160	2,721,665	43,781,583
Attributable to:					
Equity holders of the Company		24,816,789	64,686,160	2,721,665	43,781,583
Minority interest		(2,250)	-	-	-
		24,814,539	64,686,160	2,721,665	43,781,583
Earnings Per Share Attributable to Equity Holders of the Company (sen)					
- Basic, for profit for the year	9(a)	13.1	34.2		
- Diluted, for profit for the year	9(b)	N/A	N/A		

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

Balance Sheets as at 31 July 2008

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	426,731,314	352,480,137	175,388,489	152,159,230
Prepaid land lease payments	12	44,599,352	33,320,517	2,206,293	2,257,802
Investment properties	13	18,448,841	19,226,325	-	-
Investment in subsidiaries	14	-	-	209,340,598	192,538,830
Intangible assets	15	75,084,774	99,487,173	65,374,109	79,097,377
Long term assets	16	42,219,065	20,856,391	23,560,345	20,856,391
Deferred tax assets	26	14,177,000	16,062,000	-	-
		621,260,346	541,432,543	475,869,834	446,909,630
Current Assets					
Inventories	17	103,256,469	115,379,639	21,148,905	20,948,846
Trade and other receivables	18	50,252,841	43,048,132	20,093,000	22,291,629
Amounts due from subsidiaries	19	-	-	110,579,449	52,383,669
Tax recoverable		5,648,888	1,733,771	-	-
Cash and bank balances	20	65,059,064	86,945,010	2,386,286	29,023,281
		224,217,262	247,106,552	154,207,640	124,647,425
TOTAL ASSETS		845,477,608	788,539,095	630,077,474	571,557,055
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	209,000,000	200,000,000	209,000,000	200,000,000
Share premium		59,679,744	59,679,744	59,679,744	59,679,744
Treasury shares	24	(53,570,468)	(53,570,468)	(53,570,468)	(53,570,468)
Retained earnings	25	354,114,712	342,239,923	111,244,138	121,464,473
Total Equity		569,223,988	548,349,199	326,353,414	327,573,749

Balance Sheets as at 31 July 2008 (contd.)

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
Non-Current Liabilities					
Borrowings	21	91,060,005	69,655,861	50,538,605	38,568,261
Deferred tax liabilities	26	18,305,433	18,452,779	6,139,000	5,329,000
		109,365,438	88,108,640	56,677,605	43,897,261
Current Liabilities					
Borrowings	21	35,610,462	14,331,284	34,562,262	13,421,284
Trade and other payables	23	129,488,192	136,193,927	78,156,944	81,168,166
Amounts due to subsidiaries	19	-	-	132,577,637	104,221,658
Tax payables		1,789,528	1,556,045	1,749,612	1,274,937
		166,888,182	152,081,256	247,046,455	200,086,045
Total Liabilities		276,253,620	240,189,896	303,724,060	243,983,306
TOTAL EQUITY AND LIABILITIES		845,477,608	788,539,095	630,077,474	571,557,055

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

Consolidated Statement
of Changes in Equity For the Year Ended 31 July 2008

	Note	Share capital (Note 24)	← Non-Distributable Share premium	Treasury shares (Note 24) →	Distributable Retained earnings (Note 25)	Minority interest	Total
		RM	RM	RM	RM	RM	RM
At 1 August 2006							
As previously stated		200,000,000	59,679,744	(53,570,468)	252,810,763	-	458,920,039
Effect of adopting FRS 112		-	-	-	24,743,000	-	24,743,000
As restated		200,000,000	59,679,744	(53,570,468)	277,553,763	-	483,663,039
Profit for the year		-	-	-	64,686,160	-	64,686,160
At 31 July 2007		200,000,000	59,679,744	(53,570,468)	342,239,923	-	548,349,199
At 1 August 2007							
As previously stated		200,000,000	59,679,744	(53,570,468)	324,492,923	-	530,602,199
Effect of adopting FRS 112		-	-	-	17,747,000	-	17,747,000
As restated		200,000,000	59,679,744	(53,570,468)	342,239,923	-	548,349,199
Bonus issue		9,000,000	-	-	(9,000,000)	-	-
Investment in a subsidiary company by minority interest		-	-	-	-	2,250	2,250
Profit for the year		-	-	-	24,816,789	(2,250)	24,814,539
Dividends	10	-	-	-	(3,942,000)	-	(3,942,000)
At 31 July 2008		209,000,000	59,679,744	(53,570,468)	354,114,712	-	569,223,988

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

Company Statement
of Changes in Equity For the Year Ended 31 July 2008

	Note	Share capital (Note 24) RM	← Non-Distributable → Share premium RM	Treasury shares (Note 24) RM	Distributable Retained earnings (Note 25) RM	Total RM
At 1 August 2006		200,000,000	59,679,744	(53,570,468)	77,682,890	283,792,166
Profit for the year		-	-	-	43,781,583	43,781,583
At 31 July 2007		200,000,000	59,679,744	(53,570,468)	121,464,473	327,573,749
Bonus issue		9,000,000	-	-	(9,000,000)	-
Profit for the year		-	-	-	2,721,665	2,721,665
Dividends	10	-	-	-	(3,942,000)	(3,942,000)
At 31 July 2008		209,000,000	59,679,744	(53,570,468)	111,244,138	326,353,414

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

Cash Flow Statements
For the Year Ended 31 July 2008

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
Cash Flows from Operating Activities					
Profit before tax		30,018,304	88,596,728	7,987,310	65,021,587
Adjustments for:					
Amortisation of intangible assets	5	20,456,499	20,821,721	13,723,268	13,723,268
Amortisation of prepaid land lease	5	565,160	418,532	51,509	51,509
Depreciation of property, plant and equipment	5	45,274,145	33,038,737	19,613,914	9,897,708
Depreciation of investment properties	5	871,304	460,860	-	-
Inventory write down	5	1,218,202	-	-	-
Property, plant and equipment written off	5	5,908	70,188	-	644
Provision for doubtful debts	5	51,162	-	-	-
(Gain)/loss on disposal of property, plant and equipment	5	(302,613)	(206,216)	28,185	(63,751)
Reversal of inventory write down	5	(502,940)	(1,743,197)	-	-
Unrealised foreign exchange gain	5	(173,512)	(93,578)	(323)	(2,070)
Interest expense	4	3,840,385	1,329,004	3,383,483	1,151,890
Interest income	5	(1,844,236)	(2,055,756)	(373,246)	(102,524)
Impairment loss on timber rights	5	4,064,000	1,400,000	-	-
Operating profit before working capital changes		103,541,768	142,037,023	44,414,100	89,678,261
Decrease/(increase) in inventories		14,777,387	(51,570,621)	(200,059)	(8,100,903)
Increase in trade and other receivables		(27,160,257)	(21,636,558)	(504,997)	(15,587,321)
(Decrease)/increase in trade and other payables		(10,184,550)	70,429,437	(2,988,566)	49,914,399
Increase/(decrease) in amount due to subsidiaries		-	-	(29,839,801)	7,516,914
Cash generated from operations		80,974,348	139,259,281	10,880,677	123,421,350
Interest paid		(5,302,167)	(2,057,192)	(3,383,483)	(1,151,890)
Tax paid net of tax refund		(9,736,189)	(18,697,836)	(3,980,970)	(19,455,692)
Net cash generated from operating activities		65,935,992	118,504,253	3,516,224	102,813,768

Cash Flow Statements

For the Year Ended 31 July 2008 (contd.)

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash Flows from Investing Activities					
Acquisition of subsidiaries	14	(10,012,002)	-	(16,801,768)	(16)
Purchase of investment properties	13	(93,820)	(7,858,968)	-	-
Purchase of property, plant and equipment		(86,079,879)	(102,422,506)	(18,807,751)	(54,603,579)
Addition of prepaid land lease	12	(5,082,907)	-	-	-
Proceeds from disposal of property, plant and equipment		494,670	640,368	681,543	203,865
Interest received		1,844,236	2,055,756	373,246	102,524
Net cash used in investing activities		(98,929,702)	(107,585,350)	(34,554,730)	(54,297,206)
Cash Flows from Financing Activities					
Repayment of hire purchase liabilities		(19,268,345)	(1,545,821)	(19,268,345)	(1,545,821)
Repayment of bankers' acceptances		(7,168,000)	-	-	-
Proceeds from drawdown of hire purchase financing		9,693,000	-	9,693,000	-
Proceeds from drawdown of term loan		22,423,516	28,585,966	11,941,513	8,094,366
Proceeds from drawdown of bankers' acceptances		3,390,000	910,000	-	-
Proceeds from drawdown of revolving credit		6,000,000		6,000,000	
Repayment of term loan		-	(36,516,000)	-	(32,000,000)
Capital contribution by minority interest		2,250	-	-	-
Dividends paid		(3,964,657)	(12,888,898)	(3,964,657)	(12,888,898)
Net cash generated from/(used in) financing activities		11,107,764	(21,454,753)	4,401,511	(38,340,353)
Net (Decrease)/Increase in Cash and Cash Equivalents		(21,885,946)	(10,535,850)	(26,636,995)	10,176,209
Cash and Cash Equivalents at Beginning of Year		86,945,010	97,480,860	29,023,281	18,847,072
Cash and Cash Equivalents at End of Year	20	65,059,064	86,945,010	2,386,286	29,023,281

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

Notes to the Financial Statements
- 31 July 2008

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Company is located at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C. D. T. 123, 96000 Sibu, Sarawak, Malaysia.

The principal activities of the Company are investment holding, extraction and sale of logs, manufacturing and sale of sawn timber. The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 November 2008.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for the current financial year as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis. The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

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

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(a) Subsidiaries and Basis of Consolidation (contd.)

(ii) Basis of Consolidation (contd.)

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 profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Intangible Assets

(i) Goodwill

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

2. **Significant Accounting Policies (contd.)**

2.2 **Summary of Significant Accounting Policies (contd.)**

(b) **Intangible Assets (contd.)**

(ii) **Other Intangible Assets**

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

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

Rights in Timber Licence

Rights in timber licence are expenditure incurred in respect of acquisition of timber licences and are amortised on a straight line basis over the remaining tenure of the licence periods, which range from 7 to 15 years.

Computer Softwares and Licences

The computer software and licences cost are amortised using the straight-line method over their estimated useful lives of 10 years.

(c) **Property, Plant and Equipment, and Depreciation**

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(c) Property, Plant and Equipment, and Depreciation (contd.)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Capital work-in-progress is not depreciated until they are put into use. 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 life, at the following annual rates:

Buildings	2% - 10%
Watercrafts, tractors, trucks and motor vehicles	10% - 25%
Plant and machinery	7.5% - 20%
Infrastructure facilities	5% - 10%
Furniture, fittings and equipment	5% - 20%
Computer hardware	10% - 20%

New planting expenditure incurred on land clearing, planting, upkeep of immature oil palms, direct administrative expenses and financing costs up to maturity are capitalised under plantation development expenditure and is amortised on a straight-line basis over 25 years, the expected useful life of oil palms. Oil palm is considered mature 36 months after the month of planting. Upon maturity, all subsequent maintenance expenditure is charged to the income statement.

Replanting expenditure is also capitalised as oil palm development expenditure and amortised on the same basis.

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

An item of property, plant and equipment is 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 profit or loss.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(d) Investment Properties (contd.)

Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Leasehold lands are depreciated over the period of the leases which range from 5 years to 908 years.

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

An item of investment properties is derecognised upon disposal or when no future economic benefits are expected from its use of disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit and loss.

(e) Inventories

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

Cost of raw materials and general stores is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, labour costs and production overheads based on normal level of activity. The standard cost is adjusted to actual cost by prorating the price variance between actual and standard cost into finished goods and work-in-progress.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred on marketing, selling and distribution.

(f) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(d)); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(f) Leases (contd.)

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating Leases - the Group as Lessee

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

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

(iv) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(g) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet 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 balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(h) Employee Benefits

(i) Short term benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

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

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(i) Revenue Recognition

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

(i) Sale of goods

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

(ii) Revenue from supply of electricity

Revenue from supply of electricity is recognised upon the transmission of electricity.

(iii) Contract fee

Contract fee from timber extraction and reforestation operations are recognised in the income statement based on the volume of logs extracted and area planted respectively.

(iv) Dividend income

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

(v) Revenue from towage and transportation

Revenue from towage and transportation are recognised net of discount as and when the services are performed.

(j) 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 Company's functional currency.

2. **Significant Accounting Policies (contd.)**

2.2 **Summary of Significant Accounting Policies (contd.)**

(j) **Foreign Currencies (contd.)**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss.

(k) **Impairment of Non-Financial Assets**

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For 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 balance sheet 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.

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(k) Impairment of Non-Financial Assets (contd.)

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.

(l) Borrowing Costs

Borrowings cost on specific and identifiable borrowings used to finance the plantation development expenditure in respect of the period up to the maturity of the palm tree is capitalised as cost of development of plantation. Other borrowing costs incurred in connection with borrowings are charged to the income statement as an expense in the period in which they are incurred.

(m) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

2. **Significant Accounting Policies (contd.)**

2.2 Summary of Significant Accounting Policies (contd.)

(m) Financial Instruments (contd.)

(iii) 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.

(iv) Interest-bearing 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.

(v) Equity instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction 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 the profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(vi) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

2. Significant Accounting Policies (contd.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 August 2007, the Group and the Company adopted the following new and revised FRS, Amendment to FRS and Interpretations mandatory for the current financial year:

FRS 6	:	Exploration for and Evaluation of Mineral Resources
FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 117	:	Leases
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 124	:	Related Party Disclosures
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 119_{2004}	:	Employee Benefits -Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The adoption of the revised FRS 6, FRS 107, FRS 111, FRS 118, FRS 120, FRS 124, FRS 134, FRS 137, Amendments to FRS and Interpretations did not result in significant changes in accounting policies of the Group and of the Company except FRS 124 which give rise to additional disclosures. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRS 117 and FRS 112 are discussed below:

(a) FRS 117: Lease

Leasehold land held for own use

Prior to 1 August 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are

2. **Significant Accounting Policies (contd.)**

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (contd.)

(a) FRS 117: Lease (contd.)

allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment relating to the land element represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 August 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 July 2008 are set out in Note 2.3(c)(i). There were no effects on the consolidated income statement for the year ended 31 July 2008 and the Company's financial statements.

(b) FRS 112: Income Tax

Prior to 1 August 2007, deferred tax was not recognised on the asset that qualifies for reinvestment allowances ("RA") and investment tax allowances ("ITA"). With the adoption of the revised FRS 112, the Group recognises deferred tax asset on such unused RA and ITA, to the extent that it is probable that future taxable profit will be available against which the unused ITA and RA can be utilised. This change in accounting policy has been accounted for retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 July 2008 and consolidated income statement for the year ended 31 July 2008 are set out in Note 2.3(c)(i) and Note 2.3(c)(ii) respectively. This change has no impact on the Company's financial statements.

(c) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 July 2008 is higher or lower than it would have been had the previous policies been applied in the current year.

2. **Significant Accounting Policies (contd.)**

2.3 **Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (contd.)**

(c) **Summary of effects of adopting new and revised FRSs on the current year's financial statements (contd.)**

(i) **Effects on balance sheets as at 31 July 2008**

	< ------------	Increase/(decrease)	------------ >
Descriptions of changes	**FRS 117 Note 2.3(a)** RM	**FRS 112 Note 2.3(b)** RM	**Total** RM
Group			
Property, plant and equipment	(44,599,352)	-	(44,599,352)
Prepaid land lease payments	44,599,352	-	44,599,352
Deferred tax assets	-	15,695,000	15,695,000
Retained earnings	-	15,695,000	15,695,000
Company			
Property, plant and equipment	(2,206,293)	-	(2,206,293)
Prepaid land lease payments	2,206,293	-	2,206,293

(ii) **Effects on income statement for the year ended 31 July 2008**

Descriptions of changes	**Increase/ (decrease) FRS 112 Note 2.3(b)** RM
Group	
Income tax expense	2,052,000
Profit for the year	(2,052,000)
Basic Earnings per share (sen)	(1.1)

2. Significant Accounting Policies (contd.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (contd.)

(d) Restatement of Comparatives

The following comparative figures have been restated as a result of adopting the revised FRSs:

	Previously stated	Increase/(decrease) FRS 117 Note 2.3(a)	FRS 112 Note 2.3(b)	Restated
	RM	RM	RM	RM
Group				
Property, plant and equipment	385,800,654	(33,320,517)	-	352,480,137
Prepaid land lease payments	-	33,320,517	-	33,320,517
Deferred tax assets	568,000	-	15,494,000	16,062,00
Deferred tax liabilities	(20,705,779)	-	2,253,000	(18,452,779)
Income tax expenses	16,914,568	-	6,996,000	23,910,568
Profit after tax	71,682,160	-	(6,996,000)	64,686,160
Retained earnings	324,492,923	-	17,747,000	342,239,923
Basic earnings per share (sen)	37.9*	-	(3.7)	34.2
Company				
Property, plant and equipment	154,417,032	(2,257,802)	-	152,159,230
Prepaid land lease payments	-	2,257,802	-	2,257,802

* Restated after bonus issue of 9,000,000 ordinary shares.

2.4 Standards and Interpretations issued and not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not early adopted FRS 139: Financial Instruments: Recognition and Measurement which will be effective for financial periods beginning on or after 1 January 2010. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 2.2 above, the management of the Company is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

2. Significant Accounting Policies (contd.)

2.5 Significant Accounting Estimates and Judgements (contd.)

(b) Key Sources of Estimation Uncertainty

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

(i) Impairment of intangible assets - timber rights

During the current financial year, the Group has recognised impairment losses in respect of timber rights included within intangible assets. The Group carried out the impairment test based on the estimation of value-in-use of the timber rights. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the timber rights and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of timber rights of the Group as at 31 July 2008 were RM69,803,202 (2007: RM92,422,270). The management of the Group has carried out a review of the recoverable amount of the timber rights during the current financial year. The review led to the recognition of an impairment loss of RM4,064,000 during the year.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unutilised reinvestment allowance ("RA") and investment tax allowances ("ITA") to the extent that it is probable that taxable profit will be available against which the RA and ITA can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised unutilised RA and ITA of the Group was RM62,780,000 (2007: RM68,258,000).

3. Revenue

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Sale of logs	170,932,200	179,072,288	293,167,159	275,712,816
Sale of plywood	260,612,414	217,570,744	-	-
Sale of raw and laminated particleboard	65,909,908	60,572,379	-	-
Sale of sawn timber, finger joint moulding and by-products	69,160,848	57,974,610	17,170,067	13,223,683
Contract fee from timber extraction and reforestation	36,351,144	33,858,086	6,521,498	13,062,029
Dividend income	-	-	-	46,005,183
Others	984,369	1,816,925	-	-
	603,950,883	550,865,032	316,858,724	348,003,711

4. Finance Cost

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Interest expense on:				
Bank borrowings	2,239,687	1,777,369	321,003	872,067
Hire purchase liabilities	3,062,480	279,823	3,062,480	279,823
	5,302,167	2,057,192	3,383,483	1,151,890
Less: Interest capitalised in plantation development expenditure (Note 11)	(1,461,782)	(728,188)	-	-
Net interest expense	3,840,385	1,329,004	3,383,483	1,151,890

5. Profit Before Tax

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

	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
Employee benefits expense (Note 6)	57,317,239	45,461,441	25,952,376	19,970,058
Non-executive directors' remuneration (Note 7)				
- fees	308,000	278,000	200,000	170,000
- other emoluments	336,000	354,000	240,000	240,000
Auditors' remuneration				
- current year	124,700	125,900	33,000	31,000
- overprovided in prior year	(9,000)	-	-	-
- other services	8,000	7,000	8,000	7,000
Amortisation of intangible assets (Note 15)	20,456,499	20,821,721	13,723,268	13,723,268
Amortisation of prepaid land lease payments (Note 12)	565,160	418,532	51,509	51,509
Provision for doubtful debts	51,162	-	-	-
Depreciation of property, plant and equipment (Note 11)	45,274,145	33,038,737	19,613,914	9,897,708
Depreciation of investment properties (Note 13)	871,304	460,860	-	-
Property, plant and equipment written off	5,908	70,188	-	644

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5. Profit Before Tax (contd.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM (Restated)	RM	RM (Restated)
Rental of				
- buildings	105,650	128,420	11,850	7,300
- land	266,500	262,167	121,000	116,667
- equipment and vehicles	158,945	6,283,057	77,895	6,081,972
Impairment loss on timber rights (Note 15)	4,064,000	1,400,000	-	-
Unrealised foreign exchange (gain)/loss	(173,512)	(93,578)	(323)	(2,070)
Inventory write down	1,218,202	-	-	-
Reversal of inventory write down	(502,940)	(1,743,197)	-	-
Interest income	(1,844,236)	(2,055,756)	(373,246)	(102,524)
Net realised foreign exchange gain	(3,653,459)	(1,781,399)	(837,391)	(516,710)
Gain/(loss) on disposal of property, plant and equipment	(302,613)	(206,216)	28,185	(63,751)
Rental income - building	(305,265)	(400,533)	(195,365)	(320,560)
	========	========	========	========

6. Employee Benefits Expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Wages, salaries and bonus	45,287,442	33,362,283	22,154,327	16,977,154
Contribution to defined contribution plan	4,257,630	3,445,346	2,358,462	1,900,379
Other benefits	9,772,167	8,653,812	1,439,587	1,092,525
	59,317,239	45,461,441	25,952,376	19,970,058
	=========	=========	=========	=========

Included in employee benefits expense of the Group and of the Company is an executive director's remuneration amounting to RM3,521,000 (2007: RM2,623,800) and RM3,462,200 (2007: RM2,566,800) respectively as further disclosed in Note 7.

7. Directors' Remuneration

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Director of the Company:				
Executive directors' remuneration (Note 6)				
- fees	70,000	63,000	35,000	30,000
- salaries, bonus and other emoluments	3,084,000	2,289,000	3,060,000	2,265,000
- contribution to defined contribution plan	367,200	271,800	367,200	271,800
	3,521,200	2,623,800	3,462,200	2,566,800
Non-executive directors' remuneration (Note 5)				
- fees	229,000	196,000	200,000	170,000
- other emoluments	264,000	264,000	240,000	240,000
	493,000	460,000	440,000	410,000
Directors of subsidiaries:				
Non-executive directors' remuneration (Note 5)				
- fees	79,000	82,000	-	-
- other remuneration	72,000	90,000	-	-
	151,000	172,000	-	-
Total	4,165,200	3,255,800	3,902,200	2,976,800

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7. Directors' Remuneration (contd.)

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

	Number of directors	
	2008	2007
Executive director:		
RM2,600,001 - RM2,650,000	-	1
RM3,500,001 - RM3,550,000	1	-
Non-executive directors:		
Less than RM50,000	3	3
RM50,001 - RM100,000	1	1
RM250,001 - RM300,000	1	1
	======	=====

8. Income Tax Expense

	Group		Company	
	2008 RM	2007 RM (Restated)	2008 RM	2007 RM
Income tax:				
Current year provision	7,482,000	17,417,601	5,751,000	19,363,000
Overprovision in prior years	(1,249,368)	(324,693)	(1,295,355)	(437,996)
	6,232,632	17,092,908	4,455,645	18,925,004
Deferred tax (Note 26):				
- Relating to origination and reversal of temporary differences	(1,437,728)	8,093,208	546,000	2,308,000
- Under/(over) provided in prior years	448,652	(945,689)	487,000	123,000
- Relating to changes in tax rates	(39,791)	(329,859)	(223,000)	(116,000)
	(1,028,867)	6,817,660	810,000	2,315,000
	5,203,765	23,910,568	5,265,645	21,240,004
	=========	=========	=========	=========

8. Income Tax Expense (contd.)

Current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 July 2008 has reflected these changes.

An explanation of the relationship between tax expense and accounting profit can also be presented in the form of a numerical reconciliation between the average effective tax rate and the applicable tax rate as follows:

	Group		**Company**	
	2008	**2007**	**2008**	**2007**
	%	%	%	%
		(Restated)		
Statutory tax rate	26	27	26	27
Effect of tax at lower rate	-	(1)	(3)	-
Effect of expenses not deductible for tax purposes	17	6	53	6
Effect of expenses eligible for double deduction	(15)	(3)	-	-
Effect of utilisation of previously unrecognised unabsorbed tax losses and capital allowances	(3)	-	-	-
Effect of utilisation of current year's reinvestment allowances	(8)	-		-
Underprovision of income tax expense in prior year	(4)	(2)	(16)	-
Underprovision of deferred tax expense in prior years	1	-	6	-
Deferred tax assets not recognised in respect of deductible temporary differences	3	-	-	
Average effective tax rate	17	27	66	33

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9. Earnings Per Share

(a) Basic

Basic earnings per share amount is calculated by dividing the profit of the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company:

	2008	**2007** (Restated)
Profit for the year attributable to equity holders of the Company (RM)	24,816,789	64,686,160
Weighted average number of ordinary shares in issue	189,000,000	189,000,000
Basic earnings per share (sen)	13.1	34.2
	=========	=========

The comparative basic earnings per share has been restated to take into account the effect of the changes to accounting policies (Note 2.3(c)) on profit for that year and bonus issue during the year.

(b) Diluted

The Group has no potential ordinary shares in issue for the year under review, therefore diluted earnings per share has not been presented.

10. Dividends

	Dividends in respect of Year		**Dividends Recognised in Year**	
	2008 RM	**2007** RM	**2008** RM	**2007** RM
Recognised during the year:				
Final dividend for 2007: 3 sen per share, less 27% taxation on 180,000,000 ordinary shares	3,942,000	-	3,942,000	-
	=======	=======	=======	=======

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 July 2008, of 3% less 25% taxation (2.25 sen net per ordinary share), will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2009.

Notes to the Financial Statements
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11. Property, Plant and Equipment

Group	Freehold land RM	Buildings RM	Plantation development expenditure RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2008										
Cost										
At 1 August 2007	162,260	116,206,779	36,081,679	157,579,476	300,628,646	44,093,775	14,259,775	5,270,709	17,996,221	692,279,320
Acquisition of subsidiary	-	5,201,693	-	792,953	5,693,488	300,000	97,550	-	-	12,085,684
Additions	-	944,346	13,996,772	2,147,623	470,465	12,492,575	741,663	340,532	82,627,732	113,761,708
Disposals	-	-	-	(539,058)	(384,714)	-	(13,170)	-	-	(936,942)
Written off	-	-	-	-	(2,109,949)	-	(72,998)	(123,828)	-	(2,306,775)
Transfer	-	3,084,765	-	47,398,045	21,042,845	900	294,045	23,110	(71,843,710)	-
Transfer to inventory	-	-	-	-	-	-	-	-	(490,798)	(490,798)
At 31 July 2008	162,260	125,437,583	50,078,451	207,379,039	325,340,781	56,887,250	15,306,865	5,510,523	28,289,445	814,392,197
Accumulated Depreciation and Impairment Losses										
At 1 August 2007										
Accumulated depreciation	4,999	63,789,131	-	30,967,898	206,401,233	21,758,905	7,783,838	3,924,239	-	334,630,243
Accumulated impairment losses	-	-	-	-	5,168,940	-	-	-	-	5,168,940
At 1 August 2007	4,999	63,789,131	-	30,967,898	211,570,173	21,758,905	7,783,838	3,924,239	-	339,799,183

Notes to the Financial Statements
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11. Property, Plant and Equipment (contd.)

Group	Freehold land RM	Buildings RM	Plantation development expenditure RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2008 (contd.) Accumulated Depreciation and Impairment Losses (contd.)										
Acquisition of subsidiary	-	1,103,228	-	626,719	3,041,903	10,714	80,720	-	-	4,863,284
Depreciation charge for the year	-	3,882,070	-	17,440,824	18,234,120	4,728,268	1,304,380	454,506	-	46,044,168
Charge to income statement (Note 5)	-	3,882,070	-	17,440,824	17,469,297	4,728,268	1,299,180	454,506	-	45,274,145
Capitalised in plantation development expenditure	-	-	-	-	764,823	-	5,200	-	-	770,023
Disposals	-	-	-	(347,565)	(394,817)	-	(2,503)	-	-	(744,885)
Written off	-	-	-	-	(2,109,949)	-	(67,152)	(123,766)	-	(2,300,867)
Transfer	-	-	-	713,656	(713,656)	-	-	-	-	-
At 31 July 2008	4,999	68,774,429	-	49,401,532	229,627,774	26,497,887	9,099,283	4,254,979	-	387,660,883
Analysed as:										
Accumulated depreciation	4,999	68,774,429	-	49,401,532	224,928,485	26,497,887	9,099,283	4,254,979	-	382,961,594
Accumulated impairment losses	-	-	-	-	4,699,289	-	-	-	-	4,699,289
At 31 July 2008	4,999	68,774,429	-	49,401,532	229,627,774	26,497,887	9,099,283	4,254,979	-	387,660,883
Net Carrying Amount	157,261	56,663,154	50,078,451	157,977,507	95,713,007	30,389,363	6,207,582	1,255,544	28,289,445	426,731,314

Notes to the Financial Statements
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11. Property, Plant and Equipment (contd.)

Group	Freehold land RM	Buildings RM	Plantation development expenditure RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2007 (Restated)										
Cost										
At 1 August 2006	162,260	112,645,329	17,171,723	50,160,582	296,146,626	42,546,683	13,904,573	4,865,629	6,584,362	544,187,767
Additions	-	560,448	18,909,956	100,773,693	1,844,540	1,511,896	398,446	407,610	25,026,205	149,432,794
Disposals	-	-	-	(945,931)	(204,390)	-	(5,925)	(810)	-	(1,157,056)
Written off	-	-	-	(10,000)	(94,832)	-	(23,699)	-	(55,654)	(184,185)
Transfer	-	3,001,002	-	7,601,132	2,936,702	35,196	(13,620)	(1,720)	(13,558,692)	-
At 31 July 2007	162,260	116,206,779	36,081,679	157,579,476	300,628,646	44,093,775	14,259,775	5,270,709	17,996,221	692,279,320
Accumulated Depreciation and Impairment Losses										
At 1 August 2006										
Accumulated depreciation	4,999	60,136,164	-	24,350,931	188,795,077	18,380,206	6,535,327	3,439,113	-	301,641,817
Accumulated impairment losses	-	-	-	-	5,168,940	-	-	-	-	5,168,940
At 1 August 2006	4,999	60,136,164	-	24,350,931	193,964,017	18,380,206	6,535,327	3,439,113	-	306,810,757

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11. Property, Plant and Equipment (contd.)

Group	Freehold land RM	Buildings RM	Plantation development expenditure RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2007 (Restated) (contd.)										
Accumulated Depreciation and Impairment Losses (contd.)										
Depreciation charge for the year	-	3,652,967	-	7,143,380	17,905,374	3,378,699	1,259,863	485,044	-	33,825,327
Charge to income statement (Note 5)	-	3,652,967	-	7,143,380	17,120,252	3,378,699	1,258,395	485,044	-	33,038,737
Capitalised in plantation development expenditure	-	-	-	-	785,122	-	1,468	-	-	786,590
Disposals	-	-	-	(516,414)	(204,389)	-	(2,088)	(13)	-	(722,904)
Written off	-	-	-	(9,999)	(94,829)	-	(9,169)	-	-	(113,997)
Transfer	-	-	-	-	-	-	(95)	95	-	-
At 31 July 2007	4,999	63,789,131	-	30,967,898	211,570,173	21,758,905	7,783,838	3,924,239	-	339,799,183
Analysed as:										
Accumulated depreciation	4,999	63,789,131	-	30,967,898	206,401,233	21,758,905	7,783,838	3,924,239	-	334,630,243
Accumulated impairment losses	-	-	-	-	5,168,940	-	-	-	-	5,168,940
At 31 July 2007	4,999	63,789,131	-	30,967,898	211,570,173	21,758,905	7,783,838	3,924,239	-	339,799,183
Net Carrying Amount	157,261	52,417,648	36,081,679	126,611,578	89,058,473	22,334,870	6,475,937	1,346,470	17,996,221	352,480,137

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11. Property, Plant and Equipment (contd.)

Company	Buildings RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2008								
Cost								
At 1 August 2007	17,064,349	115,415,509	2,392,232	27,390,766	9,085,435	1,960,754	2,818,959	176,128,004
Additions	441,555	1,236,943	70,313	10,460,871	483,314	319,287	30,540,618	43,552,901
Disposals	-	(1,180,444)	-	-	(570)	-	-	(1,181,014)
Transfer	1,137,818	29,483,504	1,331,681	-	172,331	-	(32,125,334)	-
At 31 July 2008	18,643,722	144,955,512	3,794,226	37,851,637	9,740,510	2,280,041	1,234,243	218,499,891
Accumulated Depreciation								
At 1 August 2007	1,634,333	8,735,864	349,080	7,940,736	4,428,714	880,047	-	23,968,774
Depreciation charge for the year (Note 5)	517,497	13,543,987	262,825	3,943,413	970,997	375,195	-	19,613,914
Disposals	-	(471,276)	-	-	(10)	-	-	(471,286)
At 31 July 2008	2,151,830	21,808,575	611,905	11,884,149	5,399,701	1,255,242	-	43,111,402
Net Carrying Amount	16,491,892	123,146,937	3,182,321	25,967,488	4,340,809	1,024,799	1,234,243	175,388,489

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11. Property, Plant and Equipment (contd.)

Company	Buildings RM	Watercrafts, tractors, trucks and motor vehicles RM	Plant and machinery RM	Infrastructure facilities RM	Furniture, fittings and equipment RM	Computer hardware and software RM	Capital work-in-progress RM	Total RM
At 31 July 2007 (Restated)								
Cost								
At 1 August 2006	14,238,274	21,479,712	1,689,213	26,248,820	8,884,558	1,562,686	2,494,753	76,598,016
Additions	129,602	94,443,209	703,019	1,108,450	205,526	400,598	3,054,175	100,044,579
Disposals	-	(507,412)	-	-	(5,580)	(810)	-	(513,802)
Written off	-	-	-	-	(789)	-	-	(789)
Transfer	2,696,473	-	-	33,496	1,720	(1,720)	(2,729,969)	-
At 31 July 2007	17,064,349	115,415,509	2,392,232	27,390,766	9,085,435	1,960,754	2,818,959	176,128,004
Accumulated Depreciation								
At 1 August 2006	1,240,488	3,852,945	150,451	5,032,161	3,518,707	554,326	-	14,349,078
Depreciation charge for the year (Note 5)	393,845	5,160,166	198,629	2,908,575	910,759	325,734	-	9,897,708
Disposals	-	(277,247)	-	-	(607)	(13)	-	(277,867)
Written off	-	-	-	-	(145)	-	-	(145)
At 31 July 2007	1,634,333	8,735,864	349,080	7,940,736	4,428,714	880,047	-	23,968,774
Net Carrying Amount	15,430,016	106,679,645	2,043,152	19,450,030	4,656,721	1,080,707	2,818,959	152,159,230

11. Property, Plant and Equipment (contd.)

(a) Certain buildings of the Group with net carrying amount of RM4,159,505 (2007: RM3,283,903) are situated on land which is held by a company in which a director of certain subsidiaries and certain substantial shareholders of the Company have financial interests.

(b) The net carrying amount of the property, plant and equipment of the Group and of the Company which the title have yet to be registered under the name of the Company and its subsidiary are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Tractor and trucks	222,483	7,766,325	-	7,708,275
Buildings	11,081,965	11,337,606	11,081,965	11,337,606
	11,304,448	19,103,931	11,081,965	19,045,881

(c) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM113,761,708 (2007: RM149,432,794) and RM43,552,901 (2007: RM100,044,579) respectively of which RM24,745,150 (2007: RM45,441,000) were acquired by means of hire purchase arrangements. Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	Company	
	2008	**2007**
	RM	RM
Tractors, trucks and motor vehicles	80,723,009	50,659,485

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 22.

(d) The net carrying amount of property, plant and equipment pledged for borrowings as referred in Note 21 are as follows:

	Group	
	2008	**2007**
	RM	RM
Plantation and buildings	50,078,451	36,081,679
Watercrafts	15,984,512	-
	66,062,963	36,081,679

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11. Property, Plant and Equipment (contd.)

(e) Included in plantation development expenditure of the Group are the following expenses incurred and capitalised during the financial year:

	Group 2008 RM	Group 2007 RM
Staff costs	550,793	299,282
Depreciation	770,023	786,590
Interest expense (Note 4)	1,461,782	728,188
Amortisation of prepaid land lease payment (Note 12)	704,874	54,510
	=======	=======

12. Prepaid Land Lease Payments

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
At 1 August	33,320,517	33,793,559	2,257,802	2,309,311
Addition	5,082,907	-	-	-
Acquisition of subsidiaries (Note 14)	7,465,962	-	-	-
Amortisation for the year	(1,270,034)	(473,042)	(51,509)	(51,509)
Charge to income statement (Note 5)	565,160	418,532	51,509	51,509
Capitalised in plantation development (Note 11(e))	704,874	54,510	-	-
At 31 July	44,599,352	33,320,517	2,206,293	2,257,802
	========	========	========	========
Analysed as:				
Long term leasehold land	20,331,949	28,176,627	-	-
Short term leasehold land	24,267,403	5,143,890	2,206,293	2,257,802
	44,599,352	33,320,517	2,206,293	2,257,802
	========	========	========	========

The net carrying amount of long leasehold land pledged for borrowing as referred in Note 21 to the financial statements is RM15,142,895 (2007: RM15,844,944).

Short leasehold land of the Group and the Company with carrying value of RM6,206,621 (2007: RM3,687,945) and RM2,206,293 (2007: RM2,257,802) are yet to be registered in the name of the subsidiaries and of the Company respectively.

13. Investment Properties

Group	Long leasehold land RM	Short leasehold land RM	Total RM
At 31 July 2008			
Cost			
At 1 August 2007	9,839,941	9,847,922	19,687,863
Additions	39,160	54,660	93,820
At 31 July 2008	9,879,101	9,902,582	19,781,683
Accumulated Depreciation			
At 1 August 2007	9,880	451,658	461,538
Depreciation charge for the year (Note 5)	12,378	858,926	871,304
At 31 July 2008	22,258	1,310,584	1,332,842
Net Carrying Amount	9,856,843	8,591,998	18,448,841
At 31 July 2007			
Cost			
At 1 August 2006	6,043,857	5,785,038	11,828,895
Additions	3,796,084	4,062,884	7,858,968
At 31 July 2007	9,839,941	9,847,922	19,687,863
Accumulated Depreciation			
At 1 August 2006	678	-	678
Depreciation charge for the year (Note 5)	9,202	451,658	460,860
At 31 July 2007	9,880	451,658	461,538
Net Carrying Amount	9,830,061	9,396,264	19,226,325

The fair value of the investment properties as at 31 July 2008 is approximately RM19,782,000 (2007: RM19,688,000).

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14. Investment in Subsidiaries

	Company 2008 RM	Company 2007 RM
Unquoted shares, at cost	214,340,597	197,538,829
Less: Accumulated impairment loss	(4,999,999)	(4,999,999)
	209,340,598	192,538,830

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

Name of subsidiaries	Equity interest held (%) 2008	Equity interest held (%) 2007	Principal activities
Subur Tiasa Plywood Sdn. Bhd.	100	100	Manufacture and sale of plywood and veneer
Subur Tiasa Particleboard Sdn. Bhd.	100	100	Manufacture and sale of particleboard
R H Timber Processing Industries Sdn. Bhd.	100	100	Sawmilling of timber
Trimogreen Sdn. Bhd.	100	100	Manufacture and sale of sawn timber and finger joint moulding
Subur Tiasa Forestry Sdn. Bhd.	100	100	Forest plantation contractor
Sarawak Plywood (M) Sdn. Bhd.	100	100	Logging, sawmilling and marketing of logs and sawn timber
Homet Raya Sdn. Bhd.	100	100	Supply of electricity
Palmlyn Sdn. Bhd. *	100	100	Cultivation of oil palm
T. Q. Oriental Sdn. Bhd.	100	100	Operation of a grocery store
Supreme Standard Development Sdn. Bhd.	100	100	Property holding and development
Allied Asiatic Sdn. Bhd.	100	100	Towage and transportation services
Joyful Realty Sdn. Bhd.	100	100	Property holding and development
Diamond Plywood Sdn. Bhd.	100	100	Dormant

14. Investment in Subsidiaries (contd.)

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

Name of subsidiaries	Equity interest held (%) 2008	2007	Principal activities
AA Plywood Sdn. Bhd.	100	100	Dormant
Excelle Timber Sdn. Bhd.	100	100	Dormant
Victory Round Sdn. Bhd.	100	100	Dormant
Infrapalm Sdn. Bhd. *	55	100	Dormant
JPH Enterprise Sdn. Bhd.	100	100	Dormant
Blessings Realty Sdn. Bhd.	100	100	Dormant
Semarak Veneer & Plywood Sdn. Bhd. *	100	-	Dormant
Borneo Lumber Industries Sdn. Bhd. *	100	-	Manufacture and sale of sawn timber
Blessings Palm Sdn. Bhd. *	100	-	Cultivation of oil palm
JPH Logging Sdn. Bhd. *	100	-	Logging contractor
Grace Million Sdn. Bhd.	100	-	Dormant

On 1 August 2007, the Company acquired 100% equity interest in Borneo Lumber Industries Sdn. Bhd., a company incorporated in Malaysia and involved in manufacturing and sale of sawn timber, for a total cash consideration of RM8,000,000.

On 24 March 2008, the Company acquired 100% equity interest in Grace Million Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 26 March 2008, the Company acquired 100% equity interest in JPH Logging Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 25 June 2008, the Company acquired 100% equity interest in Semarak Veneer & Plywood Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 9 July 2008, the Company acquired 100% equity interest in Blessings Palm Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

* Audited by a firm of auditors other than Ernst & Young

Notes to the Financial Statements
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14. Investment in Subsidiaries (contd.)

Acquisition of subsidiary

The acquired subsidiaries has contributed the results to the Group:

	RM
Revenue	13,839,692
Loss for the year	(4,829,502)
	=======

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	7,222,400	3,299,485
Prepaid lease payments (Note 12)	7,465,962	1,424,007
Inventories	2,878,678	2,878,678
Trade and other receivables	1,293,676	1,293,676
Tax recoverable	178,077	178,077
Cash and bank balances	1,787,016	1,787,016
	20,825,809	10,860,939
Trade and other payables	3,510,370	3,510,370
Borrowings	2,868,000	2,868,000
Deferred tax liabilities (Note 26)	2,766,521	271,135
	9,144,891	6,649,505
Far value of net assets	11,680,918	
Less: Minority interests	-	
Group's share of net assets	11,680,918	
Goodwill on acquisition (Note 15)	118,100	
Total cost of acquisition	11,799,018	
	========	
Total cash outflow of the Company	11,799,018	
Cash and cash equivalent of subsidiaries acquired	(1,787,016)	
Net cash outflow of the Group	10,012,002	
	========	

15. Intangible Assets

Group	Rights in timber licences RM	Goodwill on consolidation RM	Computer software & licences RM	Total RM
Costs				
At 1 August 2006	224,330,460	2,602,055	19,014,264	245,946,779
Addition	-	-	-	-
At 31 July 2007	224,330,460	2,602,055	19,014,264	245,946,779
Addition (Note 14)	-	118,100	-	118,100
At 31 July 2008	224,330,460	2,720,155	19,014,264	246,064,879
Accumulated amortisation and impairment losses				
At 1 August 2006	111,587,900	-	12,649,985	124,237,885
Amortisation (Note 5)	18,920,290	-	1,901,431	20,821,721
Impairment loss recognised in profit and loss (Note 5)	1,400,000	-	-	1,400,000
At 31 July 2007	131,908,190	-	14,551,416	146,459,606
Amortisation (Note 5)	18,555,068	-	1,901,431	20,456,499
Impairment loss recognised in profit and loss (Note 5)	4,064,000	-	-	4,064,000
At 31 July 2008	154,527,258	-	16,452,847	170,980,105
Net carrying amount				
At 31 July 2008	69,803,202	2,720,155	2,561,417	75,084,774
At 31 July 2007	92,422,270	2,602,055	4,462,848	99,487,173

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15. Intangible Assets (contd.)

	Rights in timber licenses	
Company	**2008**	**2007**
	RM	RM
Costs		
At 1 August/31 July	183,446,732	183,446,732
Accumulated amortisation		
At 1 August	104,349,355	90,626,087
Amortisation (Note 5)	13,723,268	13,723,268
At 31 July	118,072,623	104,349,355
Net carrying amount	65,374,109	79,097,377

16. Long Term Assets

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Long term receivable	23,560,345	17,656,391	23,560,345	17,656,391
Deposit for purchase of investment	-	3,200,000	-	3,200,000
Deposit for purchase of plant and machineries	18,658,720	-	-	-
	42,219,065	20,856,391	23,560,345	20,856,391

Long term receivable represents an advance payment made to a third party in respect of purchase of all the merchantable timber logs from a forest concession for a period of twenty years. This amount will be set-off against the amount payable for future purchases of timber logs from this third party.

17. Inventories

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
At cost				
Raw materials:				
- Logs	21,977,156	26,939,219	13,015,877	17,817,253
- Waste timber	560,449	451,277	-	-
Finished goods				
- Finger joint moulding	493,403	488,362	-	-
- Particleboard	2,219,133	3,044,985	-	-
- Plywood and veneer	29,990,321	50,165,251	-	-
- Sawn timber	8,036,350	5,705,617	713,615	965,734
Work-in-progress	11,863,956	8,436,542	2,172,701	1,290,893
General stores	28,115,701	20,148,386	5,246,712	874,966
	103,256,469	115,379,639	21,148,905	20,948,846

18. Trade and Other Receivables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade receivables				
Third parties	25,679,844	19,265,033	3,649,985	10,618,806
Related companies	4,382,550	4,286,273	1,358,989	876,865
Less: Allowances for doubtful debts - third parties	(1,680,741)	(1,629,579)	(18,074)	(18,074)
	28,381,653	21,921,727	4,990,900	11,477,597
Other receivables				
Third parties	18,007,119	10,179,049	12,672,510	8,926,422
Related companies	-	980,000	-	-
Less: Allowance for doubtful debts - third parties	(20,000)	(20,000)	-	-
- related companies	-	(980,000)	-	-
	17,987,119	10,159,049	12,672,510	8,926,422
Deposits	706,817	5,142,968	17,460	16,520
Prepayments	3,177,252	5,824,388	2,412,130	1,871,090
	21,871,188	21,126,405	15,102,100	10,814,032
	50,252,841	43,048,132	20,093,000	22,291,629

18. Trade and Other Receivables (contd.)

(a) Amount Due from Related Companies

Amount due from related companies represent companies in which certain directors and substantial shareholders of the Company have financial interests. These amounts are unsecured, interest-free and have no fixed terms of repayment.

(b) Credit Risk

The Group's normal trade credit terms range from payment in advance to 180 days. Other credit terms are assessed and approved on a case-by-case basis.

Except as disclosed above, the Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

Further details on related party transaction are disclosed in Note 27.

19. Amount Due from/(to) Subsidiaries

	Company	
	2008 RM	**2007** RM
Amounts due from subsidiaries	115,772,168	57,576,388
Less: Allowance for doubtful debts	(5,192,719)	(5,192,719)
	110,579,449	52,383,669
Amounts due to subsidiaries	(132,577,637)	(104,221,658)

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20. Cash and Cash Equivalents

	Group		**Company**	
	2008 RM	**2007** RM	**2008** RM	**2007** RM
Cash on hand and at banks	7,693,154	14,210,890	2,386,286	5,574,281
Deposits with licensed banks	57,365,910	72,734,120	-	23,449,000
Cash and cash equivalents	65,059,064	86,945,010	2,386,286	29,023,281

Fixed deposit of the Group amounted to RM182,150 (2007: Nil) have been pledged to a bank as security for bank guarantee granted to a subsidiary.

Other information on financial risks of cash and cash equivalents are disclosed in Note 31.

21. Borrowings

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Short term borrowings				
Secured:				
Hire purchase liabilities (Note 22)	23,553,293	13,421,284	23,553,293	13,421,284
Term loans	1,048,200	-	-	-
	24,601,493	13,421,284	23,553,293	13,421,284
Unsecured:				
Bankers' acceptances	-	910,000	-	-
Revolving credit	6,000,000	-	6,000,000	-
Term loans	5,008,969	-	5,008,969	-
	11,008,969	910,000	11,008,969	-
	35,610,462	14,331,284	34,562,262	13,421,284
Long term borrowings				
Secured:				
Term loans	40,521,400	31,087,600	-	-
Hire purchase liabilities (Note 22)	35,511,695	30,473,895	35,511,695	30,473,895
	76,033,095	61,561,495	35,511,695	30,473,895
Unsecured term loan	15,026,910	8,094,366	15,026,910	8,094,366
	91,060,005	69,655,861	50,538,605	38,568,261
Total Borrowings				
Bankers' acceptances	-	910,000	-	-
Revolving credit	6,000,000	-	6,000,000	-
Term loans	61,605,479	39,181,966	20,035,879	8,094,366
Hire purchase liabilities	59,064,988	43,895,179	59,064,988	43,895,179
	126,670,467	83,987,145	85,100,867	51,989,545

The secured term loan of the Group are secured against the long leasehold land as referred in Note 12 to the financial statements and plantation, buildings and watercrafts as referred in Note 11 to the financial statement and corporate guarantee of the Company.

Other information on financial risk of borrowings is disclosed in Note 31.

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22. Hire Purchase Liabilities

	Group and Company 2008 RM	2007 RM
Future hire purchase payments:		
Not later than 1 year	26,051,064	15,414,576
Later than 1 year and not later than 2 years	24,545,603	15,414,576
Later than 2 years and not later than 5 years	12,584,054	16,844,520
Total future minimum lease payments	63,180,721	47,673,672
Less: Future finance charges	(4,115,733)	(3,778,493)
Present value of finance lease liabilities (Note 21)	59,064,988	43,895,179
Analysis of present value of hire purchase liabilities:		
Not later than 1 year	23,553,293	13,421,284
Later than 1 year and not later than 2 years	23,322,100	14,179,727
Later than 2 years and not later than 5 years	12,189,595	16,294,168
	59,064,988	43,895,179
Less: Amount due within 12 months (Note 21)	(23,553,293)	(13,421,284)
Amount due after 12 months (Note 21)	35,511,695	30,473,895

Other information on financial risks of hire purchase liabilities are disclosed in Note 31.

23. Trade and Other Payables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables				
Third parties	60,404,912	63,117,664	36,418,083	30,778,250
Related companies	58,284,016	52,895,468	38,274,933	35,098,284
	118,688,928	116,013,132	74,693,016	65,876,534
Other payables				
Accruals	4,762,938	16,714,101	1,858,164	14,528,920
Deposits	365,391	232,034	58,800	58,800
Other payables	5,670,935	3,234,660	1,546,964	703,912
	10,799,264	20,180,795	3,463,928	15,291,632
	129,488,192	136,193,927	78,156,944	81,168,166

23. Trade and Other Payables (contd.)

(a) Trade Payables

The normal trade credit terms granted to the Group range from cash term to credit of 180 days.

(b) Amount Due to Related Companies

Amount due to related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transaction are disclosed in Note 27.

24. Share Capital

	Number of Ordinary Shares of RM1 Each 2008	2007	Amount 2008 RM	2007 RM
Authorised	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid share capital :				
At 1 August	200,000,000	200,000,000	200,000,000	200,000,000
Bonus issue	9,000,000	-	9,000,000	-
At 31 July	209,000,000	200,000,000	209,000,000	200,000,000

(a) Issue of Ordinary Shares

During the financial year, the Company increase its issued and paid-up ordinary shares from RM200,000,000 to RM209,000,000 by bonus issue of 9,000,000 new ordinary shares of RM1 each in the Company on the basis of 1 bonus share for every 20 existing ordinary shares of RM1 each held in the Company through capitalisation of retained profits.

(b) Treasury Shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 28 December 2007, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

24. Share Capital (contd.)

(b) Treasury Shares (contd.)

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. As treasury shares, the right attached as to voting, dividends and participation in other distribution is suspended. There were no purchase and sales of treasury shares during the financial year. None of the treasury shares repurchased has been sold as at 31 July 2008.

Of the total 209,000,000 (2007: 200,000,000) issued and fully paid ordinary shares as at 31 July 2008, 20,000,000 (2007: 20,000,000) ordinary shares are held as treasury shares by the Company. As at 31 July 2008, the number of outstanding ordinary shares in issue and fully paid is therefore 189,000,000 (2007: 180,000,000) ordinary shares of RM1 each.

25. Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 July 2008, the Company has sufficient credit in the Section 108 balance and tax exempt account to pay franked dividends out of its entire profits.

26. Deferred Tax

	Group		Company	
	2008 RM	**2007** RM	**2008** RM	**2007** RM
At 1 August 2007	2,390,779	(4,426,881)	5,329,000	3,014,000
Recognised in income statement (Note 8)	(1,028,867)	6,817,660	810,000	2,315,000
Acquisition of subsidiaries (Note 14)	2,766,521	-	-	-
At 31 July 2008	4,128,433	2,390,779	6,139,000	5,329,000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(14,177,000)	(16,062,000)	-	-
Deferred tax liabilities	18,305,433	18,452,779	6,139,000	5,329,000
	4,128,433	2,390,779	6,139,000	5,329,000

26. Deferred Tax (contd.)

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

Deferred tax liabilities of the Group:

	Prepaid land lease payments RM	Property, plant and equipment RM	Intangible assets Rights in timber licences RM	Total RM
At 1 August 2007	3,353,713	16,462,000	3,464,470	23,280,183
Recognised in income statement	(6,416)	3,483,796	(2,486,188)	991,192
Acquisition of subsidiaries	1,510,735	1,642,023	-	3,152,758
At 31 July 2008	4,858,032	21,587,819	978,282	27,424,133
At 1 August 2006	3,353,713	16,738,577	5,578,136	25,670,426
Recognised in income statement	-	(276,577)	(2,113,666)	(2,390,243)
At 31 July 2007	3,353,713	16,462,000	3,464,470	23,280,183

26. Deferred Tax (contd.)

Deferred tax assets of the Group:

	Unutilised investment tax allowances and reinvestment allowance RM	Unused tax losses and unutilised capital allowances RM	Property, plant and equipment RM	Allowance of doubtful debts RM	Allowance of inventories RM	Accrued liabilities RM	Total RM (Restated)
At 1 August 2007	(17,747,000)	(1,268,000)	(528,000)	(33,000)	(923,404)	(390,000)	(20,889,404)
Recognised in income statement	2,052,000	(3,706,429)	83,000	1,000	(268,630)	(181,000)	(2,020,059)
Acquisition of subsidiaries	-	(386,237)	-	-	-	-	(386,237)
At 31 July 2008	(15,695,000)	(5,360,666)	(445,000)	(32,000)	(1,192,034)	(571,000)	(23,295,700)
At 1 August 2006	(24,743,000)	(2,475,000)	(625,000)	(36,000)	(1,611,707)	(606,600)	(30,097,307)
Recognised in income statement	6,996,000	1,207,000	97,000	3,000	688,303	216,600	9,207,903
At 31 July 2007	(17,747,000)	(1,268,000)	(528,000)	(33,000)	(923,404)	(390,000)	(20,889,404)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM
At 1 August 2007	5,575,000
Recognised in income statement	955,000
At 31 July 2008	6,530,000
At 1 August 2006	3,371,000
Recognised in income statement	2,204,000
At 31 July 2007	5,575,000

26. Deferred Tax (contd.)

Deferred tax assets of the Company:

	Accrued liabilities 2008 RM	2007 RM
At 1 August	(246,000)	(357,000)
Recognised in income statement	(145,000)	111,000
At 31 July	(391,000)	(246,000)

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

	Group 2008 RM	2007 RM
Deductible temporary differences on property, plant and equipment	3,307,000	3,723,000
Unused tax losses	8,983,248	7,190,775
Unutilised capital allowances	3,667,154	5,182,000
	15,957,402	16,095,775

27. Significant Related Party Transactions

(a) In addition to related party disclosures mentioned elsewhere in the financial statements, the Group and the Company had the following transaction with related parties during the financial year:

	Company 2008 RM	2007 RM
Subsidiaries:		
Sales to subsidiaries		
- log	127,109,397	121,147,627
- sawn timber	9,494,121	5,425,308
- property, plant and equipment	435,986	-
Purchases from subsidiaries		
- grocery stock	737,844	319,573
- sawn timber	507,175	580,997
- plywood	24,211	61,951
Services paid/payable to subsidiaries		
- freight and handling charges	6,488,108	2,996,890

27. Significant Related Party Transactions (contd.)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Related companies*:				
Services paid/payable to related companies				
- air tickets charges	256,064	297,998	142,404	134,729
- freight and handling charges	20,547,777	13,378,166	5,568,742	4,666,483
- helicopter charter charges	750,320	837,781	750,320	837,781
- insurance charges	144,766	117,934	106,102	92,427
- logging contract fee	78,078,053	75,974,399	72,571,561	70,380,768
- marketing fee	858,072	959,752	858,072	959,752
- rental of land	130,200	130,200	-	-
- rental of machinery	-	5,796,000	-	5,796,000
Purchase from related companies				
- purchase of property, plant and equipment	846,675	12,613,923	573,249	12,273,632
- purchase of consumable stores	23,151,603	15,555,691	17,093,137	11,564,175
- purchase of electricity	695,266	711,484	-	-
- purchase of logs	46,801,026	69,392,277	39,431,428	57,987,799
- purchase of adhesive materials	41,467,278	33,470,319	-	-
- purchase of waste timber	207,032	263,791	-	-
- purchase of investment in a subsidiary	7,680,000	-	7,680,000	-
Income from related companies				
- rental income	-	266,450	-	235,200
- supply of electricity	-	35,292	-	-
- sales of logs	2,644,129	2,037,391	2,644,129	2,037,391
- sales of waste timber	94,382	123,900	-	-
- sales of sawn timber	190,059	286,764	17,410	-
- towage and handling income	133,668	136,291	-	-
- contract fee income	35,416,824	33,858,085	6,521,498	13,062,029

* Related companies are companies in which certain directors or substantial shareholders of the Company or persons connected to them have substantial interests.

The related party transactions are mainly to provide support to the Group's day-to-day operations. It is the Group's policy to purchase materials, goods or services also from related parties when the prices, fees or charges are competitive with prices, fees or charges obtained from third parties; by taking into consideration of the availability of raw materials or resources, reliability of supply, delivery, services and quality of material or goods.

Sales of logs and timber related products to related parties and other income received or receivable from related parties have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

27. Significant Related Party Transactions (contd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Short term employee benefits	5,629,193	4,748,849	4,918,533	3,822,808
Defined contribution plan	577,014	476,936	528,219	404,030
	6,206,207	5,225,785	5,446,752	4,226,838

Included in total key management personnel are:

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Directors' remuneration (Note 7)	4,165,200	3,255,800	3,902,200	2,976,800

28. Commitments

(a) Capital commitment:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	40,940,900	90,329,269	8,650,400	58,517,250
Acquisition of timber purchasing rights	-	8,000,000	-	8,000,000
Investment in subsidiary	-	4,800,000	-	4,800,000
	40,940,900	103,129,269	8,650,400	71,317,250
Approved but not contracted for:				
Property, plant and equipment	20,195,748	-	-	-
	61,136,648	103,129,269	8,650,400	71,317,250

28. Commitments (contd.)

(b) Operating lease commitments:

	Group	
	2008	**2007**
	RM	RM
Not later than 1 year	264,600	264,600
Later than 1 year and not later than 5 years	529,200	529,200
	793,800	793,800
	=======	=======

The above lease payment relate to the non-cancellable operating lease of land.

29. Contingent Liabilities

	Company	
	2008	**2007**
	RM	RM
Unsecured:		
Corporate guarantees given to banks for banking facilities granted to subsidiaries	41,569,600	31,997,600
	========	========

30. Significant Events

On 1 August 2007, the Company completed the acquisition of 2,500,000 ordinary shares of RM1 each, which represented 100% equity interest of Borneo Lumber Industries Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM8,000,000.

On 11 September 2007, the wholly owned subsidiary of the Company, Infrapalm Sdn. Bhd., ("ISB") had issued additional 4,998 ordinary shares of RM1.00 each of which the Company subscribed for 2,748 ordinary shares of RM1.00 each at par for cash. Subsequent to the subscription of new shares, the Company's equity interest in ISB has diluted from 100% to 55%. Thus, ISB becomes a 55% owned subsidiary of the Company.

On 24 March 2008, the Company acquired 100% equity interest in Grace Million Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 26 March 2008, the Company acquired 100% equity interest in JPH Logging Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 2 June 2008, the Company acquired 100% equity interest in Semarak Veneer & Plywood Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

On 9 July 2008, the Company acquired 100% equity interest in Blessings Palm Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

31. Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group's overall financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign currency, interest, liquidity and credit risks. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's financial risk management policies.

The Group uses derivative financial instrument on a short term basis such as forward foreign exchange contracts to hedge on confirmed receipts and payments of business transactions when it is deemed necessary. It does not engage in speculative transactions.

(b) Interest Rate Risk

The Group's income and operating cash flows are affected by changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate borrowings.

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

	Note	WAEIR %	Within 1 Year RM	1-2 Years RM	2-5 Years RM	More than 5 Years RM	Total RM
At 31 July 2008							
Group							
Fixed rate							
Hire purchase liabilities	22	5.32	23,553,293	23,322,100	12,189,595	-	59,064,988
Deposits with licensed banks	20	3.31	57,365,910	-	-	-	57,365,910
Floating rate							
Term loans	21	4.65	6,057,169	7,105,369	26,355,341	22,087,600	61,605,479

Notes to the Financial Statements
- 31 July 2008

31. Financial Instruments (contd.)

(b) Interest Rate Risk (contd.)

	Note	WAEIR %	Within 1 Year RM	1-2 Years RM	2-5 Years RM	More than 5 Years RM	Total RM
At 31 July 2008							
Company							
Fixed rate							
Hire purchase liabilities	22	5.32	23,553,293	23,322,100	12,189,595	-	59,064,988
Floating rate							
Term loans	21	4.83	5,008,969	5,008,969	10,017,941	-	20,035,879
At 31 July 2007							
Group							
Fixed rate							
Hire purchase liabilities	22	5.34	13,421,284	14,179,727	16,294,168	-	43,895,179
Deposits with licensed banks	20	3.37	72,734,120	-	-	-	72,734,120
Floating rate							
Bankers' acceptances	21	4.41	910,000	-	-	-	910,000
Term loans	21	5.1	-	2,023,716	10,470,650	26,687,600	39,181,966
Company							
Fixed rate							
Hire purchase liabilities	22	5.34	13,421,284	14,179,727	16,294,168	-	43,895,179
Deposits with licensed banks	20	3.34	23,449,000	-	-	-	23,449,000
Floating rate							
Term loans	21	4.7	-	2,023,716	6,070,650	-	8,094,366

31. Financial Instruments (contd.)

(c) Foreign Currency Risk

The Group is exposed to currency risk as a result of the foreign currency transactions, mainly in United States Dollars, Japanese Yen, Singapore Dollar and Euro Dollar. The Group enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receipts and payments, when it is deemed necessary.

The currency exposure profile of trade receivables and trade payables are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	RM	RM	RM
Trade receivables:				
Ringgit Malaysia	13,193,697	12,814,009	3,553,169	5,545,968
US Dollar	16,868,697	10,737,297	1,455,805	5,949,703
	30,062,394	23,551,306	5,008,974	11,495,671
Trade payables:				
Ringgit Malaysia	116,732,985	106,439,305	74,693,016	65,876,534
US Dollar	969,466	9,169,021	-	-
Euro	280,712	340,472	-	-
Japanese Yen	-	31,700	-	-
Singapore Dollar	705,765	32,634	-	-
	118,688,928	116,013,132	74,693,016	65,876,534

As the balance sheet date, the Group and the Company had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Maturities Within 1 Year
Forwards used to hedge anticipated sales		
At 31 July 2008	USD	15,552,601
At 31 July 2007	USD	18,911,303

31. Financial Instruments (contd.)

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. Its overall prudent liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements and maintain flexibility in funding by keeping committed credit lines available.

(e) Credit risk

The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except for the followings:

		2008		**2007**	
	Note	**Carrying amount** RM	**Fair value** RM	**Carrying amount** RM	**Fair value** RM
Group					
Long term receivables	16	23,560,345	17,556,439	17,656,391	11,304,285
Hire purchase liabilities	22	59,064,988	59,056,720	43,895,179	43,895,179
Forward foreign exchange contract	31(c)	-	(941,736)	-	(662,999)
		========	========	========	========
Company					
Long term receivables	16	23,560,345	17,556,439	17,656,391	11,304,285
Hire purchase liabilities	22	59,064,988	59,056,720	43,895,179	43,895,179
Forward foreign exchange contract	31(c)	-	(941,736)	-	(662,999)
		========	========	========	========

The methods and assumption used by the management to determine fair values of financial statements other than those whose carrying amounts reasonably approximate their fair values are as follows:

31. Financial Instruments (contd.)

(f) Fair Values (contd.)

(i) Long term receivables and hire purchase liabilities

The fair values of the long term receivables and hire purchase liabilities are estimated by discounting the future contractual cash flows at the current interest rate available to the Group and the Company for similar financial instruments.

(ii) Forward foreign exchange contract

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

32. Segment Reporting

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. No secondary information on a geographical basis has been presented as the Group's activities are wholly carried out in Malaysia. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business Segment

The Group comprises the following main business segments:

(i)	Logs trading	-	Extraction and sale of logs
(ii)	Manufacturing	-	Manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber, finger joint moulding and supply of electricity
(iii)	Others	-	Tree planting (reforestation) and oil palm plantation, sales of grocery, provision of towage and transportation services, property holding and development

Notes to the Financial Statements
- 31 July 2008

32. Segment Reporting (contd.)

(c) Allocation basis and transfer pricing

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

Transfer prices between business segments are set on the term negotiated in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Business Segments

	Logs Trading RM	Manufacturing RM	Others RM	Eliminations RM	Consolidated RM
31 July 2008					
Revenue					
External revenue	184,945,662	395,728,180	23,277,041	-	603,950,883
Inter-segment sales	143,683,290	174,097	11,266,333	(155,123,720)	-
Total revenue	328,628,952	395,902,277	34,543,374	(155,123,720)	603,950,883
Result					
Segment results	147,412	33,276,955	176,290	258,032	33,858,689
Finance costs					(3,840,385)
Taxation					(5,203,765)
Profit for the year					24,814,539
Assets					
Segment assets	442,476,049	499,738,087	160,299,569	(258,063,387)	844,450,318
Unallocated assets					1,027,290
Consolidated total assets					845,477,608

32. Segment Reporting (contd.)

(c) Allocation basis and transfer pricing (contd.)

Business Segments (contd.)

	Logs Trading RM	Manufacturing RM	Others RM	Eliminations RM	Consolidated RM
31 July 2008					
Liabilities					
Segment liabilities	297,678,410	96,415,511	135,785,819	(262,527,971)	267,351,769
Unallocated liabilities					8,901,851
Consolidated total liabilities					276,253,620
Other Information					
Capital expenditure	45,156,070	37,906,943	36,250,724	(1,944,019)	117,369,718
Depreciation	18,941,718	22,486,211	4,717,520	-	46,145,449
Impairment losses on timber rights	4,064,000	-	-	-	4,064,000
Amortisation of intangible assets	18,555,068	1,901,431	-	-	20,456,499
Amortisation of prepaid lease payment	51,509	474,183	39,468	-	565,160
31 July 2007					
Revenue					
External revenue	192,134,319	336,153,024	22,577,689	-	550,865,032
Inter-segment sales	128,796,249	92,729	3,330,847	(132,219,825)	-
Total revenue	320,930,568	336,245,753	25,908,536	(132,219,825)	550,865,032
Result					
Segment results	21,491,978	69,271,283	(1,543,171)	705,642	89,925,732
Finance costs					(1,329,004)
Taxation					(23,910,568)
Profit for the year					64,686,160
Assets					
Segment assets	360,993,242	487,061,093	118,339,445	(178,924,300)	787,469,480
Unallocated assets					1,069,615
Consolidated total assets					788,539,095

32. Segment Reporting (contd.)

(c) Allocation basis and transfer pricing (contd.)

Business Segments (contd.)

	Logs Trading RM	Manufacturing RM	Others RM	Eliminations RM	Consolidated RM
31 July 2007					
Liabilities					
Segment liabilities	243,356,637	72,382,747	97,624,356	(183,130,848)	230,232,892
Unallocated liabilities					9,957,004
Consolidated total liabilities					240,189,896
Other Information					
Capital expenditure	96,802,071	12,368,885	40,790,433	(1,369,695)	148,591,694
Depreciation	9,060,679	22,791,523	1,647,395	-	33,499,597
Impairment losses on timber rignts	1,400,000	-	-	-	1,400,000
Amortisation of intangible assets	18,920,290	1,901,431	-	-	20,821,721
Amortisation of prepaid lease payments	51,509	367,023	-	-	418,532

List of Properties
as at 31 July 2008

Location	Tenure	Land Area (Hectares)	Existing Use	Approximate Age of Building	Net Carrying Amount as at 31.07.2008 (RM)	Date of Acquisition
Lot 47, Balingian Land District, Mukah	Leasehold land expiring on 11.02.2064	5,000	Oil palm plantation, office, store, quarters	1 year	65,886,132	30.09.2004
Lot 1495, Block 16, Seduan Land District	Leasehold land expiring on 25.09.2057	24.054	Factories, office, welfare building	14 -19 years	39,469,578	31.03.1989 - 30.12.1994
Lot 854-866, Block 10, Sibu Town District	Pending issuance of land title	0.2123	Office building	7 years	13,288,258	01.06.2001
Lot 62, Block 12, Buan Land District, Tanjung Manis	Leasehold land expiring on 01.08.2051	4.183	Factory, office, welfare building	13 years	7,657,466	01.08.2007
Lot 1, Block 22, Majau Land District	Leasehold land expiring on 22.05.2067	2,000	Oil palm plantation land	-	6,584,779	09.07.2008
Lot 11726, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2025	2.261	Vacant	-	5,221,503	05.06.2006
Concession Land, Garu, Kapit	-	-	Factory, office, welfare building	3 years	4,145,632	31.07.2005
Country Lease No. 015146139, Kota Kinabalu	Leasehold land expiring on 01.03.2916	1.3597	Vacant	-	3,829,981	10.05.2007
Lot 10, Section 43, Kuching Town Land District	Leasehold land expiring on 13.05.2816	0.7406	Vacant	-	3,499,830	15.03.2006
Lot 63, Block 12, Buan Land District, Tanjung Manis	Pending issuance of land title	4.830	Vacant	-	2,577,957	12.02.2008

Analysis of Shareholdings
as at 31 October 2008

Share Capital

Authorised Share Capital	:	RM1,000,000,000.00
Issued and Fully Paid-up Share Capital	:	RM 209,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One (1) vote per Ordinary Share

Distribution schedule of ordinary shares

Holdings	No. of Holders	Total Holdings	%
less than 100 shares	38	1,403	0.00#
100 to 1,000 shares	72	34,261	0.02
1,001 to 10,000 shares	2,642	5,337,039	2.82
10,001 to 100,000 shares	179	4,553,479	2.41
100,001 to less than 5% of issued shares	52	51,845,917	27.44
5% and above of issued shares	8	127,189,101	67.31
Total	2,991	188,961,200 *	100.00

Negligible

* Excluding 20,038,800 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares based on the Record of Depositors as at 31 October 2008

List of Substantial Shareholders
as at 31 October 2008

Name	No. of Shares	
	Direct Interest	Indirect Interest
1. Tiong Toh Siong Holdings Sdn. Bhd.	61,950,021 (32.79%[#])	25,029,307 [*1] (13.25%[#])
2. Twintop Sdn. Bhd.	21,522,295[*2] (11.39%[#])	-
3. Kinta Hijau Sdn. Bhd.	16,937,532 (8.96%[#])	-
4. Raya Abadi Sdn. Bhd.	16,675,033 (8.83%[#])	-
5. Teck Sing Lik Enterprise Sdn. Bhd.	4,679,977 (2.48%[#])	88,029,328 [*3] (46.59%[#])
6. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	1,109,120 (0.59%[#])	92,709,305 [*4] (49.06%[#])

***1 Deemed interested by virtue of its substantial shareholdings in Twintop Sdn. Bhd. and Tiong Toh Siong & Sons Sdn. Bhd.**

***2 10,500,000 shares were held through Mayban Nominees (Tempatan) Sdn. Bhd.**

***3 Deemed interested by virtue of its substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Twintop Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd. and Tiong Toh Siong & Sons Sdn. Bhd.**

***4 Deemed interested by virtue of his substantial shareholdings in Twintop Sdn. Bhd., Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd.**

 # Excluding 20,046,800 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares as at 31 October 2008

Directors' Interests

as at 31 October 2008

Names	No. of Ordinary Shares Held in the Company			
	Direct Interest	%#	Indirect Interest	%#
1. YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai	10,500	0.01	-	-
2. YBhg. Datuk William Lau Kung Hui	10,500	0.01	-	-
3. YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh	312,795 *1	0.17	-	-
4. Mr. Tiong Kiong King	1,195,443 *2	0.63	-	-
5. YBhg. Dato' Tiong Ing (f)	1,561,813 *3	0.83	537,075 *4	0.28
6. Mr. Ngu Woo Hieng	21,000 *1	0.01	-	-

The Directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all of its related corporations to the extent the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

Notes :

*1 Shares held through Public Nominees (Tempatan) Sdn. Bhd.

*2 1,183,773 shares were held through AMSEC Nominees (Tempatan) Sdn. Bhd.

*3 1,211,233 shares were held through TA Nominees (Tempatan) Sdn. Bhd.

*4 Deemed interested by virtue of her substantial interests in Unique Wood Sdn. Bhd., ETI Blessed Holdings Sdn. Bhd., and the interests of her children in the Company

Excluding 20,046,800 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares as at 31 October 2008

List of Thirty Largest
Securities Accounts Holders as at 31 October 2008

	Names	No. of ordinary shares of RM1.00 each	Percentage %#
1.	EB Nominees (Tempatan) Sendirian Berhad. - Pledged securities account for Tiong Toh Siong Holdings Sdn. Bhd. (Upper Lanang)	30,000,000	15.88
2.	Malaysia Nominees (Tempatan) Sendirian Berhad. - Pledged securities account for Tiong Toh Siong Holdings Sdn. Bhd. (00-33029-004)	20,000,000	10.58
3.	Kinta Hijau Sdn. Bhd.	16,937,532	8.96
4.	Raya Abadi Sdn. Bhd.	16,675,033	8.82
5.	Tiong Toh Siong Holdings Sdn. Bhd.	11,950,021	6.32
6.	Twintop Sdn. Bhd.	11,022,295	5.83
7.	Mayban Nominees (Tempatan) Sdn. Bhd. - DBS Bank for Twintop Sdn. Bhd.	10,500,000	5.56
8.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for Credit Suisse (SG BR-TST-ASING)	10,104,220	5.35
9.	Bahagia Abadi Timber Industries Sdn. Bhd.	7,561,032	4.00
10.	CitiGroup Nominee (Asing) Sdn. Bhd. - UBS AG Singapore	4,200,000	2.22
11.	CitiGroup Nominee (Asing) Sdn. Bhd. - Exempt AN for UBS AG Singapore (Foreign)	3,673,950	1.94
12.	Tiong Toh Siong & Sons Sdn. Bhd.	3,507,012	1.86
13.	Teck Sing Lik Enterprise Sdn. Bhd.	3,435,727	1.82
14.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (JPMINTL BK LTD)	2,967,826	1.57
15.	Serrano Group Limited	2,639,490	1.40
16.	Citigroup Nominees (Asing) Sdn. Bhd. - UBS AG Singapore for Novel Investment Group Limited	1,558,575	0.82
17.	UOBM Nominees (Asing) Sdn. Bhd. - UOB Nominees (Pte) Ltd for Gold Rise Holdings Investment Limited	1,447,000	0.77
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Thai King	1,357,220	0.72
19.	Teck Sing Lik Enterprise Sdn. Bhd.	1,244,250	0.66
20.	TA Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Ing	1,211,233	0.64
21.	Nustinas Sdn. Bhd.	1,195,950	0.63
22.	AMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Kiong King	1,133,673	0.60
23.	Tiong Toh Siong Enterprises Sdn. Bhd.	1,050,000	0.56
24.	HLB Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Bahagia Abadi Timber Industries Sdn. Bhd. (SBU 4499-3)	1,050,000	0.56
25.	Diong Hiew King @ Tiong Hiew King	945,613	0.50
26.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for KAS Bank Effectenbewaarbedrijf N.V.	717,675	0.38
27.	Mayban Nominees (Tempatan) Sdn. Bhd. - ETIQA Insurance Berhad (Life Par Fund)	710,535	0.38
28.	Tiong Chiong Ong	578,610	0.31
29.	Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Koperasi Polis Diraja Malaysia Bhd. (514011315674)	559,188	0.30
30.	Mayban Nominees (Asing) Sdn. Bhd. - DBS Bank for Bloomswick Ltd (200890)	531,300	0.28
	Total	170,464,960	90.21

Excluding 20,038,800 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares based on the Record of Depositors as at 31 October 2008

Subur Tiasa Holdings Berhad

(Company No. 341792-W)
(Incorporated in Malaysia)

FORM OF PROXY

I/We .... (Name in full) .... (IC/Passport/Company No.) of .... (Address) being a member/members of the abovenamed Company hereby appoint .... (Name in full) of .... (Address) or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak on Tuesday, 30 December 2008 at 11.30 am and any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

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

No.	Resolutions	For	Against
1.	Declaration of a first and final dividend.		
2.	Approval of the directors' fees for the financial year ended 31 July 2008.		
3.	Re-election of Mr. Tiong Kiong King as Director.		
4.	Re-election of Mr. Ngu Woo Hieng as Director.		
5.	Re-appointment of YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai as Director.		
6.	Re-appointment of Messrs. Ernst & Young as auditors.		
7.	**Special business** **Ordinary Resolution No. 1** Proposed renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature.		
8.	**Ordinary Resolution No. 2** Proposed renewal of authority for purchase of own shares by the Company.		
9.	**Ordinary Resolution No. 3** Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
10.	**Special Resolution No. 1** Proposed amendment to the Company's Articles of Association.		

Shareholding Represented by Proxy	

Dated this .... day of 2008

....
Signature of shareholder(s)/common seal

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one proxy to attend the said meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Affix Stamp
Here

The Secretary
Subur Tiasa Holdings Berhad
No 66-78, Pusat Suria Permata
Jalan Upper Lanang, C.D.T. No 123
96000 Sibu, Sarawak
Malaysia

SUBUR TIASA
HOLDINGS BERHAD
341792-W

No 66-78, Pusat Suria Permata, Jalan Upper Lanang,
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