

(Since 1909)

The Ayer Molek Rubber Company Berhad
(Company No. 1292-P)

93nd Annual General Meeting

Annual Report 2010

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Notice of Ninety-Third Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninety-Third Annual General Meeting of the Company will be held at the Banquet Hall, Kelab Taman Perdana Di-Raja Kuala Lumpur (Royal Lake Club), Taman Tasik Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 8 June 2011 at 11.30 a.m. to transact the following business :

Agenda

As Ordinary Business

- | | |
|--|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. To approve the payment of Directors' Fees for the financial year ended 31 December 2010. | Ordinary Resolution 2 |
| 3. To re-elect Dato' Teh Kim Seng who retires in accordance with Article 90 of the Company's Articles of Association and being eligible, offers himself for re-election. | Ordinary Resolution 3 |
| 4. To re-elect En Jasmi bin Daik who retires in accordance with Article 90 of the Company's Articles of Association and being eligible, offers himself for re-election. | Ordinary Resolution 4 |
| 5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration, for the ensuing year. | Ordinary Resolution 5 |

As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolution :

- | | |
|---|------------------------------|
| 6. Authority to Issue Shares
"THAT subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company 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 also empowered to obtain the approval for the listing and the quotation of the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." | Ordinary Resolution 6 |
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Any Other Business

- | | |
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| 7. To transact any other business of which due notice has been given in accordance with the Company's Articles of Association and the Companies Act, 1965. | Ordinary Resolution 7 |
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BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA NO : 7018778)
HAFIDZAH BINTI ZAKARIA (MAICSA NO : 7052802)
Company Secretaries

Kuala Lumpur
16 May 2011

Notes

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing, or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Registered Office of the Company at 24-3, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjourned meeting, as the case may be.

Explanatory Notes on Special Business :

(a) Ordinary Resolution 6 – Authority to Issue Shares

The Ordinary Resolution 6 proposed under item No. 6, if passed, will authorise the Directors of the Company to issue shares up to a maximum ten per cent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

The renewal of the mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the last Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

Statement Accompanying Notice of Annual General Meeting

The Directors who are standing for re-election at the Ninety-Third Annual General Meeting of the Company pursuant to the Articles of Association of the Company are :

1. Dato' Teh Kim Seng (Article 90)
2. En Jasmi bin Daik (Article 90)

The details of the above Directors seeking re-election are set out in the Directors' Profile as disclosed on page 6 of this Annual Report.

The securities holdings of Dato' Teh Kim Seng in the Company are set out in the Analysis of Shareholdings as disclosed on page 67 of this Annual Report. En Jasmi bin Daik does not have any interests in the securities of the Company or its subsidiaries.

Corporate Information

Board of Directors

Datin Mariam Prudence binti Yusof, *Chairman/Non-Independent Executive Director*
Goh Joon Hai, *Executive Director (Retired on 15 June 2010)*
Dato' Teh Kim Seng, *Independent Non-Executive Director*
Jasmi bin Daik, *Non-Independent Non-Executive Director*
Soo Yoke Mun, *Independent Non-Executive Director*
Azril Akmar bin Attan Akmar, *Non-Independent Non-Executive Director*

Company Secretaries

Ms. Wong Youn Kim (MAICSA : 7018778)
Hafidzah binti Zakaria (MAICSA : 7052802)

Audit Committee

Soo Yoke Mun, *Chairman*
Dato' Teh Kim Seng
Jasmi bin Daik

Remuneration Committee

Dato' Teh Kim Seng, *Chairman*
Jasmi bin Daik
Soo Yoke Mun

Nomination Committee

Dato' Teh Kim Seng, *Chairman*
Jasmi bin Daik
Soo Yoke Mun

Registered Office

HMC Corporate Services Sdn Bhd
24-3 Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel : 03-2273 5260
Fax : 03-2273 5320

Share Registrar

Sectrars Services Sdn Bhd
28-1 Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel: 03-2274 6133
Fax: 03-2274 1016

Auditors

KPMG
KPMG Tower
No. 8, First Avenue
Persiaran Bandar Utama
47800 Petaling Jaya
Tel : 03-7721 3388
Fax : 03-7721 3399

Principal Banker

United Overseas Bank (Malaysia) Bhd

Listing

Main Market of Bursa Malaysia Securities Berhad

Domicile: Malaysia

Directors' Profile

YBhg Datin Mariam Prudence binti Yusof

Chairman/Non-Independent Executive Director

YBhg Datin Mariam Prudence binti Yusof, aged 59, a Malaysian, was appointed to the Board on 7 September 2007 as Non-Independent Non-Executive Director. She was subsequently appointed as Non-Executive Chairman on the same day. In July 2010 she was appointed as Executive Chairman of the Company.

She graduated with BA (Honours), University of Malaya in 1974. She started her career in the field of human resource and organizational development with multinational companies, namely Motorola (M) Sdn. Bhd., Intel (M) Sdn. Bhd., Shell Malaysia Sdn. Bhd. and Nestle (M) Sdn. Bhd. In 1984, she entered the field of stockbroking and was the Executive Director of Equities of MIDF Amanah Investment Bank Bhd, (formerly known as MIDF-Sisma Securities Sdn Bhd) until her recent retirement.

Her other previous appointments include being a Member of the Kuala Lumpur Stock Exchange Committee (KLSE), a Director of Labuan International Financial Exchange Inc. (LFX), a Director of Securities Clearing Automated Network Services Sdn. Bhd. (SCANS) and a Director of Research Institute & Investment Analyst Malaysia (RIIAM) and Trustee of the Bumiputera Training Fund of the Securities Commission. She was also the Chairman of the Membership Committee of the KLSE. She retired from the Board of KLSE and its subsidiaries on 10 April 2004.

In year 2002, she was elected as Chairman of the Association of Stockbroking Companies of Malaysia (ASCM) with the primary role of spearheading the demutualization of KLSE to its new entity, Bursa Malaysia Securities Berhad.

On 26 August 2002, she was appointed as a member of the National Economic Action Council (NEAC) by the Prime Minister of Malaysia. Since 2007, she was appointed on the Tribunal of Malaysia (MATE) as Arbitrator.

Currently she is a non executive director of C.I. Holdings Berhad, listed on the Main Market of Bursa Securities.

She has indirect interest in Leasing Corporation Sdn Bhd, a substantial shareholder of the Company. Her son, Azril Akmar bin Attan Akmar, is also a director of the company.

She does not have any convictions for offences within the past ten years other than traffic offences, if any.

YBhg Dato' Teh Kim Seng

Independent Non-Executive Director

YBhg Dato' Teh Kim Seng, aged 59, a Malaysian, was appointed to the Board on 14 September 2007 as an Independent Non-Executive Director.

Dato' Teh Kim Seng is the founder of GCP Industries Sdn. Bhd. and Golden City Plastics Manufacturing since 1988.

He has been active in community and philanthropic work for many years and serves on the boards of many charitable organizations.

In recognition of his entrepreneurship and contribution to the nation for his social and charitable work, he was conferred by His Royal Highness the Sultan of Pahang the award of D.I.M.P which carries the title "Dato".

He is the Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee.

He does not hold any directorship in any other public listed company and has no family relationship with any directors and/or substantial shareholders of the Company. He does not have any convictions for offences within the past ten years other than traffic offenses, if any.

Jasmi bin Daik

Non-Independent Non-Executive Director

Jasmi bin Daik, aged 58, a Malaysian, was appointed to the Board on 19 September 2007 as a Non-Independent Non-Executive Director. He is a graduate in business administration from the Ohio University, USA. He also holds a Diploma in Accountancy from Universiti Teknologi MARA, Malaysia.

Jasmi bin Daik has wide experience in banking and finance. He started his career as a banking officer in a local commercial bank from 1978 to 1980. In 1981, he joined a local merchant bank and was exposed to most merchant banking core businesses including corporate banking, project finance and corporate finance and advisory. He left the merchant banking industry in 1994 and joined the institutional sales team of a local stock broking firm. In late 2007, he joined the corporate division of Sisma Group of Companies and sits on the boards of some of the companies.

He is a member of the Remuneration Committee, Nomination Committee and Audit Committee.

He does not hold any directorship in any other public listed company and has no family relationship with any directors and/or substantial shareholders of the Company. He does not have any convictions for offences within the past ten years other than traffic offenses, if any.

Soo Yoke Mun

Independent Non-Executive Director

Soo Yoke Mun, aged 62, a Malaysian, was appointed to the Board on 17 December 2008 as an Independent Non-Executive Director. He is a Chartered Accountant by profession.

He obtained his Bachelor Degree in Economics from University of Malaya and is a member of the Malaysian Institute of Accountants. He has more than twenty years of working experience in the field of accountancy, auditing and taxation. He is currently the sole proprietor of Y M Soo & Co, an accounting firm which was established in 1978.

Soo Yoke Mun has been actively involved in the youth movement in the country and had been the National Vice-President of Young Malaysian Movement (YMM). He had participated in several International Youth Exchange Programmes and was frequent speaker at many of the motivational programmes for Malaysian youth.

He serves as Chairman of the Audit Committee and as member of the Remuneration Committee and Nomination Committee.

He is an Independent Non-Executive Director of Biosis Berhad. He also serves as an Independent Non-Executive Director of Kawan Food Berhad.

He has no family relationship with any directors and/or substantial shareholders of the Company. He does not have any convictions for offences within the past ten years other than traffic offenses, if any.

Azril Akmar bin Attan Akmar

Non-Independent Non-Executive Director

Azril Akmar bin Attan Akmar, aged 32, a Malaysian, was appointed to the Board on 2 September 2009 as Non-Independent Non-Executive Director. He completed his secondary education at Royal Military College (RMC). He furthered his tertiary education as a Cadet Officer at the Malaysian Military Academy where he graduated with a Bachelor of Management (Accounting) degree conferred by the Universiti Teknologi Malaysia in 2003. In recognition of his achievement as a Cadet Officer in Malaysian Military Academy he was awarded the “Sword of Honour” by the Yang Di-Pertuan Agong in 2003. He then continued his career with the Malaysian Armed Forces as a Commissioned Officer.

He left the service of the Malaysian Armed Forces in 2005 to assist in the management of his family business. He is currently a director of the Sisma Group of Companies and sits on its Executive Committee.

He is the son of the Executive Chairman, Datin Mariam Prudence binti Yusof, and has indirect interest in Leasing Corporation Sdn Bhd, a substantial shareholder of the Company.

He does not hold directorship in any other public listed company. He does not have any convictions for offences within the past ten years other than traffic offences, if any.

Corporate Governance Statement

The present Board of Directors values the importance of good corporate governance and is committed to ensure that the highest standard of corporate governance is observed and practiced in The Ayer Molek Rubber Company Berhad and its subsidiaries to protect the interest of the shareholders and other stakeholders.

The present Board of Directors recognizes and accepts the principles of best practices in corporate governance as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance (“the Code”).

1. Board of Directors

1.1 The Board

During the financial year, Goh Joon Hai retired as Executive Director. Datin Mariam Prudence binti Yusof was appointed as Executive Chairman of the Company. With the retirement of Goh Joon Hai, the present Board comprises five (5) members.

1.2 Board Meetings and Attendance

As was in the previous year, considerable energy and time had been spent on efforts to regularize the Company's financial and business conditions with the view to seeking the re-listing of the Company's shares on Bursa Securities. Thirteen (13) Board meetings were held during the year. A summary of the attendance of each director at Board meetings held during the year is set out below:

Director	Board Meetings Attended	Attendance (%)
Datin Mariam Prudence binti Yusof	12/13	92
Goh Joon Hai (Retired on 15 June 2010)	5/5	100
Dato' Teh Kim Seng	13/13	100
Jasmi bin Daik	13/13	100
Soo Yoke Mun	13/13	100
Azril Akmar bin Attan Akmar	11/13	85

1.3 Supply of Information

All directors are provided with agenda and board papers prior to Board meetings so as to enable them to fully understand the issues and participate actively in the discussions and hence able to make informed decisions. When necessary, professional advice is sought to assist the Board in making decision.

1.4 Nomination to the Board

All new appointments are vetted by the Nomination Committee before being proposed to the Board for approval.

1.5 Re-election of Directors

Nomination for re-election is also vetted by the Nomination Committee to ensure all appointments are in compliance with the provisions of the Articles of the Company and other regulatory requirements.

2. Directors' Training

During the financial year under review, all the directors attended a one-day in-house seminar entitled "High Impact Governance Seminar on Corporate Compliance: Focusing on Directors' Duties, Liabilities and Expectations" conducted by Bursatra Sdn Bhd.

Datin Mariam Prudence binti Yusof, Executive Chairman, attended the following:

- a) one-day "FRS 139 & FRS 7 Briefing" conducted by BDO, Malaysia; and
- b) one-day "Financial Reporting Standards (FRS) Workshop" organized by The Malaysian Institute of Certified Public Accountants.

Soo Yoke Mun, Chairman of Audit Committee, also attended:

- a) one-day course "Discharging the Audit Committee Oversight Duties in Strengthening the Governance Chain" organized by Bursatra Sdn Bhd;
- b) one-day "2011 Budget" talk organized by Chartered Tax Institute of Malaysia; and
- c) two-day "National Tax Conference" organized by Chartered Tax Institute of Malaysia

3. Directors' Remuneration

The Remuneration Committee is responsible for proposing and recommending the remuneration of Executive Directors and Non-Executive Directors taking into consideration their responsibilities, experiences and involvements and also the financial position of the Company. Final determination of the remuneration and fees is made by the Board.

For the financial year under review, the remuneration paid and fees payable to Directors are as set out below:

	Remuneration RM	Allowance RM	Fees RM
Datin Mariam Prudence binti Yusof	48,000	6,400	10,000
Goh Joon Hai (Retired on 15 June 2010)	110,000	2,000	4,583
Dato' Teh Kim Seng		6,000	10,000
Jasmi bin Daik		6,000	10,000
Soo Yoke Mun		6,800	10,000
Azril Akmar bin Attan Akmar		4,400	10,000
Total	158,000	31,600	54,583

4. Communication with Shareholders and Investors

The Board recognizes the need to keep shareholders informed of all material developments affecting the financial position of the Company and efforts in seeking the re-listing of the Company's shares and recovery the Company's assets. This is achieved through timely announcements via the website of Bursa Securities. In addition, the Company's website at <http://www.amolek.com.my> provides easy access to corporate information on the Company.

5. Accountability and Audit

5.1 Audit Committee

The Audit Committee comprises three members two of whom are Independent Non-Executive Directors.

5.2 Financial Reporting

The Board seeks to present the financial information on the Company to shareholders, investors and regulatory authorities through the quarterly reports and the annual financial statements in the Annual Reports. Other material financial information is released through Bursa Securities' website on a timely basis.

All financial information is carefully reviewed by the Audit Committee before being presented to the Board for approval for release.

5.3 Internal Control

The Company does not have active business operation and therefore the Board does not consider it necessary to establish an elaborate internal control system. However, the Board has put in place adequate internal control for the effective management of the Company's monies. In this regard all monies are placed with a licensed bank and only a small petty cash fund is maintained.

5.4 Relationship with Auditors

The Company maintains a close and transparent relationship with its external auditors. The external auditors attend the audit committee meeting where the annual financial accounts are considered. The external auditors' professional advice is sought when required to ensure compliance in financial reporting.

5.5 Related Party Transactions

All related party transactions shall be reviewed by the Audit Committee to ensure that they are entered in the ordinary course of business and any conflict of interest is sufficiently disclosed.

6. Statement of Compliance with Best Practice of the Code

The Board considers that the Group has complied with the Best Principles as set out in the Code throughout the financial year under review.

Audit Committee Report

The Board is pleased to present herewith the Audit Committee Report setting out its activities carried out during the financial year under review:

1. Membership and Attendance

The Audit Committee comprises three Directors. The Chairman is Soo Yoke Mun, who is an Independent Non-Executive Director. The other two members are Dato' Teh Kim Seng, Independent Non-Executive Director and Jasmi bin Daik, Non-Independent Non-Executive Director. Five meetings were held during the financial year under review. Records of attendance by members are as set out below:

Member	No. of meetings attended	Percentage (%)
Soo Yoke Mun	5/5	100
Dato' Teh Kim Seng	5/5	100
Jasmi bin Daik	5/5	100

2. Terms of Reference of Audit Committee:

2.1 Objectives

The principal objective of the Audit Committee is to assist the Board in its responsibilities relating to the accounting and reporting practice of the Company. In addition, the Audit Committee shall:

- Evaluate the quality of the audits performed by the external auditors of the Company;
- Ensure that the financial statements presented by the management are relevant, reliable and timely; and
- Oversea compliance with the laws and regulations and ensure observance of a proper code of conduct.

2.2 Composition

The Audit Committee shall be appointed by the Board from among the Directors of the Company and shall consist of no fewer than three members, a majority of whom are independent.

All members of the Audit Committee must be non-executive Directors.

At least one member of the Audit Committee:

- must be a member of the Malaysian Institute of Accountants (MIA); or
- if he is not a member of MIA, he must have at least three years of working experience and:
 - a) he must have passed the examinations specified in Part I of the First Schedule of the Accountant Act 1967; or
 - b) he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountant Act 1967.

No alternate Director shall be appointed as a member of the Audit Committee.

2.3 Chairman

The members of the Audit Committee shall elect a Chairman from among its members who shall be an independent Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

2.4 Secretary

The Company Secretary shall be the Secretary of the Audit Committee.

2.5 Quorum

A quorum shall consist of two members. The majority of members present must be independent Directors.

2.6 Meetings

The Audit Committee shall meet at least four times a year or as and when the need arises.

A resolution in writing signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.

Directors, employees, auditors, or others may attend meetings upon the invitation of the Audit Committee.

At least once a year, the Audit Committee shall meet the External Auditors without the presence of any executive.

2.7 Authority

The Audit Committee shall have the authority to do the following:

- Investigate any matter within its terms of reference;
- Have full and unrestricted access to all information and resources which are required to perform its duties;
- Have direct communication channels with the External Auditors and the Internal Auditors;
- Obtain independent professional or other advice; and
- Convene meetings with the External Auditors, Internal Auditors or both, without the attendance of other directors and employees of the Company, wherever deemed necessary.

2.8 Functions

The Audit Committee shall, amongst others, discharge the following functions:

- Review the audit plan and audit report with the External Auditors;
- Evaluate the adequacy and effectiveness of the internal control systems with the External Auditors;
- Review the assistance given by the officers and employees of the Company to the External Auditors;
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- Review the scope of the internal audit programme and processes and evaluate the results of the internal audit investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit functions;
- Review the quarterly results and annual financial statements of the Company prior to the approval by the Board, focusing particularly on changes in accounting policies and practices, significant and unusual events and compliance with accounting standards and other legal requirements;
- Review any related party transactions and conflict of interest situations, including any transaction, procedure or course of conduct that may arise within the Company;
- Consider the audit fee and any question of resignation or dismissal of the External Auditors; and
- Recommend the nomination of a person or persons as External Auditors.

3. Activities of the Audit Committee

As the Group does not have any business operations, the activities of the Audit Committee have been confined to reviewing the quarterly reports to Bursa Securities and the annual report to shareholders. In the process of doing so, the Audit Committee worked closely with the External Auditors to ensure that the financial statements comply with the approved accounting standards in Malaysia.

Internal Audit

As the Group does not have any business operations presently, there was no internal audit carried out during the year. However, the Audit Committee ensures that there are adequate internal control procedures in place to protect the assets of the Company.

Related Party Transactions

The Audit Committee reviews all related party transactions entered into by the Group to ensure that they are entered in the ordinary course of business and any conflict of interest is sufficiently disclosed.

Statement on Internal Control

The Board is overall responsible for the Group's system of internal control and risk management practices which include reviewing the adequacy and integrity of this system to safeguard shareholders' investment and the Group's assets.

However, as the Group does not have any business operations, internal processes such as risk management, internal audit etc are not in place.

The Board is of the opinion that the present internal control mechanism is adequate to safeguard the shareholders' investment and the Group's assets.

Directors' Responsibility Statement

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and the results of their operations and cash flows of the Group at the end of year in accordance with the requirements of the Companies Act, 1965.

During the preparation of the Company's financial statements for the year ended 31 December 2010, the Directors have:

- used appropriate accounting policies that are consistently applied and supported by reasonable and prudence judgment and estimates;
- ensured that all applicable accounting standards have been followed and any material departures have been disclosed and explained in the notes to the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are required to keep proper accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group in compliance with the Act.

The Directors are also responsible for safeguarding the assets of the Company and the Group and to prevent and to detect fraud and other irregularities that may arise.

1. Remuneration Committee

The composition of the Remuneration Committee and terms of reference are as set out below:

Composition

Dato' Teh Kim Seng – Chairman
Jasmi bin Daik
Soo Yoke Mun

Terms of Reference

1. Objectives

The objective of the Remuneration Committee is to assist the Board in their responsibilities in assessing the remuneration package of the Executive Directors.

2. Composition

The Remuneration Committee shall be appointed by the Board from among the Directors of the Company and shall consist of at least three Directors, wholly or mainly non-executive Directors.

3. Chairman

The members of the Remuneration Committee shall elect the Chairman from amongst their members who shall be a non-executive Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

4. Secretary

The Company Secretary shall be the Secretary of the Remuneration Committee.

5. Quorum

A quorum shall consist of two members. The majority of members present must be non-executive Directors.

6. Meetings

Meetings shall be held not less than once a year.

7. Authority

The Remuneration Committee is authorized to draw from outside advice as and when necessary in forming its recommendation to the Board on the remuneration of the Executive Directors in all its forms.

Executive Directors shall play no part in the decision of their own remuneration and shall abstain from discussing their own remuneration.

8. Functions

The function of the Remuneration Committee is to recommend to the Board the structure and level of remuneration of Directors.

9. Reporting Procedures

The Remuneration Committee shall report to the Board either formally in writing or verbally, as it considers appropriate.

During the year under review the Remuneration Committee met twice to consider the remuneration of the Executive Director and Non-Executive Directors.

2. Nomination Committee

The composition and terms of reference of the Nomination Committee are as set out below:

Composition

Dato' Teh Kim Seng - Chairman
Jasmi bin Daik
Soo Yoke Mun

Terms of Reference

1. Objectives

The principal objective of the Nomination Committee is to assist the Board in their responsibilities in nominating new nominees to the Board and also to assess the Directors on an on-going basis.

2. Composition

The Nomination Committee shall be appointed by the Board from among the Directors of the Company and shall consist of at least three Directors composed exclusively of non-executive Directors, a majority of whom are independent.

3. Chairman

The members of the Nomination Committee shall elect the Chairman from amongst their members who shall be an independent Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

4. Secretary

The Company Secretary shall be the Secretary of the Nomination Committee.

5. Quorum

A quorum shall consist of two members. The majority of members present must be independent Directors.

6. Meeting

Meetings shall be held not less than once a year.

7. Authority

The Nomination Committee is to recommend new nominees to the Board and to assess Directors on an on-going basis. The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

8. Functions

The functions of the Nomination Committee shall be:

- To recommend to the Board, candidates for all directorships proposed by the Executive Director and within the bounds of practicability, by any other senior executive or any Director or shareholder.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To review the required mix of skills, experience and other qualities, including core competencies which non-executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.

9. Reporting Procedures

The Nomination Committee shall report to the Board either formally in writing or verbally, as it considers appropriate. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from Directors.

During the year under review the Nomination Committee met once to vet the re-election of Directors at the forthcoming Annual General Meeting.

Statement on Additional Compliance

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year under review.

Share Buy-back

The Company did not buy-back any of its shares during the financial year under review.

Non-Audit Fees

There were no non-audit fees incurred for services rendered to the Group for the financial year under review by the external auditors, or a firm or company affiliated to the audit firm.

Sanction and/or Penalties

During the year, the Company was publicly reprimanded by Bursa Securities for late submission of the quarterly report for the financial period ended 31 March 2009.

For the same reason, all the Directors of the Company except Azril Akmar bin Attan Akmar were also publicly reprimanded and fined by Bursa Securities.

Amount of Options, Warrants or Convertible Securities Exercised During the Financial Year

There was no options, warrants or convertibles securities exercised during the financial year under review.

Variation of Results

There was no material variances between the audited results for the financial year ended 31 December 2010 and the unaudited results previously announced.

Profit Guarantee

The Company did not give any profit guarantee during the financial year.

Material Contracts

There were no material contracts entered into by the Group involving directors and substantial shareholders during the year.

Recurrent Related Party Transactions of Revenue or Trading Nature

During the financial year a sum of RM 36,000 was paid as office rental to a company related to the Executive Chairman.

Corporate Social Responsibility Activities or Practices

The Group did not undertake any corporate social responsibility activities or practices during the year under review.

Chairman's Statement

It has become my duty as Chairman of the Board to once again present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2010.

As was in the previous year, during the financial year under review, much time and energy had been spent on efforts to preserve the listing status of the Company on Bursa Securities and to recover the Company's assets which had been improperly disposed off.

In the efforts to preserve the Company's listing status, the Company had explored and entered into discussions and negotiations with a number of parties for purposes of identifying and injecting suitable assets into the Company with the objective of addressing the recapitalization issue and, at the same time, regularizing the PN 17 status of the Company which would eventually pave the way towards seeking the re-listing of the Company's shares on Bursa Securities.

In this regard, I am pleased to report that the Company had, on 3 November 2010, signed a conditional restructuring agreement with the vendors of Toptrans Engineering Sdn Bhd ("Toptrans"). Subsequently, two follow-up agreements were signed on 21 February 2011.

As has already been announced, the proposed restructuring scheme would result in, among others, reverse takeover of the Company by the vendors of Toptrans through a Newco; Toptrans and its subsidiaries (the operating companies) and the Company becoming the subsidiaries of the Newco; and transfer of the listing status of the Company to the Newco. The Toptrans group is principally involved in designing, consulting, manufacturing, supplying and installing clean room applications and products and the provision of related services.

Bursa Securities had kindly granted an extension of time for the Company to submit its restructuring/regularization scheme to the relevant authorities. I am pleased to report that the Company has, through the advisers, already submitted the proposed restructuring proposal to the relevant authorities for approval.

In the efforts to recover the assets of the Company which had been improperly disposed off, I am pleased to report that rescission of sale of the Company's 23-acre land in the Mukim of Ayer Panas, Jasin, Melaka by way of a consent judgment had been completed and the land had been duly retransferred into the Company's name during the year. As regards the other lands, relevant legal suits are now awaiting court trials.

During the financial year under review the Company made a consolidated profit after tax of RM2.484 million. This was made possible through the adjustments arising from changes in fair value of investment properties (the 23-acre land in Jasin, Melaka) and writing-back of provision for taxation considered no longer required.

The prospects of the Company are very much dependent on the success of the regularization plan being undertaken which is now awaiting approvals of relevant government authorities. At the same time, successful recovery of the Company's remaining lands which had been improperly disposed off would significantly enhance the value of the Company.

On behalf of the Board, I would like to express our gratitude to our merchant banker, bankers and to thank all shareholders for the confidence, patience and support given to the Board. Finally, I would like to thank my fellow directors for their invaluable counsel, support and contribution throughout the year.

Datin Mariam Prudence binti Yusof
Chairman

30 April 2011

Financial Statements

for the year ended 31 December 2010

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Directors' report

for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The Company is currently dormant since the disposal of its freehold plantation lands in prior years, whilst the principal activities of the subsidiaries are as stated in note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	2,484	2,587

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Datin Mariam Prudence binti Yusof
Dato' Teh Kim Seng
Jasmi bin Daik
Soo Yoke Mun
Azril Akmar bin Attan Akmar
Goh Joon Hai (*resigned on 15 June 2010*)

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Directors' interests in shares (continued)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Interests in the Company:				
Dato' Teh Kim Seng	11,500	–	–	11,500
Soo Yoke Mun	3,500	–	–	3,500
Deemed interests in the Company:				
Datin Mariam Prudence binti Yusof	452,000	–	–	452,000
Azril Akmar bin Attan Akmar	452,000	–	–	452,000

By virtue of their interests in the shares of the Company, Datin Mariam Prudence binti Yusof and Azril Akmar bin Attan Akmar are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The other Director holding office at 31 December 2010 does not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which received reimbursement of rental and office expenses from the Company, as disclosed in note 16 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts have been written off and adequate provision made for doubtful debts, and
- any current assets which were unlikely to be realised on the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the changes in fair value of investment properties as disclosed in note 4 and note 11 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

i) Lands fraudulently disposed of by former Directors of the Company

a) Segamat land

On 12 April 2006, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of a piece of land in Segamat ("Segamat land") for a sale consideration of RM12,087,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"). The former Directors of the Company did not seek shareholders' approval for the disposal.

Notwithstanding, the land title of the Segamat land was transferred to the third party on 27 June 2006. The current Directors are of the view that the land was disposed of fraudulently.

The current Directors have examined the circumstances surrounding the disposal and transfer of the land and opine that the transfer of land title is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the land.

On 18 September 2008, the Company further appointed independent investigators to carry out an independent investigative review mainly on the disposal of the Company's freehold lands in Segamat and

Significant events (continued)

i) Lands fraudulently disposed of by former Directors of the Company (continued)

a) Segamat land (continued)

Jasin, a subsidiary's investment in an associate, payments made from the proceeds of the disposed lands and utilisations thereof. The independent investigators had completed their report and submitted their findings to the Board of Directors on 17 December 2008. The final report was received on 24 December 2008.

The appointment was made as the current Directors have reviewed the documents available and discovered that a large number of payments have been made to certain former Directors and third parties without justification and/or proper documentation. This has been confirmed in the final report of the investigative review of the Company's affairs carried out by the independent investigators. The current Directors are in the process of initiating legal proceedings to recover the monies disbursed.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Segamat land. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The third party to whom the Segamat land was transferred has counter claimed that if the Court orders that the sale was unlawful and that the land is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the land as well as related damages, interests and costs. The pre-trial case management is fixed for hearing on 18 April 2011.

On 14 May 2010, the Company has also served the writ of summons on Abdul Halim Yahya & Co. ("Abdul Halim"), which acted as the stakeholders of the Segamat land and was alleged to have withheld RM839,000 from the sale proceeds of the land of RM12,087,000. Abdul Halim counterclaimed against the Company for, inter alia, malicious prosecution and administration and retainer fees of RM432,000 purportedly owing to them.

The civil suit against Abdul Halim is still in case management stage and the next hearing is fixed on 25 February 2011.

b) Jasin lands

On 6 February 2007, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of 8 pieces of land in Jasin ("Jasin lands") for a sale consideration of RM8,000,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa. The former Directors of the Company did not seek shareholders' approval for the disposal.

Notwithstanding, the land titles of the Jasin lands were transferred to the third party on 31 May 2007. The current Directors are of the view that the lands were disposed of fraudulently.

The current Directors have examined the circumstances surrounding the disposal and transfer of the above lands and opine that the transfer of land titles is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the said lands.

Significant events (continued)

i) Lands fraudulently disposed of by former Directors of the Company (continued)

b) Jasin lands (continued)

On 19 March 2009, the Company has commenced legal proceedings in the Malacca High Court to set aside the disposal and transfer of the Jasin lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The third party to whom the Jasin lands were transferred has counter claimed that if the Court orders that the sale was unlawful and that the lands is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the lands as well as related damages, interests and costs. The hearing for the Jasin land has yet to be fixed by the Court.

c) Jementah lands

In the process of compiling evidence and reviewing related documents to initiate legal proceedings to set aside the disposal of the Segamat land, the current Directors discovered that two plots land held under Grant 3484 for Lot 729 and Grant 3488 for Lot 728 (collectively known as "Jementah lands") in the Mukim of Jementah, Segamat, have been separately sold to an individual for alleged sum of RM80,000 in 2008. The said lands were subsequently adjudicated at the value of RM477,000 by the Stamp Office. There was no evidence of the receipt of the sale consideration or the alleged sum of RM80,000 or approval of the then Board for the disposal. The Company has lodged private caveats on the said lands.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Jementah lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The pre-trial case management is fixed for hearing on 28 March 2011.

d) Ayer Panas lands

In the process of compiling evidence and reviewing related documents to initiate legal proceedings to set aside the disposal of the Jasin lands, the current Directors discovered that two plots of lands held under Grant 1087 for Lot 300 and Grant 20108 for Lot 299 (collectively known as "Ayer Panas lands") in the Mukim of Ayer Panas, District of Jasin, have been separately sold to a third party company with a paid up capital of RM2.00 for RM130,000 and RM470,000 in 2003 and 2004 respectively. The said lands were subsequently adjudicated at the value of RM400,000 and RM1,200,000 respectively by the Stamp Office. There was no evidence of the receipt of the sale consideration in the records of the Company. The Company has lodged private caveats on the said land.

On 9 June 2010, the Company obtained a consent judgement from the Melaka High Court rescinding the sale of the Ayer Panas lands. The total consideration paid to recover the lands is RM727,000, which includes incidental costs of RM127,000 and the lands were transferred back to the Company's name in October and November 2010. The lands are valued at RM3,480,000 by CH Williams Talhar & Wong, an independent valuer, based on its valuation report in February 2011.

Significant events (continued)

ii) Listing status of the Company and its current restructuring activities

Pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa which was effective from 3 August 2009, the Company is deemed to have triggered the Prescribed Criteria of a PN17 company. As such, the Company has to comply with the provisions of Paragraph 8.04 and Practice Note 17 of the Listing Requirements.

On 11 December 2009, Bursa granted a conditional approval to the Company for its application seeking a waiver from meeting the Bursa Securities minimum issued and paid-up capital of RM60 million as required under Paragraph 8.16A of the Listing Requirements via their letter dated 10 December 2009.

The waiver is subject to the condition that the Company is required to announce and submit a comprehensive regularisation plan on or before 18 March 2010, which must address its financial condition and level of operations in accordance with Paragraph 8.04 and Practice Note 17 of the Listing Requirements. The Company did not submit a comprehensive regularisation plan on or before 18 March 2010 and have written to Bursa to seek for further extension. On 19 March 2010, the Company received a letter from Bursa advising that de-listing procedures will be deferred pending its decision on the Company's application for an extension of time to submit a comprehensive regularisation plan.

Bursa has since granted the Company a further extension to 18 November 2010 to submit a comprehensive regularisation plan. On 3 November 2010, the Company entered into an agreement with vendors of TopTrans Engineering Sdn. Bhd ("TopTrans"), whereby both parties agreed to undertake the following proposals in an attempt to inject a business into the Company:

- i) Proposed Acquisition of Toptrans
- ii) Proposed Share Exchange
- iii) Proposed Offer for Sale
- iv) Proposed Private Placement
- v) Proposed Transfer of Listing Status

(collectively referred to as "Proposed Restructuring")

Toptrans and its subsidiaries are principally engaged in designing, consulting, manufacturing, research and development, trading, supplying and installing clean room applications and products and the provision of related services. The operations are conducted mainly in Malaysia, the People's Republic of China, Morocco, Singapore, Poland and France.

The Proposed Acquisition of Toptrans will entail the acquisition of 100% equity interest in Toptrans, comprising 100 ordinary shares of RM1.00 each by a new company to be newly incorporated ("NewCo") which will eventually assume the listing status of the Company. The total purchase consideration for the Proposed Acquisition of Toptrans is RM84,500,000 to be wholly satisfied by the issuance of 84,500,000 new ordinary shares of RM1.00 each in NewCo at an issue price of RM1.00 per share.

The Proposed Share Exchange would involve the exchange of all the 1,800,000 ordinary shares of RM1.00 each in the Company for a total consideration RM7,500,000 million to be satisfied as follows:

- a) the payment of a cash consideration of RM7,500,000 on the basis of approximately RM4.17 for every one ordinary share of the Company held by the existing shareholder of the Company; and
- b) the issuance of up to 196,900 NewCo shares to all the existing shareholders of the Company on the basis of one hundred NewCo shares for each shareholder at an issue price of RM1.00 per share to be payable by way of set-off against the cash consideration.

Significant events (continued)

ii) Listing status of the Company and its current restructuring activities (continued)

The effects of the Proposed Share Exchange are as follows:

- a) The existing shareholders of the Company will become the shareholders of NewCo, collectively holding 196,900 NewCo shares; and
- b) NewCo shall become the holding company of the Company, holding 100% equity interest in the Company.

The Proposed Offer for Sale involves vendors of TopTrans undertaking an offer for sale of up to 5,000,000 NewCo shares, representing up to 4.3% of the enlarged issued and paid-up capital of NewCo to meet the public shareholding requirements for NewCo. The 5,000,000 NewCo shares shall be made available for application by the existing shareholders of the Company.

NewCo will undertake a placement of up to an aggregate of 22,000,000 NewCo shares representing approximately 20.6% of the enlarged issued and paid-up capital of NewCo after the Proposed Private Placement. The Proposed Private Placement is required in order for NewCo to comply with paragraph 8.02 (1) of the Main Market Listing Requirements, which requires at least 25% of a listed company's issued and paid-up share capital to be in the hands of public shareholders.

After the Proposed Shares Exchange, the entire issued and paid-up share capital of the Company of RM1,800,000 will be de-listed from the Main Market of Bursa. In replacement, the issued and paid-up share capital of NewCo of up to RM106,696,902 will be admitted to the Official List of the Main Market of Bursa Securities in its place ("Proposed Transfer of Listing Status").

Currently, these parties are working closely with MIMB Investment Bank Berhad to come out with a comprehensive regularisation plan. Accordingly, the Company has applied for further extension to submit a comprehensive regularisation plan.

On 14 January 2011, Bursa has granted the Company further extension to 18 March 2011 to submit a comprehensive regularisation plan.

iii) Writ of summons served by Danaharta against the Company

In June 2010, a notice pursuant to Section 218 (1)(e) and 2(a) of the Companies Act, 1965 has been served on the Company by the solicitors acting for Pengurusan Danaharta Nasional Berhad ("Danaharta") demanding for the payment within twenty-one (21) days thereof the following sums outstanding together with accrued interest and costs thereon on a final judgement entered against the Company on 18 January 2010 as follows:

- the sum of RM6,886,241
- further interest accruing on the said amount of RM6,886,241 at the rate of 2% per annum together with default interest of 1% per annum above the Base Lending Rate calculated on monthly rest basis from 1 April 2005 until full realisation;
- costs of RM225

The current Directors are of the opinion that the writ of summons for the abovementioned suit was never served on the Company as it was sent to the previous business address of the Company and the judgement was entered in default. In view of this, the Company resisted the claim and applied to the court to set aside the judgement in default.

The suit originated from a loan agreement with Kewangan Industri Berhad ("KIB") back in 1994 of which the Company drew down a total of RM7.8 million from the loan. The loan was not serviced regularly, resulting

Significant events (continued)

iii) Writ of summons served by Danaharta against the Company (continued)

in KIB initiating legal proceedings against the Company in 1998. Judgement in default was obtained on 2 September 1998 of which the Company was liable to repay KIB a total sum of RM8,071,036. Subsequently, both parties negotiated for a settlement which did not materialise. KIB went on to sell the loan to Danaharta. Danaharta subsequently sold off the property held as security for the original loan. Upon the sale of the property, the Company met up with Danaharta to discuss on the status of settlement of the loan.

On 24 June 2005, Danaharta agreed to accept the sum of RM2 million as full and final settlement of the outstanding amount. The Company attempted to further negotiate with Danaharta to write off the balance entirely. The final meeting was inconclusive with Danaharta indicating they would look into it, but with no subsequent development to it. This RM2 million was recorded as a liability in the financial statements of the Company for the year ended 31 December 2005.

On 7 September 2007, shareholders of the Company held an Extraordinary General Meeting (“EGM”) to remove all the former Directors of the Company and appoint the current Directors of the Company. The resolutions were unanimously passed by the shareholders. Subsequently, three of the former Directors removed by shareholders at the said EGM applied to the Kuala Lumpur High Court seeking to nullify the resolutions adopted at the EGM and to restrain the current Directors appointed thereat from carrying out their functions. The application was dismissed with costs on 16 July 2008. Notice of appeal has been filed by the former Directors. However, the Company has been advised by the counsel that the appellants have not complied with certain procedures and therefore the appeal is unlikely to proceed.

The financial statements of the Company for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 were not audited prior to the appointment of the current Directors of the Company. In December 2008, the current Directors initiated the audits for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008, which were subsequently completed in April 2009.

In the financial statements of the Company for the year ended 31 December 2006, the current Directors of the Company reversed the RM2 million previously provided for as settlement of the outstanding amount as the current Directors were of the opinion that no further settlement is required as Danaharta did not make any claims subsequent to the final meeting. It was only on 18 June 2009 did Danaharta recommence legal proceedings in the Kuala Lumpur High Court resulting in the above notice served on the Company.

On 19 July 2010, the Company through its solicitors filed an application to the High Court to set aside the Judgement in Default entered against the Company by Danaharta.

The Company has also on 21 July 2010 through its solicitors filed an application for and obtained an interim injunction against Danaharta ex parte restraining them from presenting a winding up petition against the Company pursuant to the notice. The application taken by the solicitors to set aside the judgement in default is based on the fact that a judgement was already taken for the breach of loan agreement in September 1998 and that a party cannot sue twice for the same cause of action.

The solicitors of the Company are of the opinion that the cause of action is the breach of loan agreement by the Company and KIB had already taken legal proceedings on the same cause of action and obtained judgement in default against the Company, bringing the cause of action to an end. The judgement in default dated 2 September 1998 is no longer enforceable because there is a limitation of 12 years to enforce a judgement or order until 1 September 2010 under Section 6(3) of the Limitation Act 1953. Thereafter, Danaharta will be prohibited from enforcing the said judgement as the Company can raise the defense of limitation against such execution.

Significant events (continued)

iii) Writ of summons served by Danaharta against the Company (continued)

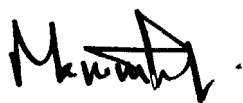
On 14 October 2010, the Senior Assistant Registrar of the High Court of Kuala Lumpur allowed the Company's application to set aside the judgement in default obtained by Danaharta on the same ground. Danaharta had subsequently appealed on the decision.

On 10 January 2011, the High Court of Kuala Lumpur allowed the appeal as the Judge took the view that a new cause of action arose after the disposal of the property held as security for the original loan. The solicitors of the Company are of the opinion that there is an error in judgement and advised the Company to appeal against the said decision. The Company has filed in an appeal and the hearing date is yet to be fixed.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Datin Mariam Prudence binti Yusof



.....
Jasmi bin Daik

Kuala Lumpur, Malaysia

Date: 18 February 2011

Statements of financial position

as at 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Equipment	3	1	1	1	1
Investment properties	4	3,480	–	3,480	–
Investments in subsidiaries	5	–	–	*	*
Amount due from subsidiaries	6	–	–	–	–
Total non-current assets		3,481	1	3,481	1
Other receivables and deposits	7	–	–	–	–
Cash and cash equivalents	8	5,844	7,488	5,843	7,479
Total current assets		5,844	7,488	5,843	7,479
Total assets		9,325	7,489	9,325	7,480
EQUITY					
Share capital		1,800	1,800	1,800	1,800
Reserves		18,616	18,616	18,244	18,244
Accumulated losses		(11,744)	(14,228)	(11,235)	(13,822)
Total equity	9	8,672	6,188	8,809	6,222
LIABILITIES					
Other payables and accruals	10	626	404	488	361
Current tax liabilities		27	897	27	897
Total current liabilities		653	1,301	515	1,258
Total liabilities		653	1,301	515	1,258
Total equity and liabilities		9,325	7,489	9,324	7,480

* represents RM12

Statements of comprehensive income

for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Changes in fair value of investment properties	4	2,753	–	2,753	–
Other income		135	5,060	135	4,908
Administrative expenses		(1,274)	(1,182)	(1,162)	(1,151)
Other expenses		–	(1,240)	(9)	(1,291)
Profit before tax	11	1,614	2,638	1,717	2,466
Income tax expense	13	870	(14)	870	(14)
Profit for the year and total comprehensive income for the year		<u>2,484</u>	<u>2,624</u>	<u>2,587</u>	<u>2,452</u>
Basic earnings per ordinary share	14	<u>138 sen</u>	<u>146 sen</u>		

Consolidated statement of changes in equity

for the year ended 31 December 2010

Group	<i>Non-distributable</i>				Total Equity RM'000
	Share Capital RM'000	Capital Reserve RM'000	Revenue Reserve RM'000	Accumulated Losses RM'000	
At 1 January 2009	1,800	18,541	75	(16,852)	3,564
Total comprehensive income for the year	–	–	–	2,624	2,624
At 31 December 2009/ 1 January 2010	1,800	18,541	75	(14,228)	6,188
Total comprehensive income for the year	–	–	–	2,484	2,484
At 31 December 2010	1,800	18,541	75	(11,744)	8,672

Statement of changes in equity

for the year ended 31 December 2010

Company	<i>Non-distributable</i>				Total Equity RM'000
	Share Capital RM'000	Capital Reserve RM'000	Revenue Reserve RM'000	Accumulated Losses RM'000	
At 1 January 2009	1,800	18,169	75	(16,274)	3,770
Total comprehensive income for the year	–	–	–	2,452	2,452
At 31 December 2009/ 1 January 2010	1,800	18,169	75	(13,822)	6,222
Total comprehensive income for the year	–	–	–	2,587	2,587
At 31 December 2010	1,800	18,169	75	(11,235)	8,809

Statements of cash flows

for the year ended 31 December 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit before tax	1,614	2,638	1,717	2,466
<i>Adjustments for:</i>				
Changes in fair value of investment properties	(2,753)	–	(2,753)	–
Depreciation of equipment	*	*	*	*
Gain on disposal of investment in an associate	–	(1,796)	–	–
Interest income	(135)	(71)	(135)	(71)
Operating (loss)/profit before changes in working capital	(1,274)	771	(1,171)	2,395
Changes in working capital:				
Amount due from an associate	–	(2,461)	–	–
Amount due from subsidiaries	–	–	–	(4,250)
Other payables and accruals	222	(811)	127	(648)
Other receivables and deposits	–	1,236	–	1,236
Net cash used in operating activities	(1,052)	(1,265)	(1,044)	(1,267)
Cash flows from investing activities				
Acquisition of equipment	–	(1)	–	(1)
Interest income from fixed deposits	135	71	135	71
Proceeds from disposal of investment in an associate	–	1,796	–	–
Recovery of advances to an associate	–	2,461	–	–
Recovery of advances to a subsidiary	–	–	–	4,250
Recovery of investment properties	(727)	–	(727)	–
Net cash (used in)/from investing activities	(592)	4,327	(592)	4,320
Net (decrease)/increase in cash and cash equivalents	(1,644)	3,062	(1,636)	3,053
Cash and cash equivalents at 1 January	7,488	4,426	7,479	4,426
Cash and cash equivalents at 31 December	5,844	7,488	5,843	7,479

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flow comprise the following statements of financial position amounts:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposit	5,800	7,400	5,800	7,400
Cash and bank balances	44	88	43	79
	5,844	7,488	5,843	7,479

* represents RM161

The notes on pages 34 to 57 are an integral part of these financial statements

Notes

to the financial statements

The Ayer Molek Rubber Company Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The shares of the Company have been suspended since 14 April 2006. Trading of the Company's shares remains suspended to date. The Company's shares were placed under PN17 pursuant to the Practice Note 17 of the Main Market Listing Requirements of Bursa which came into effect on 3 August 2009. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

No 18, Lorong Yap Kwan Seng
50450 Kuala Lumpur, Malaysia.

Registered office

24-3, Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur, Malaysia.

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

The Company is currently dormant since the disposal of its freehold plantation lands in prior years, whilst the subsidiaries are also dormant.

The financial statements were authorised for issue by the Board of Directors on 18 February 2011.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopter*
 - *Additional Exemption for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- IC Interpretation 4, *Determining whether an Arrangement contain a Lease*
- IC Interpretation 18, *Transfer of Assets from Customers*
- Improvements to FRS (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for Amendments to FRS 2, IC Interpretation 12 and IC Interpretation 16 which are not applicable to the Group and the Company.

IC Interpretation 15 which is effective from the annual period beginning 1 January 2012 is not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2 and on the assumption that the Company is a going concern.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

As at 31 December 2010, the Group and the Company have current assets of RM5,844,000 and RM5,843,000, respectively, which comprise cash and cash equivalents, and current liabilities of RM653,000 and RM515,000 respectively. Thus, the Group and the Company are still able to repay all existing current liabilities as at 31 December 2010.

As the Company no longer has any operations following the disposal of its freehold plantation lands in prior years, Bursa thereof, requires the Company to appoint an adviser in relation to its proposed capitalisation plan by 14 March 2009 and submit the proposed capitalisation plan to the relevant authorities for approval by 15 July 2009 to avoid being delisted from the stock exchange. The Company has appointed MIMB Investment Bank Berhad ("MIMB") as advisers for the recapitalisation exercise on 6 March 2009.

The Company was unable to meet the 15 July 2009 deadline set by Bursa and applied for further extensions with Bursa. Bursa granted the Company a further extension to 15 November 2009.

On 18 November 2009, the Company proposed to undertake a rights issue of up to 18,000,000 new ordinary shares of RM1.00 each in the Company ("Rights Shares") on a renounceable basis of ten (10) Rights Shares for every one (1) existing ordinary shares of RM1.00 each in the Company at an indicative issue price of RM1.00 per Rights Share.

As part of the Company's capital management plan, the Company has determined a minimum level of subscription for the proposed Rights Issue of 10,462,000 Rights Shares ("Minimum Subscription Level"). Assuming the rights issue price is RM1.00 per Rights Share, the Proposed Rights Issue would be expected to raise gross proceeds of RM10,462,000 on a Minimum Subscription Level basis. The Minimum Subscription Level is based on the funding requirements of the Company to raise adequate capital to recover plantation lands previously fraudulently disposed at the initial disposal price.

The proceeds from the Rights Issue will be used as follows:

- (a) to recover plantation lands of the Company measuring approximately 1,007 acres which were previously disposed, and
- (b) to acquire income generating new plantation estates preferably in the vicinity of the Company's plantation lands which are being recovered.

However, as the Company did not manage to identify any suitable assets for acquisition at that stage, Bursa advised the Company to withdraw the proposed Rights Issue. The Company had since withdrawn the proposed Rights Issue pending the availability of suitable assets for acquisition by the Company.

Pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa which was effective on 3 August 2009, the Company is deemed to have triggered the Prescribed Criteria of PN17 company. As such, the Company has to comply with the provisions of Paragraph 8.04 and Practice Note 17 of the Listing Requirements.

On 11 December 2009, Bursa granted a conditional approval to the Company for its application seeking a waiver from meeting the minimum issued and paid-up capital of RM60 million as required under Paragraph 8.16A of the Listing Requirements via their letter dated 10 December 2009.

The waiver is subject to the condition that the Company is required to announce and submit a comprehensive regularisation plan on or before 18 March 2010, which must address its financial

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

condition and level of operations in accordance with Paragraph 8.04 and Practice Note 17 of the Listing Requirements. The Company did not submit a comprehensive regularisation plan on or before 18 March 2010 and have written to Bursa to seek for further extension. On 19 March 2010, the Company received a letter from Bursa advising that de-listing procedures will be deferred pending its decision on the Company's application for an extension of time to submit a comprehensive regularisation plan.

Bursa has since granted the Company a further extension to 18 November 2010 to submit a comprehensive regularisation plan. On 3 November 2010, the Company entered into an agreement with vendors of TopTrans Engineering Sdn. Bhd. to conduct a Proposed Restructuring in an attempt to inject a business into the Company. Currently, these parties are working closely with MIMB Investment Bank Berhad to come out with a comprehensive regularisation plan. Accordingly, the Company has applied for further extension to submit a comprehensive regularisation plan.

On 14 January 2011, Bursa has granted the Company further extension to 18 March 2011 to submit a comprehensive regularisation plan.

Based on the financial position of the Group and the Company as at 31 December 2010, should the litigation case initiated by Danaharta be awarded in favour of Danaharta, the potential liability arising from the suit might wipe out the entire shareholders' funds of the Group and the Company.

As such, the continuation of the Group and the Company as a going concern and the appropriateness of preparing the financial statements on the going concern basis is dependent on the Company achieving future profitable operations and obtaining continuous financial support of shareholders, bankers and creditors prior to cash and cash equivalents of the Company being used up as well as a favorable outcome arising from the legal suit initiated by Danaharta.

At the date of this report, the Directors are confident that the Group and the Company would be able to submit a comprehensive regularisation plan before the revised deadline set by Bursa and complete the Proposed Restructuring subsequently. The Directors are also confident to recover a substantial amount from the legal proceedings against former Directors and various parties involved in the management of the Group's affairs and obtain a favorable judgement from the court in regards to the Danaharta case based on the opinion of the solicitors of the Company. As such, there is no reason for the Directors to believe that there is any significant uncertainty that the Group and the Company will be unable to continue as a going concern. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- note 7 - impairment of receivables
- note 17 - contingencies

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following notes:

- note 2(b) - Financial Instruments
- note 2(l) - Operating Segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in note 19.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

Financial assets categorised as fair value through profit or loss are subsequently measures at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

2. Significant accounting policies (continued)

(b) Financial instrumentss (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(d) Available-for-sale financial assets (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(g)).

Financial liabilities

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

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

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

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

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Equipment

(i) Recognition and measurement

Items of equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within “other income” or “other expenses” respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced parts is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment. The estimated useful life for office equipment, furniture and fittings is 5 years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

(d) Investment properties

Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the profit or loss for the period in which they arise.

2. Significant accounting policies (continued)

(d) Investment properties (continued)

Investment properties carried at fair value (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal. The difference between the new disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(e) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, receivables are categorised and measured as loans and receivables in accordance with note 2(b).

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy note 2(b).

(g) Impairment

(i) Financial assets

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

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

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

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

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

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

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

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets and or group of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(i) Employee benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(i) Employee benefits (continued)

Short term employee benefits (continued)

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Earnings per share

The Group presents basic earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(l) Operating segments

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

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

However, as the Group is currently dormant, the adoption of FRS 8, Operating Segments, does not have any impact to the financial statements.

3. Equipment

Group and Company	Office equipment, furniture and fittings RM'000
Cost	
At 1 January 2009	—
Additions	1
	<hr/>
At 31 December 2009/ 1 January 2010/31 December 2010	1
	<hr/>
Depreciation	
At 1 January 2009/31 December 2009/1 January 2010	—
Depreciation for the year	*
	<hr/>
At 31 December 2009/1 January 2010	*
Depreciation for the year	*
	<hr/>
At 31 December 2010	**
	<hr/>
Carrying amounts	
At 1 January 2009	—
	<hr/>
At 31 December 2009/1 January 2010	***
	<hr/>
At 31 December 2010	****
	<hr/>

* represents RM161

** represents RM322

*** represents RM839 and rounded up as RM1,000 in the statements of financial position

**** represents RM678 and rounded up as RM1,000 in the statements of financial position

4. Investment properties

	Group and Company	
	2010	2009
	RM'000	RM'000
Fair value		
At 1 January	—	—
Recovery	727	—
Changes in fair value	2,753	—
	<hr/>	<hr/>
At 31 December	3,480	—
	<hr/>	<hr/>

On 9 June 2010, the Company obtained a consent judgement from the Melaka High Court rescinding the sale of the Ayer Panas lands. The total consideration paid to recover the lands of RM727,000, which includes incidental costs of RM127,000, have been paid to the vendor's solicitors and the lands were transferred back to the Company's name in October and November 2010. The lands are valued at RM3,480,000 by CH Williams Talhar & Wong, an independent valuer, based on its valuation report in February 2011.

5. Investments in subsidiaries

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares - at cost	*	*

* represents RM12

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

Name of subsidiaries	Principal activities	Effective ownership interest	
		2010	2009
The Ayer Molek Plantation Sdn. Bhd.	Dormant	100%	100%
Ayer Molek South Africa JV Sdn. Bhd.	Dormant	100%	100%
Jewel Setting Sdn. Bhd.	Dormant	100%	100%
Regional Giant Sdn. Bhd.	Dormant	100%	100%
The Ayer Molek Industries Sdn. Bhd.	Dormant	100%	100%
The Ayer Molek Properties Sdn. Bhd.	Dormant	100%	100%

6. Amounts due from subsidiaries

	Company	
	2010 RM'000	2009 RM'000
Non-trade	6,383	6,374
Less: Individual impairment	(6,383)	(6,374)
	—	—

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

7. Other receivables and deposits

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables and deposits	6,790	6,790	5,286	5,286
Less: Individual impairment	(6,790)	(6,790)	(5,286)	(5,286)
	—	—	—	—

7.1 Included in other receivables and deposits of the Group and of the Company is an amount of RM2,368,000 (2009 - RM2,368,000) and RM864,000 (2009 - RM864,000) respectively, which relates to claims by the Company and its subsidiaries against former Directors and various parties involved in the management of the Group's affairs. These include payments to and costs incurred by the parties in the management of the Group's affairs. The Company is contemplating actions to enforce repayments. Full impairment has been provided for these balances.

7.2 Included in other receivables and deposits of the Group and the Company is an amount of RM3,583,000 (2009 - RM3,583,000) which relates to claims by the Company against a former creditor and former Directors. The former creditor has previously made a claim against the Company and subsequently the court gave judgement in default of appearance against the Company. The Company is contemplating actions to recover the paid amount. Full impairment has been provided for this balance.

7. Other receivables and deposits (continued)

7.3 Included in other receivables and deposits of the Group and of the Company is an amount of RM839,000 (2009 - RM839,000) which relates to amount owing by Abdul Halim, which acted as the stakeholders of the Segamat land. The Company had served the writ of summons on Abdul Halim. The civil suit is now in case management stage and the next hearing is fixed on 25 February 2011. Full impairment has been provided for this balance.

7.4 The Group and the Company makes impairment of receivables based on assessment of recoverability. Whilst management's judgement is guided by the past experiences, judgement is made about the future recovery of debts.

8. Cash and cash equivalents

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposit placed with a licensed bank	5,800	7,400	5,800	7,400
Cash and bank balances	44	88	43	79
	<u>5,844</u>	<u>7,488</u>	<u>5,843</u>	<u>7,479</u>

9. Capital and reserves

9.1 Share Capital

	Group and Company			
	Number of shares		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Ordinary shares of RM1.00 each:				
Authorised	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Issued and fully paid	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

9.2 Capital and revenue reserve

Records that indicate the nature and description of the capital and revenue reserve are no longer available as both these reserves were created many years ago.

10. Other payables and accruals

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables	538	229	413	199
Accruals	88	175	75	162
	<u>626</u>	<u>404</u>	<u>488</u>	<u>361</u>

10. Other payables and accruals (continued)

In 2009, RM612,000 and RM517,000 were reversed from other payables of the Group and of the Company respectively, and RM120,000 and RM70,000 were reversed from accruals of the Group and of the Company respectively, as the Directors were of the opinion that these liabilities were no longer expected to be settled.

11. Profit before tax

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration				
- Statutory audit				
KPMG	17	17	11	11
Other auditors				
- under provision in prior years	159	—	159	—
- Other services				
KPMG	—	53	—	53
Depreciation of equipment	*	*	*	*
Impairment loss:				
- subsidiaries	—	—	9	91
- third parties	—	1,240	—	1,240
Personnel expenses (including key management personnel):				
- Wages, salaries and others	178	277	178	277
- Contribution to Employees' Provident Fund	3	—	3	—
Rental expense on premises	36	78	36	78
and after crediting:				
Changes in fair value of investment properties	2,753	—	2,753	—
Gain on disposal of investment in an associate	—	1,796	—	—
Interest income from fixed deposits	135	71	135	71
Reversal of impairment loss:				
- associate	—	2,461	—	—
- subsidiaries	—	—	—	4,250

* represents RM161

12. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration	247	341	247	341

13. Income tax expense

Recognised in profit or loss

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense				
- current year	27	14	27	14
- prior year	(897)	–	(897)	–
	<u>(870)</u>	<u>14</u>	<u>(870)</u>	<u>14</u>

Reconciliation of effective tax expense

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax	<u>1,614</u>	<u>2,638</u>	<u>1,717</u>	<u>2,466</u>
Income tax calculated using Malaysian tax rate of 25%	404	660	429	617
Non-deductible expenses	53	43	33	43
Tax-exempt income	(551)	(998)	(551)	(967)
Current year losses for which no deferred tax asset was recognised *	121	309	116	321
Overprovided in prior year	(897)	–	(897)	–
Total income tax expense	<u>(870)</u>	<u>14</u>	<u>(870)</u>	<u>14</u>

* The Group and the Company have ceased their operations and the current tax legislation does not allow the Group and the Company to carry forward their current year business losses as they are dormant.

Based on tax computation provided by tax agents for year of assessment 2009, the Group and the Company have unutilised tax losses of RM25 million. Deferred tax assets in respect of the utilised tax losses, which were carried forward prior to the cessation of operations in 2006, have not been recognised because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

14. Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the years ended 31 December 2010 and 31 December 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2010 RM'000	2009 RM'000
Profit for the year attributable to ordinary shareholders	<u>2,484</u>	<u>2,624</u>
	2010 '000	2009 '000
Weighted average number of ordinary shares at 31 December	<u>1,800</u>	<u>1,800</u>

15. Operating segments

The Group is currently dormant since the disposal of its freehold plantation lands in prior years.

16. Related parties

Identity of related parties

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

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

The significant related party transaction of the Group and of the Company, other than key management personnel compensation, is as follows:

	Amount transacted for the year ended 31 December		Net balance outstanding at 31 December	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Group and Company				
Directors of the Company				
Datin Mariam Prudence binti Yusof				
Azril Akmar bin Attan Akmar				
Rental and office expenses payable by the Company to certain companies in which the Director have interest	36	78	13	7

The above outstanding balance is expected to be settled in cash to the related party. The outstanding balance is unsecured, interest free and is repayable on demand.

17. Contingencies

Contingent assets

i) Lands fraudulently disposed of by former Directors of the Company

a) Segamat land

On 12 April 2006, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of a piece of land in Segamat ("Segamat land") for a sale consideration of RM12,087,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"). The former Directors of the Company did not seek shareholders' approval for the disposal.

Notwithstanding, the land title of the Segamat land was transferred to the third party on 27 June 2006. The current Directors are of the view that the land was disposed of fraudulently.

17. Contingencies (continued)

Contingent assets (continued)

i) Lands fraudulently disposed of by former Directors of the Company (continued)

a) Segamat land (continued)

The current Directors have examined the circumstances surrounding the disposal and transfer of the land and opine that the transfer of land title is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the land.

On 18 September 2008, the Company further appointed independent investigators to carry out an independent investigative review mainly on the disposal of the Company's freehold lands in Segamat and Jasin, a subsidiary's investment in an associate, payments made from the proceeds of the disposed lands and utilisations thereof. The independent investigators had completed their report and submitted their findings to the Board of Directors on 17 December 2008. The final report was received on 24 December 2008.

The appointment was made as the current Directors have reviewed the documents available and discovered that a large number of payments have been made to certain former Directors and third parties without justification and/or proper documentation. This has been confirmed in the final report of the investigative review of the Company's affairs carried out by the independent investigators. The current Directors are in the process of initiating legal proceedings to recover the monies disbursed.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Segamat land. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The third party to whom the Segamat land was transferred has counter claimed that if the Court orders that the sale was unlawful and that the land is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the land as well as related damages, interests and costs. The pre-trial case management is fixed for hearing on 18 April 2011.

On 14 May 2010, the Company has also served the writ of summons on Abdul Halim Yahya & Co. ("Abdul Halim"), which acted as the stakeholders of the Segamat land and was alleged to have withheld RM839,000 from the sale proceeds of the land of RM12,087,000. Abdul Halim counterclaimed against the Company for, inter alia, malicious prosecution and administration and retainer fees of RM432,000 purportedly owing to them.

The civil suit against Abdul Halim is still in case management stage and the next hearing is fixed on 25 February 2011.

b) Jasin lands

On 6 February 2007, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of 8 pieces of land in Jasin ("Jasin lands") for a sale consideration of RM8,000,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa. The former Directors of the Company did not seek shareholders' approval for the disposal.

17. Contingencies (continued)

Contingent assets (continued)

i) Lands fraudulently disposed of by former Directors of the Company (continued)

b) Jasin lands (continued)

Notwithstanding, the land titles of the Jasin lands were transferred to the third party on 31 May 2007. The current Directors are of the view that the lands were disposed of fraudulently.

The current Directors have examined the circumstances surrounding the disposal and transfer of the above lands and opine that the transfer of land titles is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the said lands.

On 19 March 2009, the Company has commenced legal proceedings in the Malacca High Court to set aside the disposal and transfer of the Jasin lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The third party to whom the Jasin lands were transferred has counter claimed that if the Court orders that the sale was unlawful and that the lands is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the lands as well as related damages, interests and costs. The hearing for the Jasin land has yet to be fixed by the Court.

c) Jementah lands

In the process of compiling evidence and reviewing related documents to initiate legal proceedings to set aside the disposal of the Segamat land, the current Directors discovered that two plots land held under Grant 3484 for Lot 729 and Grant 3488 for Lot 728 (collectively known as "Jementah lands") in the Mukim of Jementah, Segamat, have been separately sold to an individual for alleged sum of RM80,000 in 2008. The said lands were subsequently adjudicated at the value of RM477,000 by the Stamp Office. There was no evidence of the receipt of the sale consideration or the alleged sum of RM80,000 or approval of the then Board for the disposal. The Company has lodged private caveats on the said lands.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Jementah lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The pre-trial case management is fixed for hearing on 28 March 2011.

ii) Actions contemplated against a former creditor of the Company

In 1996, the former Group Managing Director appointed a former creditor as consultant in connection with the proposed development of the Segamat land. The appointment was not approved by the former Board.

17. Contingencies (continued)

Contingent assets (continued)

ii) Actions contemplated against a former creditor of the Company (continued)

Subsequently, the former creditor made a claim against the Company for work done. The Company did not meet the claims. The former creditor commenced legal proceedings in the Kuala Lumpur High Court to enforce their claims. The former Directors did not resist the claim. Consequently, the former creditor filed winding up proceedings against the Company and winding up order was issued against the Company on 13 April 2006, following which on 14 April 2006, the shares of the Company were suspended from trading in the Bursa. Trading of the Company's shares remains suspended to date.

The Company subsequently applied to set aside the judgement in default and obtained a stay of the winding up order. An appeal was made to the Court of Appeal. On 18 September 2008, the appeal to the Court of Appeal was dismissed and the winding up order was reinstated.

Following the removal of the former Directors at an Extraordinary General Meeting ("EGM") on 7 September 2008 and the appointment of the current Directors at the same EGM, applications were made by the current Directors to the Federal Court for leave to defend the original claim and for further stay of the winding order. A further stay of winding up order was obtained on 5 November 2008. However, the application for leave to defend the claim was dismissed by the Federal Court.

On 8 August 2009, the High Court in Kuala Lumpur granted the Company "Permanent Stay" of the winding up order issued against the Company on 13 April 2006.

The current Directors have since reviewed the circumstances in relation to the appointment of the former creditor which resulted in claims against the Company and noted the following:

- a) the former creditor did not carry out any work for which the appointment was made;
- b) the Company had earlier through one its subsidiaries appointed qualified individuals to undertake the tasks;
- c) the former creditor had agreed to accept RM300,000 as full and final settlement for their claims; and
- d) no attempt was made by the former Directors to resist the claims and the application for winding up order.

The current Directors are of the view that the entire transaction with the former creditor was questionable. Therefore, the current Directors are contemplating actions against all parties responsible for causing the Company to be liable for payments made to the former creditor and the legal / court fees involved.

Contingent liability

iii) Writ of summons served by Danaharta against the Company

In June 2010, a notice pursuant to Section 218 (1)(e) and 2(a) of the Companies Act, 1965 has been served on the Company by the solicitors acting for Pengurusan Danaharta Nasional Berhad ("Danaharta") demanding for the payment within twenty-one (21) days thereof the following sums outstanding together with accrued interest and costs thereon on a final judgement entered against the Company on 18 January 2010 as follows:

- the sum of RM6,886,241
- further interest accruing on the said amount of RM6,886,241 at the rate of 2% per annum together with default interest of 1% per annum above the Base Lending Rate calculated on monthly rest basis from 1 April 2005 until full realisation;
- costs of RM225

17. Contingencies (continued)

Contingent liability (continued)

iii) Writ of summons served by Danaharta against the Company (continued)

The current Directors are of the opinion that the writ of summons for the abovementioned suit was never served on the Company as it was sent to the previous business address of the Company and the judgement was entered in default. In view of this, the Company resisted the claim and applied to the court to set aside the judgement in default.

The suit originated from a loan agreement with Kewangan Industri Berhad ("KIB") back in 1994 of which the Company drew down a total of RM7.8 million from the loan. The loan was not serviced regularly, resulting in KIB initiating legal proceedings against the Company in 1998. Judgement in default was obtained on 2 September 1998 of which the Company was liable to repay KIB a total sum of RM8,071,036. Subsequently, both parties negotiated for a settlement which did not materialise. KIB went on to sell the loan to Danaharta. Danaharta subsequently sold off the property held as security for the original loan. Upon the sale of the property, the Company met up with Danaharta to discuss on the status of settlement of the loan.

On 24 June 2005, Danaharta agreed to accept the sum of RM2 million as full and final settlement of the outstanding amount. The Company attempted to further negotiate with Danaharta to write off the balance entirely. The final meeting was inconclusive with Danaharta indicating they would look into it, but with no subsequent development to it.

On 7 September 2007, shareholders of the Company held an Extraordinary General Meeting ("EGM") to remove all the former Directors of the Company and appoint the current Directors of the Company. The resolutions were unanimously passed by the shareholders. Subsequently, three of the former Directors removed by shareholders at the said EGM applied to the Kuala Lumpur High Court seeking to nullify the resolutions adopted at the EGM and to restrain the current Directors appointed thereat from carrying out their functions. The application was dismissed with costs on 16 July 2008. Notice of appeal has been filed by the former Directors. However, the Company has been advised by the counsel that the appellants have not complied with certain procedures and therefore the appeal is unlikely to proceed.

The financial statements of the Company for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 were not audited prior to the appointment of the current Directors of the Company. In December 2008, the current Directors initiated the audit for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008, which were subsequently completed in April 2009.

In the financial statements of the Company for the year ended 31 December 2006, the current Directors of the Company reversed the RM2 million previously provided for as settlement of the outstanding amount as the current Directors were of the opinion that no further settlement is required as Danaharta did not make any claims subsequent to the final meeting. It was only on 18 June 2009 did Danaharta recommence legal proceedings in the Kuala Lumpur High Court resulting in the above notice served on the Company.

On 19 July 2010, the Company through its solicitors filed an application to the High Court to set aside the Judgement in Default entered against the Company by Danaharta.

The Company has also on 21 July 2010 through its solicitors filed an application for and obtained an interim injunction against Danaharta ex parte restraining them from presenting a winding up petition against the Company pursuant to the notice. The application taken by the solicitors to set aside the judgement in default is based on the fact that a judgement was already taken for the breach of loan agreement in September 1998 and that a party cannot sue twice for the same cause of action.

17. Contingencies (continued)

Contingent liability (continued)

iii) Writ of summons served by Danaharta against the Company (continued)

The solicitors of the Company are of the opinion that the cause of action is the breach of loan agreement by the Company and KIB had already taken legal proceedings on the same cause of action and obtained judgement in default against the Company, bringing the cause of action to an end. The judgement in default dated 2 September 1998 is no longer enforceable because there is a limitation of 12 years to enforce a judgement or order until 1 September 2010 under Section 6(3) of the Limitation Act 1953. Thereafter Danaharta will be prohibited from enforcing the said judgement as the Company can raise the defense of limitation against such execution.

On 14 October 2010, the Senior Assistant Registrar of the High Court of Kuala Lumpur allowed the Company's application to set aside the judgement in default obtained by Danaharta on the same ground. Danaharta had subsequently appealed on the decision.

On 10 January 2011, the High Court of Kuala Lumpur allowed the appeal as the Judge took the view that a new cause of action arose after the disposal of the property held as security for the original loan. The solicitors of the Company are of the opinion that there is an error in judgement and advised the Company to appeal against the said decision. The Company has filed in an appeal and the hearing date is yet to be fixed.

18. Financial instruments

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

18.1 Categories of financial instruments

All the financial assets of the Group and the Company, which include amounts due from subsidiaries, other receivables and deposits and cash and cash equivalents and the financial liability of the Group and the Company, which includes other payables and accruals are categorised as loans and receivables and other liabilities respectively.

The change in interest rates does not have a material impact to the Group and the Company.

The financial liability of the Group and the Company matures within 1 year.

18.2 Financial risk management

The Group and the Company are not exposed to any significant financial risk as they are currently dormant.

18.3 Impairment losses on other receivables

The Group and the Company have fully impaired its amounts due from subsidiaries and other receivables and deposits in previous years as the Directors are of the opinion that collection is unlikely.

18.4 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

19. Significant changes in accounting policies

FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of other receivables and deposits

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment is recognised for receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial statements at the beginning of financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted. The adoption of FRS 139 has no impact to the opening balance of retained earnings of the Group and the Company.

20. Capital management

The Company's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis.

There is no external capital requirement imposed on the Company.

21. Supplementary information on the breakdown of realised and unrealised losses

On 25 March 2010, Bursa issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2010, into realised and unrealised losses, pursuant to the directive, is as follows:

	2010	
	Group RM'000	Company RM'000
Total accumulated losses of the Company and its subsidiaries:		
- realised	(20,509)	(13,988)
- unrealised	2,753	2,753
	(17,756)	(11,235)
Less: Consolidation adjustments	6,012	–
Total accumulated losses	(11,744)	(11,235)

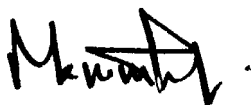
The determination of realised and unrealised losses is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants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

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 29 to 57 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



Datin Mariam Prudence binti Yusof



Jasmi bin Daik

Kuala Lumpur, Malaysia

Date: 18 February 2011

Statutory declaration

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

I, Wong Sook Fong, the officer primarily responsible for the financial management of The Ayer Molek Rubber Company Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 57 are, to the best of my knowledge and belief, 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 above named in Kuala Lumpur in the Federal Territory on 18 February 2011.



Wong Sook Fong

Before me:



No. 1, Tingkat 2,
Jalan Ampang,
50450 Kuala Lumpur.

Independent Auditors' Report

to the members of The Ayer Molek Rubber Company Berhad

Report on the Financial Statements

We have audited the financial statements of The Ayer Molek Rubber Company Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 56.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters:

1. As disclosed in Note 1(b) to the financial statements, the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company no longer have any operations following the disposal of the freehold plantation lands in prior years.

Emphasis of matter (continued)

Pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa which was effective on 3 August 2009, the Company is deemed to have triggered the Prescribed Criteria of PN17 company. As such, the Company has to comply with the provisions of Paragraph 8.04 and Practice Note 17 of the Listing Requirements.

On 11 December 2009, Bursa granted a conditional approval to the Company for its application seeking a waiver from meeting the minimum issued and paid-up capital of RM60 million as required under Paragraph 8.16A of the Listing Requirements via their letter dated 10 December 2009.

The waiver is subject to the condition that the Company is required to announce and submit a comprehensive regularisation plan on or before 18 March 2010, which must address its financial condition and level of operations in accordance with Paragraph 8.04 and Practice Note 17 of the Listing Requirements. The Company did not submit a comprehensive regularisation plan on or before 18 March 2010 and have written to Bursa to seek for further extension. On 19 March 2010, the Company received a letter from Bursa advising that de-listing procedures will be deferred pending its decision on the Company's application for an extension of time to submit a comprehensive regularisation plan.

Bursa has since granted the Company a further extension to 18 November 2010 to submit a comprehensive regularisation plan. On 3 November 2010, the Company entered into an agreement with vendors of TopTrans Engineering Sdn. Bhd. to conduct a Proposed Restructuring in an attempt to inject a business into the Company. Currently, these parties are working closely with MIMB Investment Bank Berhad to come out with a comprehensive regularisation plan. Accordingly, the Company has applied for further extension to submit a comprehensive regularisation plan.

On 14 January 2011, Bursa has granted the Company further extension to 18 March 2011 to submit a comprehensive regularisation plan.

2. As disclosed in note 17(i) to the financial statements, the following lands were disposed of by the former Directors of the Company:

- i) Segamat land

On 12 April 2006, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of a piece of land in Segamat ("Segamat land") for a sale consideration of RM12,087,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"). The former Directors of the Company did not seek shareholders' approval for the disposal.

Notwithstanding, the land title of the Segamat land was transferred to the third party on 27 June 2006. The current Directors are of the view that the land was disposed of fraudulently.

The current Directors have examined the circumstances surrounding the disposal and transfer of the land and opine that the transfer of land title is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the land.

On 18 September 2008, the Company further appointed independent investigators to carry out an independent investigative review mainly on the disposal of the Company's freehold lands in Segamat and Jasin, a subsidiary's investment in an associate, payments made from the proceeds of the disposed lands and utilisations thereof. The independent investigators had completed their report and submitted their findings to the Board of Directors on 17 December 2008. The final report was received on 24 December 2008.

Emphasis of matter (continued)

i) Segamat land (continued)

The appointment was made as the current Directors have reviewed the documents available and discovered that a large number of payments have been made to certain former Directors and third parties without justification and/or proper documentation. This has been confirmed in the final report of the investigative review of the Company's affairs carried out by the independent investigators. The current Directors are in the process of initiating legal proceedings to recover the monies disbursed.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Segamat land. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The third party to whom the Segamat land was transferred has counter claimed that if the Court orders that the sale was unlawful and that the land is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the land as well as related damages, interests and costs. The pre-trial case management is fixed for hearing on 18 April 2011.

On 14 May 2010, the Company has also served the writ of summons on Abdul Halim Yahya & Co. ("Abdul Halim"), which acted as the stakeholders of the Segamat land and was alleged to have withheld RM839,000 from the sale proceeds of the land of RM12,087,000. Abdul Halim counterclaimed against the Company for, inter alia, malicious prosecution and administration and retainer fees of RM432,000 purportedly owing to them.

The civil suit against Abdul Halim is still in case management stage and the next hearing is fixed on 25 February 2011.

ii) Jasin lands

On 6 February 2007, the former Directors of the Company entered into a Sale and Purchase Agreement with a third party to dispose of 8 pieces of land in Jasin ("Jasin lands") for a sale consideration of RM8,000,000, subject to conditions precedent contained in the said Sale and Purchase Agreement, inter alia, approval of shareholders in general meeting as required by Article 99 of the Memorandum and Articles of Association of the Company and Listing Requirements of Bursa. The former Directors of the Company did not seek shareholders' approval for the disposal.

Notwithstanding, the land titles of the Jasin lands were transferred to the third party on 31 May 2007. The current Directors are of the view that the lands were disposed of fraudulently.

The current Directors have examined the circumstances surrounding the disposal and transfer of the above lands and opine that the transfer of land titles is not valid as certain conditions precedent were not met to validate the transfer as the former Directors of the Company did not seek shareholders' approval for the disposal. Accordingly, the Company has lodged private caveats on the said lands.

On 19 March 2009, the Company has commenced legal proceedings in the Malacca High Court to set aside the disposal and transfer of the Jasin lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

Emphasis of matter (continued)

ii) Jasin lands (continued)

The third party to whom the Jasin lands were transferred has counter claimed that if the Court orders that the sale was unlawful and that the lands is to be returned to the Company, the Company should return the purchase considerations previously paid together with interests. The Company should also pay for the value of any improvements made to the lands as well as related damages, interests and costs. The hearing for the Jasin land has yet to be fixed by the Court.

iii) Jementah lands

In the process of compiling evidence and reviewing related documents to initiate legal proceedings to set aside the disposal of the Segamat land, the current Directors discovered that two plots land held under Grant 3484 for Lot 729 and Grant 3488 for Lot 728 (collectively known as “Jementah lands”) in the Mukim of Jementah, Segamat, have been separately sold to an individual for alleged sum of RM80,000 in 2008. The said lands were subsequently adjudicated at the value of RM477,000 by the Stamp Office. There was no evidence of the receipt of the sale consideration or the alleged sum of RM80,000 or approval of the then Board for the disposal. The Company has lodged private caveats on the said lands.

On 19 March 2009, the Company has commenced legal proceedings in the Johor Bahru High Court to set aside the disposal and transfer of the Jementah lands. For some time the solicitors of the Company have not been able to serve the writs of summons on the former Chairman and former Managing Director. Service was later effected by way of substituted service through advertisement in the newspapers. The former Chairman has since accepted service and entered an appearance but has yet to file his defense.

The pre-trial case management is fixed for hearing on 28 March 2011.

3. As disclosed in note 7 to the financial statements, included in other receivables and deposits of the Group and of the Company:

- i) is an amount of RM2,368,000 and RM864,000 respectively, which relates to claims by the Company and its subsidiaries against former Directors and various parties involved in the management of the Group's affairs. Full impairment has been provided for these balances.

The Company is in the process of initiating legal proceedings / contemplating actions to enforce repayment. At the date of this report, the lawsuits have not been filed.

- ii) is an amount of RM3,583,000 which relates to claims by the Company against a former creditor and former Directors. The former creditor has previously made a claim against the Company and subsequently the court gave judgement in default of appearance against the Company. The Company is contemplating actions to recover the paid amount. Full impairment has been provided for this balance.

The Company is in the process of initiating legal proceedings / contemplating actions to enforce repayment. At the date of this report, the lawsuits have not been filed.

- iii) is an amount of RM839,000 which relates to amount owing by Abdul Halim, which acted as the stakeholders of the Segamat land. The Company had served the writ of summons on Abdul Halim. The civil suit is now in case management stage and the next hearing is fixed on 25 February 2011. Full impairment has been provided for this balance.

4. As disclosed in note 17(iii) to the financial statements, in June 2010, a notice pursuant to Section 218 (1)(e) and 2(a) of the Companies Act, 1965 has been served on the Company by the solicitors acting for Pengurusan Danaharta Nasional Berhad (“Danaharta”) demanding for the payment within twenty-one (21) days thereof the following sums outstanding together with accrued interest and costs thereon on a final judgement entered against the Company on 18 January 2010 as follows:

Emphasis of matter (continued)

- the sum of RM6,886,241
- further interest accruing on the said amount of RM6,886,241 at the rate of 2% per annum together with default interest of 1% per annum above the Base Lending Rate calculated on monthly rest basis from 1 April 2005 until full realisation;
- costs of RM225

The current Directors are of the opinion that the writ of summons for the abovementioned suit was never served on the Company as it was sent to the previous business address of the Company and the judgement was entered in default. In view of this, the Company resisted the claim and applied to the court to set aside the judgement in default.

The suit originated from a loan agreement with Kewangan Industri Berhad (“KIB”) back in 1994 of which the Company drew down a total of RM7.8 million from the loan. The loan was not serviced regularly, resulting in KIB initiating legal proceedings against the Company in 1998. Judgement in default was obtained on 2 September 1998 of which the Company was liable to repay KIB a total sum of RM8,071,036. Subsequently, both parties negotiated for a settlement which did not materialise. KIB went on to sell the loan to Danaharta. Danaharta subsequently sold off the property held as security for the original loan. Upon the sale of the property, the Company met up with Danaharta to discuss on the status of settlement of the loan.

On 24 June 2005, Danaharta agreed to accept the sum of RM2 million as full and final settlement of the outstanding amount. The Company attempted to further negotiate with Danaharta to write off the balance entirely. The final meeting was inconclusive with Danaharta indicating they would look into it, but with no subsequent development to it.

On 7 September 2007, shareholders of the Company held an Extraordinary General Meeting (“EGM”) to remove all the former Directors of the Company and appoint the current Directors of the Company. The resolutions were unanimously passed by the shareholders. Subsequently, three of the former Directors removed by shareholders at the said EGM applied to the Kuala Lumpur High Court seeking to nullify the resolutions adopted at the EGM and to restrain the current Directors appointed thereat from carrying out their functions. The application was dismissed with costs on 16 July 2008. Notice of appeal has been filed by the former Directors. However, the Company has been advised by the counsel that the appellants have not complied with certain procedures and therefore the appeal is unlikely to proceed.

The financial statements of the Company for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 were not audited prior to the appointment of the current Directors of the Company. In December 2008, the current Directors initiated the audit for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008, which were subsequently completed in April 2009.

In the financial statements of the Company for the year ended 31 December 2006, the current Directors of the Company reversed the RM2 million previously provided for as settlement of the outstanding amount as the current Directors were of the opinion that no further settlement is required as Danaharta did not make any claims subsequent to the final meeting. It was only on 18 June 2009 did Danaharta recommence legal proceedings in the Kuala Lumpur High Court resulting in the above notice served on the Company.

On 19 July 2010, the Company through its solicitors filed an application to the High Court to set aside the Judgement in Default entered against the Company by Danaharta.

Emphasis of matter (continued)

The Company has also on 21 July 2010 through its solicitors filed an application for and obtained an interim injunction against Danaharta ex parte restraining them from presenting a winding up petition against the Company pursuant to the notice. The application taken by the solicitors to set aside the judgement in default is based on the fact that a judgement was already taken for the breach of loan agreement in September 1998 and that a party cannot sue twice for the same cause of action.

The solicitors of the Company are of the opinion that the cause of action is the breach of loan agreement by the Company and KIB had already taken legal proceedings on the same cause of action and obtained judgement in default against the Company, bringing the cause of action to an end. The judgement in default dated 2 September 1998 is no longer enforceable because there is a limitation of 12 years to enforce a judgement or order until 1 September 2010 under Section 6(3) of the Limitation Act 1953. Thereafter Danaharta will be prohibited from enforcing the said judgement as the Company can raise the defense of limitation against such execution.

On 14 October 2010, the Senior Assistant Registrar of the High Court of Kuala Lumpur allowed the Company's application to set aside the judgement in default obtained by Danaharta on the same ground. Danaharta had subsequently appealed on the decision.

On 10 January 2011, the High Court of Kuala Lumpur allowed the appeal as the Judge took the view that a new cause of action arose after the disposal of the property held as security for the original loan. The solicitors of the Company are of the opinion that there is an error in judgement and advised the Company to appeal against the said decision. The Company has filed in an appeal and the hearing date is yet to be fixed.

The above matters as set out in items (1) to (4) and as mentioned in Note 1(b) to the financial statements, if viewed collectively, indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern as the Group and the Company no longer have any operations following the disposal of the freehold plantation lands in prior years.

Based on the financial position of the Group and the Company as at 31 December 2010, should the litigation case initiated by Danaharta be awarded in favour of Danaharta, the potential liability arising from the suit might wipe out the entire shareholders' funds of the Group and the Company.

As such, the continuation of the Group and the Company as a going concern and the appropriateness of preparing the financial statements on the going concern basis is dependent on the Company achieving future profitable operations and obtaining continuous financial support of shareholders, bankers and creditors prior to cash and cash equivalents of the Company being used up as well as a favorable outcome arising from the legal suit initiated by Danaharta.

At the date of this report, the Directors are confident that the Group and the Company would be able to submit a comprehensive regularisation plan before the revised deadline set by Bursa and complete the Proposed Restructuring subsequently. The Directors are also confident to recover a substantial amount from the legal proceedings against former Directors and various parties involved in the management of the Group's affairs and obtain a favorable judgement from the court in regards to the Danaharta case based on the opinion of the solicitors of the Company. As such, there is no reason for the Directors to believe that there is any significant uncertainty that the Group and the Company will be unable to continue as a going concern. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 21 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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



KPMG

Firm Number: AF 0758
Chartered Accountants



Lim Hun Soon @ David Lim

Approval Number: 1514/05/12(J)
Chartered Accountants

Petaling Jaya, Malaysia

Date: 18 February 2011

Analysis of Shareholdings

as at 18 April 2011

Authorised Capital	:	RM800,000,000
Issued & Paid-Up Capital	:	RM1,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote per Ordinary Share

Equity Structure by Shareholdings

Nominal Value of 1.00 Malaysian Ringgit Each Full Paid

Distribution Schedules of Equity Security by Shareholders as at 18 April 2011

Category of Shareholders	No. of Holders	Percentage %	No. of Shares	Percentage %
Less Than 100	20	1.0163	602	0.0334
100 – 1,000	1,710	86.8902	649,871	36.1039
1,001 – 10,000	229	11.6362	558,835	31.0464
10,001 – 100,000	8	0.4065	138,692	7.7051
100,001 – Less Than 5% Of Is 5% And Above Of Issued Share	1	0.0508	452,000	25.1111
TOTAL	1,968	100.0000	1,800,000	100.0000
GRAND TOTAL	1,968	100.0000	1,800,000	100.0000

List of Substantial Shareholders

as at 18 April 2011

Name of Shareholders	No. of Shares	%
1. Leasing Corporation Sdn Bhd	452,000	25.11

Directors' Shareholding

As Per The Share Register of Directors' Shareholding
as at 18 April 2011

Name of Directors	No. of Shares Directly Held	%	No. of Shares Indirectly Held	%
1. Datin Mariam Prudence binti Yusof			452,000	25.11
2. Goh Joon Hai	200	–		
3. Dato' Teh Kim Seng	11,500	0.64		
4. Soo Yoke Mun	3,500	0.19		
5. Azril Akmar bin Attan Akmar			452,000	25.11

List of Top 30 Shareholders (Conso. Individual Only) as at 18 April 2011

NO.	NAME & ADDRESS	SHAREHOLDING	%
1.	LEASING CORPORATION SDN BHD	452,000	25.1111
2.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD RHB BANK BERHAD (RMB INVESTMENT)	34,120	1.8956
3.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	28,046	1.5581
4.	CHEW WENG KHAK @ CHEW WENG KIAK	17,400	0.9667
5.	MENTERI KEWANGAN MALAYSIA SECTION 29 (SICDA)	13,126	0.7292
6.	NG AH CHONG	12,000	0.6667
7.	LEE SOON	11,500	0.6389
8.	TEH KIM SENG	11,500	0.6389
9.	LIM HOCK SER	11,000	0.6111
10.	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH SIEW LIANG	10,000	0.5556
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SARJIT SINGH (MY0071)	9,200	0.5111
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC SG FOR KOTA TRADING COMPANY SDN. BERHAD	9,000	0.5000
13.	WONG YOKE FATT	9,000	0.5000
14.	TAN CHEE KIAN	8,700	0.4833
15.	TAN KIM HENG	8,500	0.4722
16.	HLG NOMINEE (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	8,200	0.4556
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN CHEW PUI @ TAN CHEW PIAU (MY0303)	7,600	0.4222
18.	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHOO FATT	7,000	0.3889
19.	MAYBANK INVESTMENT BANK BERHAD IVT FOR D01	7,000	0.3889
20.	CHEW LIM CHEONG @ HONG THIAM SOON	6,000	0.3333
21.	ISMAIL BIN YUSOF	6,000	0.3333
22.	JAGJIT SINGH A/L SARJIT SINGH	6,000	0.3333
23.	MOHAMED BIN IBRAHIM	6,000	0.3333
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOONG AH CHIT (E-BPJ)	6,000	0.3333
25.	GOH HIOK ENG	5,500	0.3056
26.	SAW JOO SEE	5,500	0.3056
27.	NEO AH TIAM	5,400	0.3000
28.	TAN CHOK KIANG	5,300	0.2944
29.	CHOR CHEE HEUNG	5,000	0.2778
30.	CITIGROUP NOMINEES (ASING) SDN BHD CB SPORE GW FOR CHEONG GEOK ENG MISS	4,500	0.2500
NO OF SHAREHOLDERS : 30		736,092	40.8940

Proxy Form

No. of Ordinary
Shares Held

I/We..... NRIC/Company No:
(Block Letters)

of.....

being a member/members of the abovenamed Company, hereby appoint

of.....

or failing*him/her,

of.....

or failing * him/her, the CHAIRMAN of the meeting, as my/our proxy to vote for *me/us on * my/our behalf at the Ninety-Third Annual General Meeting of the Company to be held at the Banquet Hall, Kelab Taman Perdana Di-Raja Kuala Lumpur (Royal Lake Club), Taman Tasik Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 8 June 2011 at 11.30 a.m. and at any adjournment thereof in the manner indicated below :

RESOLUTION	NO	FOR	AGAINST
Ordinary Business			
Receive Audited Financial Statements dan Reports	1		
Approval of Directors' Fees	2		
Re-election of Director – Dato' Teh Kim Seng	3		
Re-election of Director – En Jasmi bin Daik	4		
Re-appointment of Auditors – KPMG	5		
Special Business			
Authority to issue shares pursuant to Section 132D of the Companies Act 1965	6		

Please indicate with an "X" in the appropriate box against the resolution on how you wish your proxy to vote. If no specific instruction as to voting is given, the proxy will vote at his/her discretion.

Number of Shares :

CDS No :

Date :

Signature

NOTES:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.

To be valid this form duly completed must be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

STAMP

To:

The Company Secretary

The Ayer Molek Rubber Company Berhad (1292-P)

c/o HMC Corporate Services Sdn Bhd

No. 24-3 Jalan Tun Sambanthan 3

50470 Kuala Lumpur
