



Jin Lin Wood Industries Berhad  
(467115-T)

Level 13, Menara Milenium,

8 Jalan Damanlela,

Damansara Heights,

50490 Kuala Lumpur,

Malaysia

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# ANNUAL REPORT 2004



JIN LIN WOOD  
INDUSTRIES BERHAD

Company No.: 467115-T



# ANNUAL REPORT 2004

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## Notice of the Sixth Annual General Meeting

### NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of Jin Lin Wood Industries Berhad ("JLWIB" or "the Company") will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 26 January 2005 at 10.00 a.m. for the purpose of transacting the following businesses:-

#### AGENDA

##### As Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 30 June 2004 together with the Directors' and Auditors' reports therein.  
**Ordinary Resolution 1**
2. To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association and being eligible, they offer themselves for re-election:-  
  - (i) Mr Cheng Yang Poh **Ordinary Resolution 2**
  - (ii) Mr Ko Kung Hai **Ordinary Resolution 3**
3. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration.  
**Ordinary Resolution 4**

##### As Special Business

To consider and, if thought fit, to pass the following resolutions:-

4. Authority to Directors under Section 132D of the Companies Act, 1965 to allot and issue shares in the Company  

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

**Ordinary Resolution 5**
5. Proposed Shareholders' Mandate for Jin Lin Wood Industries Berhad and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Mandated Party ("the Proposed Mandate")  

"THAT pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, a mandate be and is hereby granted to the Company and its subsidiaries ("the JLWIB Group") to enter into the recurrent transactions of a revenue or trading nature which are necessary for the JLWIB Group's day-to-day operations as set out in paragraph 2.6 of the Circular to Shareholders dated 4 January 2005, with the Mandated Party mentioned in paragraph 2.3 therein, provided that:-

  - (i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the Mandated Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
  - (ii) the disclosure of the aggregate value of the transactions conducted during a financial year will be disclosed in the annual report for the said financial year,

## Notice of the Sixth Annual General Meeting

AND THAT the authority conferred by such mandate shall continue to be in force until:-

- (i) the conclusion of the next annual general meeting ("AGM") of the Company following this AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Mandate."

### Ordinary Resolution 6

6. To transact any other business for which due Notice shall have been given.

By Order Of The Board

**GWEE OOI TENG**  
**(MAICSA 0794701)**  
Company Secretary

Kuala Lumpur  
4 January 2005

### Note 1

A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company.

In the case of a corporate member, the instrument appointing a proxy shall be either under its Common Seal or under the hand of its attorney duly authorized in that behalf.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Level 13, Menara Milenium, 8 Jalan Damanlela, Damansara Heights, 50490 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

### Note 2

Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 5, if passed, would enable the Directors to issue up to a maximum of 10% of the issued and paid up share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next annual general meeting.

## Notice of the Sixth Annual General Meeting

### Note 3

Resolution for the proposed Shareholders' Mandate for Jin Lin Wood Industries Berhad and its subsidiaries ("the JLWIB Group") to enter into recurrent related party transactions of a revenue or trading nature with the Mandated Party ("the Proposed Mandate")

The proposed Ordinary Resolution 6 is to seek and obtain a general mandate from the Shareholders to enable the JLWIB Group to enter and/or continue to enter into recurrent related party transactions of a revenue or trading nature with the Mandated Party, which are necessary for the JLWIB Group's day-to-day operations subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the Mandated Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company. The detailed information on the Proposed Mandate are set out in the Circular to Shareholders of the Company dated 4 January 2005 which was circulated together with the Annual Report.

### Statement Accompanying the Notice of the Sixth Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad, appended hereunder are the following:-

1. Directors who are standing for re-election:-

Directors retiring pursuant to Article 90 of the Company's Articles of Association are :

- (i) Mr Cheng Yang Poh
- (ii) Mr Ko Kung Hai

The details of the Directors who are seeking for re-election are set out in the section on Directors' Profile in the Annual Report.

2. A total of 10 Board of Directors' Meetings were held during the financial year ended 30 June 2004 as follows:-

Meeting	Date
Board of Directors' Meeting	22 August 2003
Board of Directors' Meeting	23 August 2003
Board of Directors' Meeting	21 October 2003
Board of Directors' Meeting	27 October 2003
Board of Directors' Meeting	31 December 2003
Board of Directors' Meeting	29 January 2004
Board of Directors' Meeting	5 February 2004
Board of Directors' Meeting	29 March 2004
Board of Directors' Meeting	20 April 2004
Board of Directors' Meeting	24 June 2004

## Notice of the Sixth Annual General Meeting

3. The attendance of Directors at the Board of Directors' Meetings held in the financial year ended 30 June 2004 are as follows:-

<b>Name of Director</b>	<b>No. of meetings attended (a total of 10 Board meetings were held)</b>
Dato' Dr Hj Sallehuddin Bin Kassim (appointed on 31 May 2004)	1/1
Ko Kung Hai	10/10
Ngui Ing Ing	9/10
Cheng Yang Poh	10/10
Kang Ching Hong (appointed on 29 January 2004)	5/5
Lim Chin Aik (appointed on 29 January 2004)	5/5
Maj Gen (Rtd) Dato' Hj Hassan bin Hj Mohamed Salleh (resigned on 31 May 2004)	9/9
Mohd Badaruddin bin Masodi (appointed on 24 February 2003 and resigned on 5 February 2004)	5/6
Chan Lan Ngai (resigned on 22 October 2003)	3/3
David Sengalang Anak Uyang (resigned on 25 August 2003)	2/2

4. Date, Time and Place of the Sixth Annual General Meeting

Date : 26 January 2005  
Time : 10.00 a.m.  
Place : Dewan Berjaya, Bukit Kiara Equestrian & Country Resort,  
Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur.



## Corporate Information

### Board of Directors

**Dato' Dr Hj Sallehuddin Bin Kassim**  
Chairman  
Independent Non-Executive Director

**Ko Kung Hai**  
Managing Director

**Cheng Yang Poh**  
Executive Director

**Ngui Ing Ing**  
Independent Non-Executive Director

**Kang Ching Hong**  
Non-Independent Non-Executive Director

**Lim Chin Aik**  
Non-Independent Non-Executive Director

### Remuneration Committee

**Dato' Dr Hj Sallehuddin Bin Kassim**  
Chairman

**Ngui Ing Ing**  
Member

**Lim Chin Aik**  
Member

### Nomination Committee

**Dato' Dr Hj Sallehuddin Bin Kassim**  
Chairman

**Ngui Ing Ing**  
Member

**Lim Chin Aik**  
Member

### Audit Committee

**Ngui Ing Ing**  
Chairperson  
Independent Non-Executive Director

**Dato' Dr Hj Sallehuddin Bin Kassim**  
Independent Non-Executive Director

**Kang Ching Hong\***  
Non-Independent Non-Executive Director

\* A member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants

### Company Secretary

**Gwee Ooi Teng**  
(MAISCA 0794701)

### Auditors

Messrs Ernst & Young  
No. 115, 1st Floor  
Parkcity Commerce Square  
Jalan Tun Ahmad Zaidi  
97000 Bintulu  
Sarawak  
Tel : 086-336111  
Fax : 086-334787

### Principal Bankers

Bumiputra Commerce Bank Berhad

Malayan Banking Berhad

Standard Chartered Bank Malaysia Berhad

Affin Bank Berhad

HSBC Bank Malaysia Berhad

### Registered Office

Level 13, Menara Milenium  
8 Jalan Damanlela  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-27105555  
Fax : 03-27103108

### Share Registrar

Symphony Share Registrars  
Sdn Bhd  
Level 26, Menara Multi Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-27212222  
Fax : 03-27212530 / 03-27212531

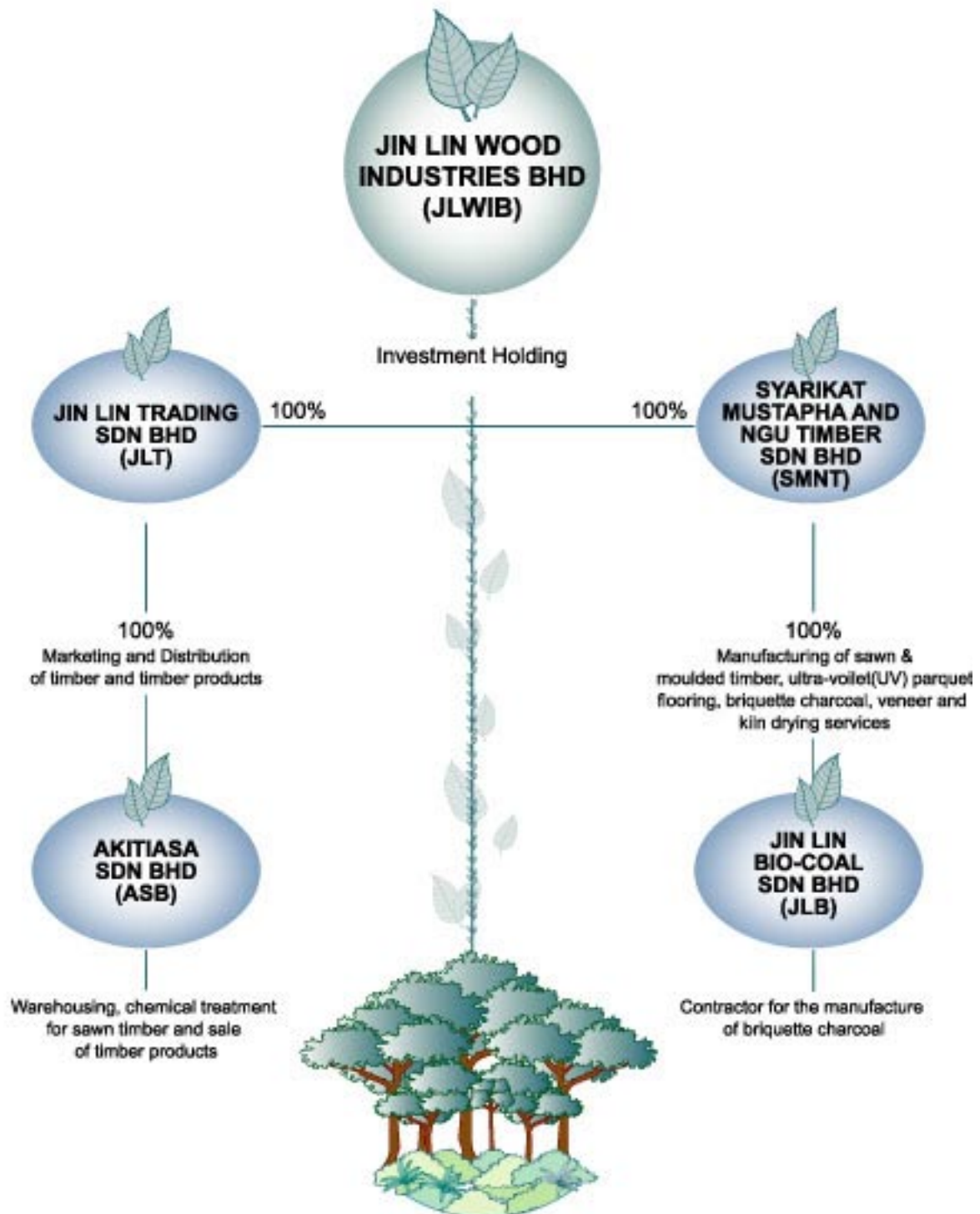
### Stock Exchange Listing

The Second Board of Bursa  
Malaysia Securities Berhad





## Corporate Structure





## Board Of Directors



**Dato' Dr Hj Sallehuddin  
Bin Kassim**  
Independent Non-Executive  
Chairman



**Ko Kung Hai**  
Managing Director



**Cheng Yang Poh**  
Executive Director



**Kang Ching Hong**  
Non-Independent  
Non-Executive Director



**Ngui Ing Ing**  
Independent  
Non-Executive Director



**Lim Chin Aik**  
Non-Independent  
Non-Executive Director

## Board of Directors' Profile

**Dato' Dr Hj Sallehuddin Bin Kassim**, aged 53, Malaysian, Independent Non-Executive Director, was appointed as a Director and Chairman of JLWIB on 31 May 2004 and is the Chairman of the Nomination Committee and Remuneration Committee of JLWIB. He is also a member of the Audit Committee. He is a holder of Bachelor of Engineering (Mechanical) and Master in Business Administration (MBA) from Monash University, Melbourne, Australia and Doctor of Philosophy (PhD) from Pacific Western University, Los Angeles. Currently, Dato' Dr Hj Sallehuddin is a Director and Deputy Chairman of Bukit Katil Resources Berhad.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 31 May 2004, he attended 1 out of 1 Board meeting held after his appointment in the financial year ended 30 June 2004.

**Ko Kung Hai**, aged 48, Malaysian, was appointed as a Director and the Managing Director of JLWIB on 19 January 2000. He is one of the founders of the JLWIB Group. He has more than 20 years experience in the timber industry. He became involved in the timber industry in 1980 when he joined Linsen Shipping & Trading Sdn Bhd, which was involved in the provision of barges for transportation of logs and log marketing, as a Shipping Executive. With his extensive knowledge and experience as well as his entrepreneurial leadership skill, he transformed the Group's timber business from a small company providing barges and tugboats services to logging companies into a fully integrated timber company involved in both upstream and downstream timber processing activities. His main responsibilities include the overall supervision of JLWIB's Group operations. He also sits on the Board of several other private companies. He is a Member of the Bintulu Chinese Chamber of Commerce, Bintulu Foochow Association and Wong Nai Siong School Alumnae Association. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He holds 1,510,000 ordinary shares of RM1.00 each in JLWIB and has an indirect interest in JLWIB by virtue of his 8.8% interest in Jin Lin Organisation Sdn Bhd which has a direct interest of 3.43% and an indirect interest of 1.32% in JLWIB. He does not hold any shares in the subsidiary companies of JLWIB. He attended 10 out of 10 Board meetings held during the financial year ended 30 June 2004.

**Cheng Yang Poh**, aged 59, Malaysian, was appointed as an Executive Director of JLWIB on 22 August 2002. He has around 35 years of experience in the timber industry especially in the area of forestry, wood processing and trading. He started his career as a Manager with Asia Commercial Finance in 1968. Since 1970, he has been involved in the timber industry in Jambi, Kalimantan, Irian Jaya, Africa and the Solomon Islands. He graduated from Ngee Ann College, Singapore and he is currently the Vice President of the Asia Chinese Writer's Foundation and a member of the World Chinese Writer's Association. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. He attended 10 out of 10 Board meetings held during the financial year ended 30 June 2004.

## Board of Directors' Profile

**Ngui Ing Ing**, aged 40, Malaysian, Independent Non-Executive Director, was appointed as a Director of JLWIB on 22 August 2002 and is the Chairperson of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. She started her career as an Accounts Clerk in 1984 and in 1987 ventured into her own business in trading. She is currently a Director of Jurawood Sdn Bhd which is involved in construction and development. She is actively involved in Junior Chamber Malaysia where she was awarded Outstanding Chapter President 1977 and Outstanding Leader of Asia Pacific 2001. She was the Junior Chamber Malaysia National President in 2001 and the Vice-President of Junior Chamber International in 2002. She is currently a Director of The Crocodile Foundation Limited and JCM Development Berhad. She holds no other Directorships in public companies in Malaysia.

She has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. She holds 22,000 ordinary shares of RM1.00 each in JLWIB but does not hold any shares in the subsidiary companies of JLWIB. She attended 9 out of 10 Board meetings held during the financial year ended 30 June 2004.

**Kang Ching Hong**, aged 36, Malaysian, Non-Independent Non-Executive Director, was appointed as a Director of JLWIB on 29 January 2004 and is a member of the Audit Committee. He is a Certified Public Accountant and a member of Malaysian Institute of Accountants. He has more than 15 years experience in audit, accounting, management and corporate finance.

He sits on the Board of Directors of several non-listed companies as adviser and consultant. He was an auditor with KPMG, and held senior corporate planning and services position in public listed companies namely Arab Malaysian Corporation Berhad. Other than JLWIB, he is a Director of RNC Corporation Berhad, a public company listed on Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 29 January 2004, he attended 5 out of 5 Board meetings held after his appointment in the financial year ended 30 June 2004.

**Lim Chin Aik**, aged 36, Malaysian, Non-Independent Non-Executive Director, was appointed as a Director of JLWIB on 29 January 2004 and is a member of the Nomination Committee and Remuneration Committee. He has more than 12 years of experience in corporate finance, treasury and banking and administration and human resource matters.

He started his career in accountancy as an auditor in an audit firm. He has worked with a couple of public listed companies. Currently, he is an Associate Director of Asiasons Corporate Services Sdn Bhd and Chief Operating Officer of APM Industries Holdings Bhd. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 29 January 2004, he attended 5 out of 5 Board meetings held after his appointment in the financial year ended 30 June 2004.

## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you Jin Lin Wood Industries Berhad's (JLWIB) Annual Report and the Financial Statements of the Group and of the Company for the financial year ended 30 June 2004.

### **Financial Performance**

The sluggish world economy, particularly the economies of the developed countries, the prolonged war in Iraq and the rise in oil prices which lengthened the recovery in the timber industry have combined effects in the financial year ended 30 June 2004.

Trade participation by the Group was dampened as most of its sales were targeted towards developed countries. In addition, the Group was lacking in working capital as all trade facilities were withdrawn in view of the ongoing restructuring which affected the Group's operating capacity to maintain a satisfactory level of operations.

Against that backdrop, the revenue for the Group was reduced by 13% year-on-year to RM12.9 million from RM14.8 million in the preceding year. However, the Group recorded lower losses for the year of RM20.1 million as compared to RM25.4 million in the previous year mainly due to the lower provision for doubtful debts of RM0.6 million made (2003: RM7.7 million) during the year.

The deteriorating financial position of the Group resulted in JLWIB being designated an affected listed issuer pursuant to Practice Note 4/2001 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") on 2 September 2004.

### **Corporate Developments**

An announcement was made to Bursa Securities on 9 February 2004 detailing the Proposed Restructuring Scheme ("PRS") which involved, amongst others, the proposed acquisition of a new viable business, Syarikat Bukit Granite Group ("SBG Group") via a Newco structure. The SBG Group has operations in Malaysia and the People's Republic of China and is principally involved in the manufacture and process of granite and marble. It is one of the leading suppliers in Shanghai, China which is expected to be the launch pad for making inroads into the country's growth areas. The submission for the PRS has since been made on 30 June 2004 in order to seek the approval of the Securities Commission ("SC") and entails the following steps:

- (i) Proposed Scheme of Arrangement with Shareholders;
- (ii) Proposed Scheme of Arrangement with Creditors;
- (iii) Proposed Acquisitions;
- (iv) Proposed Exemption;
- (v) Proposed Disposal;
- (vi) Proposed Offer; and
- (vii) Proposed Listing Transfer.

The Ministry of International Trade and Industry has via its letter dated 26 July 2004 stated that it has no objection with regards to the implementation of the PRS subject to the approval of the SC and the Group is currently still awaiting the decision from the SC. In addition, the Proposal is still subject to approvals from the Scheme Creditors, High Court of Malaya and the shareholders of the Company which is targeted to be obtained within the next few months.

In connection with the proposed acquisition of SBG Group, which is essential to SC's decision on the approval of the PRS, a site visit has been made by the SC officers to SBG's wholly owned subsidiary, Shanghai Gefung Marble & Granite Co Ltd's factory in China in September 2004.

The entire exercise is expected to be completed within the June 2005 financial year upon which the listing status of JLWIB will be transferred to a Newco, Gefung Holdings Berhad which will be the investment holding company for JLWIB as well as the SBG Group. With the completion of the exercise, it is expected that the new business will be able to contribute significantly to the profits of the JLWIB Group and restore the Group to a much stronger financial footing.

### **Acknowledgement**

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the Directors that have served the Board who have untiringly contributed to the ongoing restructuring exercise of the Group. I would also like to thank the Management and employees of the Group for their hard work, efforts and commitment during this difficult period. Lastly, our gratitude is extended to our shareholders and the relevant authorities for their continued support in the Group.

**DATO' DR HJ SALLEHUDDIN BIN KASSIM**  
Chairman

## Statement Of Corporate Governance

The Board of Directors of Jin Lin Wood Industries Berhad ('JLWIB') is committed to maintaining a high standard of corporate governance and upholding its fundamental duty to safeguard the Group's assets, to enhance shareholders' value and the financial performance of the Group. To this end, the Board fully supports the recommendations of the Malaysian Code on Corporate Governance ('the Code').

Set out below is a statement of how the Group has applied and the extent of compliance with the principles of the Code. The Group has complied with the best practices in the Code throughout the financial year ended 30 June 2004 with the current resources available in the JLWIB Group.

### The Board of Directors

The Board assumes responsibility for effective stewardship and control of the Group towards realising long term shareholders' value, and has established terms of reference to assist in the discharge of this responsibility.

Their key responsibilities are inter-alia reviewing and adopting Management's strategic plan, overseeing the conduct of the business to ensure it is properly managed, identifying business risks and its management and enhancing shareholders communication.

The Board meets on a quarterly basis, with additional meetings convened as necessary. During the financial year ended 30 June 2004, ten (10) Board meetings were held. Details of attendance are set out in the statement accompanying the Notice of the Sixth Annual General Meeting.

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

### Board balance

The Board currently has six (6) members, comprising two (2) independent non-executive Directors (including the Chairman), two (2) non-independent non-executive Directors and two (2) Executive Directors. The profile of the members of the Board are provided in the Annual Report.

There is a clear responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman provides overall leadership to the Board and is responsible for ensuring Board effectiveness and conduct. The Managing Director is generally responsible over the operating units, organisational effectiveness and implementing Board policies and decisions.

Ms Ngui Ing Ing acts as the senior independent non-executive Director. Any concerns concerning the Group may be conveyed to her.

One third of the Board comprise Independent Non-Executive Directors. The Independent Non-Executive Directors play a significant role in Board decision. They are free from any business or other relationship that could materially or adversely interfere with the exercise of their judgement and are individuals with the ability to exercise independent judgement. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision making process.

### Supply of information

All Board members are provided with a Board report containing relevant information and documents to enable the Directors to review the agenda items to be discussed at Board meetings and discharge their duties effectively.

The Directors have access to information within the Group on a timely basis and to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures, applicable rules and regulations are adhered to.

Where necessary, the Directors may obtain independent professional advice, at the Company's expense in the furtherance of their duties.



## Statement Of Corporate Governance

### Appointments to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a nomination committee making recommendations to the Board. The Nomination Committee was set up on 19 October 2001.

### Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the Annual General Meeting subsequent to their appointment. The Articles also provide that at least one third of the remaining Directors, including the Managing Director, are subject to re-election by rotation at every Annual General Meeting at least once in every three (3) years.

### Committees of the Board

#### Nomination Committee

The Nomination Committee is made up entirely of non-executive Directors, of whom a majority is Independent Directors.

The objective of the Nomination Committee is to ensure that the Directors bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of non-executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

The Nomination Committee shall meet at least once a year. During the financial year ended 30 June 2004, four (4) Nomination Committee meetings were held. The details of the composition of the Committee and their attendance at the Committee meetings are set out below:-

Name	Position	Attendance
<b>Existing Nomination Committee members</b>		
<b>Dato' Dr Hj Sallehuddin Bin Kassim</b> (appointed as Chairman and member on 31 May 2004)	<b>Chairman</b> (Independent Non-Executive Director)	-
<b>Ngui Ing Ing</b> (appointed as member on 25 August 2003)	<b>Member</b> (Independent Non-Executive Director)	3/3
<b>Lim Chin Aik</b> (appointed as member on 5 February 2004)	<b>Member</b> (Non-Independent Non-Executive Director)	-
<b>Nomination Committee members who have resigned during the financial year ended 30 June 2004</b>		
<b>Maj Gen (Rtd) Dato' Hj Hassan Bin Hj Mohamad Salleh</b> (appointed as member and Chairman on 22 August 2002 and 30 October 2002 respectively) (resigned as Chairman and member on 31 May 2004)	<b>Chairman</b> (Independent Non-Executive Director)	4/4
<b>David Sengalang Anak Uyang</b> (resigned as member on 25 August 2003)	<b>Member</b> (Independent Non-Executive Director)	1/1
<b>Mohd Badaruddin bin Masodi</b> (resigned as a member on 5 February 2004)	<b>Member</b> (Independent Non-Executive Director)	3/4



## Statement Of Corporate Governance

### Remuneration Committee

The Remuneration Committee of JLWIB was set up on 19 October 2001.

The Remuneration Committee is made up entirely of non-executive Directors, of whom a majority is Independent Directors.

The objective of the Remuneration Committee is to set the policy framework and to make recommendations to the Board of Directors on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Managing Director, Executive Directors, the Chief Executive Officers and other selected top management positions with the aim to attract, retain, and motivate individuals of the highest quality.

The Remuneration Committee shall meet at least once a year. During the financial year ended 30 June 2004, one (1) meeting was held. The details of the composition of the Committee and their attendance at the Committee meeting are set out below:-

Name	Position	Attendance
<b>Existing Remuneration Committee members</b>		
<b>Dato' Dr Hj Sallehuddin Bin Kassim</b> (appointed as Chairman and member on 31 May 2004)	<b>Chairman</b> (Independent Non-Executive Director)	-
<b>Ngui Ing Ing</b> (appointed as member on 25 August 2003)	<b>Member</b> (Independent Non-Executive Director)	1/1
<b>Lim Chin Aik</b> (appointed as member on 5 February 2004)	<b>Member</b> (Non-Independent Non-Executive Director)	-
<b>Remuneration Committee members who have resigned during the financial year ended 30 June 2004</b>		
<b>Maj Gen (Rtd) Dato' Hj Hassan Bin Hj Mohamad Salleh</b> (appointed as member and Chairman on 22 August 2002 and 30 October 2002 respectively) (resigned as Chairman and member on 31 May 2004)	<b>Chairman</b> (Independent Non-Executive Director)	1/1
<b>David Sengalang Anak Uyang</b> (resigned as member on 25 August 2003)	<b>Member</b> (Independent Non-Executive Director)	-
<b>Mohd Badaruddin bin Masodi</b> (resigned as a member on 5 February 2004)	<b>Member</b> (Independent Non-Executive Director)	1/1

### Audit Committee

The details of the composition, terms of reference and the attendance of each member of Audit Committee are set out in the Audit Committee Report of this Annual Report.

## Statement Of Corporate Governance

### Director's Remuneration

The Remuneration Committee recommends to the Board the framework of executive remuneration, its costs, and the remuneration package for each Executive Director. Nevertheless, it is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The remuneration of the non-executive Directors is to be decided by the Board as a whole. The Company reimburses any reasonable expense incurred by these Directors in the course of their duties as directors.

### Dialogue between companies and investors and the Annual General Meeting

JLWIB has always recognised the importance of an effective communication channel between the Board, shareholders and the general public.

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and where appropriate Chairman of the Audit, Nomination and Remuneration Committees are available to respond to shareholders' questions during the meeting. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

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

### Financial reporting

The Board takes responsibility for presenting a clear, balanced and comprehensive assessment of the JLWIB Group's position and prospects in its presentation of the annual financial statements and quarterly announcements of its results. The Board is responsible for ensuring the proper maintenance of accounting records of the JLWIB Group and that financial reporting and disclosure are clearly completed to the highest standards. The Audit Committee scrutinise and reviews the financial statements of the Company and JLWIB Group with the assistance of the external auditors where necessary to ensure inter alia accuracy, adequacy and completeness, and recommends the same for consideration and approval by the Board.

A Statement of Directors' Responsibility for the audited financial statements is set out in this Annual Report.

### Internal control

The Board recognizes the importance of an effective system of internal control to safeguard the shareholders' investments and the Group's assets. The Group has in place a system of internal control designed to meet the Group's needs to manage and mitigate the risks to which the Group is exposed. Nevertheless, the Board recognizes that risks cannot be eliminated completely, therefore, the system and process put in place would have to be aimed at minimizing and managing risks. Shareholders must take cognizance that the internal control system, by nature can only provide reasonable but not absolute assurance against loss. The Audit Committee has been empowered to assist the Board in discharging the duties in relation to internal control.

A statement on internal control is set out in the Annual Report.

### Relationship with the Auditors

Through the Audit Committee, the Company has always maintained a close and transparent relationship with the Group's external auditors. The Audit Committee reviews and recommends to the Board of Directors the appointment of the external auditors. The appointment of the external auditors is subject to the approval of the shareholders at the AGM. The external auditors from time to time report to the Audit Committee and bring to their attention all matters relating to the financial audit of the Group. They are invited to attend the Audit Committee's meeting when necessary.

## Statement on Internal Control

### Introduction

The Malaysian Code on Corporate Governance requires the Board of listed companies to maintain a sound system of internal controls to protect shareholders' interests and the Group's assets. The listing requirements of Bursa Malaysia Securities Berhad require the Board of Directors of a listed issuer to make a statement in the annual report relating to the state of internal controls of the listed issuer as a Group. The "Statement on Internal Controls: Guidelines for Directors of Public Listed Companies: Guidance", issued by the Institute of Internal Auditors of Malaysia, provides guidelines for compliance with these reporting responsibilities.

The Board of Directors set out below the Statement on Internal Control of the Group accordingly;

### Responsibility

It is acknowledged by the Board of Directors of JLWIB that they are responsible to review the adequacy and integrity of the Group's system of internal controls which aims to ensure that risks facing the Group's businesses are identified and managed at acceptable levels in pursuit of its objectives. The internal control systems, in its design to manage rather than eliminate the risks of failure to achieve its objectives, can only provide reasonable but not absolute certainty against material misstatements or loss.

### The key elements

- Budgeting - the operating units prepare the operating budgets for the coming year which are presented to the Board of Directors for approval.
- Financial Information - this is provided to the members of the Board on a monthly basis, showing actual results against budget for the month and year-to-date with projections for the financial year updated on a regular basis.
- Internal Audits - its objectives are to monitor compliance, procedures and the assessment of the integrity of financial and non-financial information provided.

The Board undertakes on-going and periodical reviews to the key commercial and financial risks faced and encountered by the Group's businesses as well as those general risks relating to compliance with laws and regulations. With the monitoring arrangements in place, it is reasonable to assure that there is an acceptable level of risk throughout the Group's business.

The Board is pleased to disclose that;

- Although there were no internal audit visits being carried out during the period, Management have conducted periodic reviews on its operations which have been downsized. The Board of Directors receive regular updates to enable them to identify, evaluate and manage significant risks faced by Group;
- With regular reviews of the process, it conforms to the Statement on Internal Control Guidance for Directors of Public Listed Companies; and
- On-going changes and improvements are being planned and in the process of being implemented.

No consequential material weaknesses were identified during the year under review and to the date of approval of the annual report and financial statements.

## Audit Committee Report

The Board of Directors of Jin Lin Wood Industries Berhad is pleased to present the report of the Audit Committee of the Company for the financial year ended 30 June 2004.

### MEMBERSHIP AND MEETINGS

The Audit Committee comprise the Directors listed below. The Committee shall meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman. During the financial year ended 30 June 2004, the Committee had a total of four (4) meetings. The attendance of each member of the Audit Committee are set out below:-

<b>Name</b>	<b>Position</b>	<b>Attendance</b> (During the financial year ended 30 June 2004)
<b>Existing Audit Committee Members</b>		
<b>Ngui Ing Ing</b> (appointed as Chairperson on 5 February 2004 and member on 25 August 2003)	<b>Chairperson</b> (Independent Non-Executive Director)	<b>3/3</b>
<b>Dato' Dr Hj Sallehuddin Bin Kassim</b> (appointed as member on 31 May 2004)	<b>Member</b> (Independent Non-Executive Director)	<b>-</b>
<b>Kang Ching Hong#</b> (appointed as member on 5 February 2004)	<b>Member</b> (Non-Independent Non-Executive Director)	<b>2/2</b>
<b>Audit Committee Members who have resigned during the financial year ended 30 June 2004</b>		
<b>Dato' Hassan bin Mohamad Salleh</b> (appointed as member on 5 February 2004 and resigned as member on 31 May 2004)	<b>Chairman</b> (Independent Non-Executive Director)	<b>2/2</b>
<b>Mohd Badaruddin bin Masodi*</b> (appointed as Chairman and member on 24 February 2003) (resigned as Chairman and member on 5 February 2004)	<b>Member</b> (Independent Non-Executive Director)	<b>2/2</b>
<b>Ko Kung Hai</b> (resigned as member on 5 February 2004)	<b>Member</b> (Managing Director)	<b>2/2</b>
<b>David Sengalang Anak Uyang</b> (resigned as member on 25 August 2003)	<b>Member</b> (Independent Non-Executive Director)	<b>1/1</b>

# A member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants

\* A member of Malaysian Institute of Accountants

### Secretary of the Audit Committee

– Gwee Ooi Teng

## Audit Committee Report

### Meetings

The Audit Committee meets at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman.

The quorum for meetings of Audit Committee shall be three (3) members and the majority of the members present shall be independent Directors.

The internal and/or external auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required by the Committee. Upon the request of the auditor(s), the Chairman of the Audit Committee shall also convene a meeting of the Committee to consider any matters the internal and/or external auditors believe should be brought to the attention of the Audit Committee or the Board of Directors or the Shareholders.

The Audit Committee may obtain external advice and invite outsiders with relevant experience to attend any meeting of the Audit Committee, if necessary.

In the event a meeting of the Audit Committee could not be held, a resolution passed by all members of the Audit Committee shall be valid and effectual.

### AUTHORITY

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

Notwithstanding anything to the contrary herein, the Committee does not have executive powers and shall report to the Board of Directors on all matters recommended by the Committee pertaining to the Company and the Group.

### TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

### Duties and Responsibilities

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

- a. Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and Management's responses.
- b. Oversee the internal audit functions including the evaluation of the standards of internal control and financial reporting, review of internal audit plan, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and Management's responses.
- c. Review of the quarterly results and annual financial statements, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal and regulatory requirements.
- d. Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- e. Review any related party transaction that may arise within the Company or the Group.
- f. Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for re-appointment of external auditors.
- g. Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

### ACTIVITIES OF THE COMMITTEE DURING THE YEAR

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 30 June 2004 in the discharge of its functions and duties:

- a. Review of the reports for the Company and the Group prepared by the external auditors and considered the major findings by the auditors and Management's responses thereto.
- b. Review of the quarterly results and annual report of the Company and the Group and thereafter submit them to the Board for consideration and approval.



## Audit Committee Report

### INTERNAL AUDIT FUNCTIONS

In view of the financial status and relatively low operations level, the Company and the Group has not outsourced its internal audit function to an independent professional firm as in previous years and with limited resources, the Company and the Group is unable to set up its own in-house internal audit function. Despite the constraints and limitations however, Management have conducted periodic reviews on its operations.

The periodic reviews undertaken by Management include assessments of the Company and the Group's financial and operational performance so that it provides reasonable assurance that the Company and the Group operate at an optimum level with current resources available.

The activities carried out by the Management include the following:-

- a. review the adequacy and application of the Company's and the Group's financial and operational controls;
- b. ascertain the issues of compliance with established policies, procedures and statutory requirements;
- c. ensure the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
- d. appraise the reliability and usefulness of information developed within the Company and the Group; and
- e. continuous improvement on the system of controls.



## Statement Of Directors' Responsibility In Relation To The Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the JLWIB Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

In preparing the financial statements, the Directors have:-

- considered the applicable approved accounting standards in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that the Company and the JLWIB Group maintains accounting records that disclose with reasonable accuracy the financial position of the Company and the JLWIB Group, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Company and the JLWIB Group, and to prevent and detect fraud and other irregularities.



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## Financial Statements

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## Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

### Principal activities

The principal activities of the Company are those of investment holding and the provision of management services to companies in the Group. The principal activities of the subsidiary companies are set out in Note 2 to the financial statements.

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

### Results

	<b>Group RM</b>	<b>Company RM</b>
Loss for the year	(20,083,913)	(2,113,344)

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

### Reserves and provisions

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

### Directors

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

YBHG Dato' Dr Hj Sallehuddin Bin Kassim	(Independent non-executive chairman)
Ko Kung Hai	(Managing Director)
Cheng Yang Poh	(Executive Director)
Kang Ching Hong	(Non-independent non-executive director)
Lim Chin Aik	(Non-independent non-executive director)
Ngui Ing Ing	(Independent non-executive director)

## Directors' Report

### Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

### Directors' remuneration

The remuneration paid or payable to Executive Directors and Non-executive Directors of the Group and of the Company are disclosed as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Executive Directors</b>				
Other emoluments:				
Salaries	336,000	594,000	96,000	198,000
<b>Non-executive Directors</b>				
Salaries and other emolument	-	25,000	-	25,000
<b>Total</b>	<u>336,000</u>	<u>619,000</u>	<u>96,000</u>	<u>223,000</u>

## Directors' Report

### Directors' remuneration (contd.)

The remuneration paid or payable to the Directors of the Group and of the Company are further analysed as follows:

<u>Group</u>	2004		2003	
	Executive	Non-executive	Executive	Non-executive
<b>Bands of remuneration</b>				
RM300,001 – RM350,000	-	-	-	-
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	1	-	1	-
RM150,001 – RM200,000	-	-	1	-
RM100,001 – RM150,000	-	-	1	-
RM 50,001 – RM100,000	1	-	1	1
RM1 – RM 50,000	-	-	-	-
RM Nil	-	4	-	-
<u>Company</u>				
<b>Bands of remuneration</b>				
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM150,001 – RM200,000	-	-	-	-
RM100,001 – RM150,000	-	-	-	-
RM 50,001 – RM100,000	1	-	1	-
RM1 – RM 50,000	-	-	1	1
RM Nil	1	4	-	-

## Directors' Report

### Directors' interests

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

Name of directors	1st July 2003	Number of ordinary shares of RM1 each		30th June 2004
		Bought	Sold	
<u>Direct interest</u>				
Ko Kung Hai	1,510,000	-	-	1,510,000
Ngui Ing Ing	142,000	-	120,000	22,000

By virtue of the above Directors' interest in shareholdings in the Company, they are deemed to have an interest in the ordinary shares of the subsidiary companies in the Group to the extent of the Company's interest in those subsidiary companies.

None of the other Director who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965, any interest in shares in the Company or its related corporations during the financial year.

### Significant events

- (a) On 27 August 2002, Standard Chartered Bank Malaysia Berhad (SCBMB) served a notice to the Company and one of its subsidiary companies, Jin Lin Trading Sdn. Bhd. (JLT) under Section 218 of Companies Act, 1965 demanding the repayment of the judgement sum together with the interest accrued amounting RM 3,065,831.

On 15 October 2002, SCBMB issued a notice pursuant to Section 218 of the Companies Act, 1965 on the Company and JLT demanding the judgement sum of RM 2,982,680. SCBMB alleged that this is the sum due as at 15 October 2002. A petition to wind up based on this notice was filed on 20 February 2003 and served on the Company. The hearing of the petition to wind up JLT was fixed on 11 March 2005.

- (b) The Company and one of its subsidiary companies, Syarikat Mustapha and Ngu Timber Sdn. Bhd. (SMNT), were served with the Writ of Summons dated 17 June 2002 in relation to a claim by Bumiputra-Commerce Bank Berhad, a licensed bank, for outstanding amount of RM 23,755,749 plus interest and cost in respect of banking facilities owing by SMNT.

Subsequently, on 1 August 2002, the Company and SMNT were served the Judgement in Default of appearance on 24 July 2002 ordering the Company and SMNT to pay the amount owing to Bumiputra-Commerce Bank Berhad. Judgement was obtained by the bank dated 24 July 2002 ordering the Company and SMNT to pay the claim.



## Directors' Report

### Significant events (contd.)

- (c) On 29 June 2002, SMNT was served with the Writ of summons dated 10 May 2002 in relation to a claim by Arab-Malaysian Finance Berhad for outstanding banking facilities due from SMNT amounting to RM59,531 together with interest at the rate of 18.44% per annum from 5 April 2002 until full payment and cost. Judgement in default was obtained on 25 September 2002.
- (d) On 18 July 2002, the Company and SMNT, were served with the Writ of Summons dated 22 June 2002 in relation to a claim by Affin Bank Berhad for repayment of amounts outstanding in respect of banking facilities due from SMNT amounting RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment and costs.
- (e) On 18 July 2002, the subsidiary company, Akitiasa Sdn. Bhd. (ATSB) was served with the Originating Summons dated 3 July 2002 issued by the High Court of Sabah and Sarawak at Bintulu. In the originating summons, Affin Bank Berhad, a licensed bank, sought an Order under Section 148(2) (C) of the Land Code (Cap.81) of Sarawak to sell, by public tender, the land and building of ATSB, which are charged in favour of Affin Bank Berhad for banking facilities granted to a fellow subsidiary company, SMNT, to satisfy the outstanding due from SMNT in the sum of RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment pursuant to the Writ of Summons served on SMNT dated 22 June 2002. The hearing for Order for Sale was fixed on 27 November 2002. An Order for Sale of land was obtained by Affin Bank Berhad on 12 March 2003.
- (f) On 7 October 2002, the Inland Revenue Board issued a notice of civil proceeding against JLT under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM 2,430,700 which have been provided as income tax payable in the financial statements.  
  
JLT was served on 6 October 2003 with the Writ of Summon dated 2 September 2003 in relation to a claim by Inland Revenue Board amounting to RM2,414,503. An appearance has been entered on 22 November 2003 and a defence submitted. Summons in Chambers was scheduled on 9 September 2004. An application for summary judgement was filed which was fixed for hearing on 9 November 2004.
- (g) SMNT and certain directors of the Company were served with the Writ of Summons dated 14 November 2002 in relation to a claim by HSBC Bank Berhad (HSBC) on packing credit account of RM166,994 and bankers acceptance of RM1,007,230 at a rate of 7.9% and 8.9% respectively until full and final settlement. HSBC filed an application for summary judgement on 2 April 2003 which the court allowed on 18 June 2003.
- (h) JLT and certain directors of the subsidiary companies were served with the Writ of Summons dated 27 August 2003 in relation to a claim by Mulpha International Berhad (Mulpha) amounting to RM7,235,233 at a rate of 8% per annum from the date of judgement until full and final payment. An appearance has been entered.

## Directors' Report

### Significant events (contd.)

- (i) On 4 February 2004, the Inland Revenue Board issued a notice of civil proceeding against ATSB under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM41,777. An appearance has been entered. This matter was fixed for Mention on 29 September 2004.
- (j) One of the subsidiary companies, Jin Lin Bio Coal Sdn. Bhd. (JLBC) and JLT were served with the Writ of Summons dated 5 February 2004 in relation to a claim by Orix Credit Malaysia Sdn. Bhd. for hire purchase facilities amounting to RM364,698 at a rate of 0.065% per day on the principal outstanding until full and final settlement.
- (k) SMNT was served with the Writ of Summons dated 12 February 2004 in relation to a claim by Mulpha amounting to RM817,443 at a rate of 8% per annum until full and final settlement.
- (l) SMNT and certain directors of the Company were served with the Writ of Summons dated 21 February 2004 in relation to a claim by RHB Delta Finance Berhad for hire purchase facilities due from SMNT amounting to RM93,637 at a rate of 17.75% per annum until full and final settlement. Judgement in default was entered on 19 August 2004.
- (m) SMNT was served with the Writ of Summons dated 15 March 2004 in relation to a claim by Mayban Finance Berhad amounting to RM108,022. The matter was fixed for Mention on 30 June 2004.
- (n) SMNT was served with the Writ of Summons dated 4 December 2001 in relation to a claim by MEC Consultants amounting to RM1,605,000. Judgement in default was obtained on 7 February 2002.

The Group was granted a Restraining Order (RO) for a period of 90 days effective from 3 March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965. On 14 June 2004, an extension of the RO was obtained for a further period of 180 days to 28 November 2004. On 30 November 2004, the application for extension of the RO was filed into court by the solicitors and the hearing is fixed on 4 January 2005.

As at the date of this report, there is no further development other than as disclosed above.

## Directors' Report

### Other significant events

#### (1) Proposed Restructuring Scheme

The Company announced on 9 February 2004 that it had entered into a conditional restructuring agreement (Restructuring Agreement) with Seo Aik Leong (SBG (Syarikat Bukit Granite) Controlling Shareholder) wherein the Company and SBG Controlling Shareholder have agreed to undertake a restructuring scheme with the intention of restoring the Group onto stronger financial footing via injection of new viable business.

The main features of the Proposed Restructuring Scheme (the Scheme) are summarized as follows:

##### (a) Proposed arrangements with the existing shareholders of the Company:

- (i) Proposed reduction of the existing issued and paid-up capital of the Company of RM44,000,000 comprising 44,000,000 ordinary shares of RM1 each to RM8,800,000 comprising 44,000,000 ordinary shares of RM0.20 each;
- (ii) Proposed consolidation of the 44,000,000 ordinary shares of RM0.20 each into 8,800,000 shares;
- (iii) Proposed cancellation of the entire issued and paid-up capital of the Company of RM8,800,000 comprising 8,800,000 ordinary shares, resulting in a credit reserve of RM8,800,000 arising in the Company's accounts;
- (iv) In consideration for the proposed cancellation, a new company (Newco) is to be incorporated to serve as the holding company for the purpose of facilitating the implementation of the Scheme, shall allot and issue to the shareholders 8,800,000 ordinary shares of RM1 each in Newco at par (Newco Shares), credited as fully paid on the basis of one Newco Share for every one of the Company's share;

##### (b) Proposed arrangements with the existing creditors:

- (i) Proposed settlement of debts owing to certain creditors of the Company comprising inter-alia, all financial institutions and certain other creditors (Creditors) amounting to RM57 million based on the cut off date of 30 June 2002;
- (ii) The waiver by the Creditors of all interest, penalties, costs, fees and other charges accrued after 30 June 2002;
- (iii) The release of the contingent liability under the corporate guarantees and other security arrangement provided by the Group;
- (iv) A further waiver by the unsecured/partially secured creditors at the rate of at least 50% for every RM1 of all the aggregate debts and liabilities after taking into account paragraph b(i) and b(ii) above;

## Directors' Report

### Other significant events (contd.)

#### (1) Proposed Restructuring Scheme (contd.)

- (b) Proposed arrangements with the existing creditors (contd.):
  - (v) The repayment of debts owing to the secured creditors (after taking into account paragraph b(i) and b(ii) above) from the proceeds of the disposal of certain assets of the Group;
  - (vi) The issuance of Newco Shares of RM1 each in Newco to the unsecured/partially secured creditors or such persons as they may each nominate in the settlement of debts owing to them (after taking into account paragraph b(i), b(ii) and b(iv) above);
- (c) Proposed acquisition by Newco of the entire equity interest in two companies involved in producing marble for a purchase consideration of RM126,000,000 or such amount to be mutually agreed by the parties on a willing buyer-willing seller basis;
- (d) Proposed disposal of 100% equity interest in the Company by Newco (after the Proposed Scheme of Arrangement with the Company's shareholders) to purchaser(s) to be identified at a fair value to be determined as soon as it is practicable by an independent valuer and/or auditor;
- (e) Proposed transfer of the listing status of the Company on the Second Board of Bursa Malaysia Securities Berhad (Bursa Malaysia) to Newco.

As at the balance sheet date and at the date of this report, the implementation of the Scheme is pending certain approvals.

### Subsequent event

On 14 June 2004, Mulpha had filed an application in the Kuala Lumpur High Court to inter alia, intervene and set aside the RO and for the Scheme to be enlarged to include Mulpha. On 3 August 2004, Mulpha's application was heard and the Judge maintained the RO, did not order Mulpha to be included in the Scheme and granted leave for Mulpha to continue with its legal action in respect of a claim against JLT. On 4 August 2004, Mulpha filed an appeal against this decision for which no hearing date was fixed.

### Other statutory information

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of a provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

## Directors' Report

### Other statutory information (contd.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to make a provision for doubtful debts in respect of these financial statements or the amount written off for bad debts inadequate to any substantial extent except for debts as disclosed in Notes 14 and 15 to the financial statements;
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group or of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year except for those disclosed in Notes 31 and 33 to the financial statements.
- (f) (i) As at 30 June 2004, the current liabilities of the Group and of the Company exceeded their current assets by RM 84,232,778 and RM2,190,148 respectively. In the opinion of the Directors, the Group and the Company will not be able to meet their obligations when they fall due unless the Group's Proposed Restructuring Scheme as disclosed in Note 32 to the financial statements is successfully implemented; and
- (ii) In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Directors' Report

### Auditors

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

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

**YBHG Dato' Dr Hj Sallehuddin Bin Kassim**  
Director

**Ko Kung Hai**  
Director

Kuala Lumpur

Date: 13 December 2004



## Statement by directors Pursuant to Section 169(15) of the Companies Act, 1965

We, **YBHG Dato' Dr Hj Sallehuddin Bin Kassim** and **Ko Kung Hai**, being two of the directors of **Jin Lin Wood Industries Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 57 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

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

**YBHG Dato' Dr Hj Sallehuddin Bin Kassim**  
Director

**Ko Kung Hai**  
Director

Kuala Lumpur

Date: 13 December 2004

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

I, **Ko Kung Hai**, the director primarily responsible for the financial management of **Jin Lin Wood Industries Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 57 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Ko Kung Hai**

Subscribed and solemnly declared  
by the abovenamed **Ko Kung Hai**  
at Kuala Lumpur in the State of Federal Territory  
on 13 December 2004

Before me,  
Karam Singh A/L Sudagar Singh  
Commissioner for Oaths  
(No. W353)  
Lot 1, Bazaar 4, Level 1  
Block G (Selatan)  
Pusat Bandar Damansara  
50490 Kuala Lumpur

## Report of the auditors to the members of Jin Lin Wood Industries Berhad

We have audited the accompanying financial statements set out on pages 14 to 57. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In the previous financial year, the landed properties of a subsidiary company were revalued to RM45,265,000 based upon independent valuation. However, in arriving at the valuation, it has been assumed that the land is categorised as industrial. As at balance sheet date, the land has yet to be converted from agricultural to industrial pending the payment of conversion premium. The subsidiary company has been given time until 23 February 2005 to pay the outstanding premium. In our opinion, it is inappropriate for the carrying value of the land to be stated at valuation amount based on it being categorised as industrial. Had the carrying amount been determined based on the assumption that the land is agricultural as stated in the independent valuer's report, it would have been stated at RM6,305,000 and the Capital Reserve of the Group would have been reduced by RM9,492,682 after related tax effects, and shareholders' equity would be a deficit of RM16,107,895.

In our opinion, except for the effects of the matter outlined in the preceding paragraph:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 30 June 2004 and of the results and of the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

## Report of the auditors to the members of Jin Lin Wood Industries Berhad

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Except for the financial statements of Syarikat Mustapha & Ngu Timber Sdn Bhd which were qualified in respect of the matter referred to above, our auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

Without further qualifying our opinion, we draw attention to:

Note 1 to the financial statements which discloses the bases upon which the financial statements have been prepared, the premise upon which the application of the going concern concept has been adopted by the directors and the possible consequences should those bases not apply.

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

Malaysia.

Date: 13 December 2004

**YONG CHUNG SING**  
1052/9/06 (J)  
Partner

## Consolidated Income Statement for the year ended 30th June 2004

	Note	2004 RM	2003 RM
Revenue	4	12,899,792	14,788,955
Cost of sales		(24,007,029)	(23,802,719)
Gross loss		(11,107,237)	(9,013,764)
Other operating income		1,599,940	1,710,614
Administrative expenses		(6,497,220)	(5,025,962)
Other expenses		(643,197)	(7,701,162)
Loss from operations	5	(16,647,714)	(20,030,274)
Finance costs, net	8	(3,436,199)	(5,412,385)
Loss before taxation		(20,083,913)	(25,442,659)
Taxation	9	-	(144)
Loss for the year		(20,083,913)	(25,442,803)
Loss per share (sen)	10	(45.65)	(57.82)

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

## Income Statement for the year ended 30th June 2004

	Note	2004 RM	2003 RM
Revenue	4	288,000	288,000
Cost of sales		-	-
Gross Profit		288,000	288,000
Other operating income		847,657	11,267
Administrative expenses		(3,249,001)	(1,099,372)
Other expenses		-	(65,060,450)
Loss from operations	5	(2,113,344)	(65,860,555)
Taxation	9	-	-
Loss for the year		<u>(2,113,344)</u>	<u>(65,860,555)</u>

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

## Consolidated Balance sheet as at 30th June 2004

	Note	2004 RM	2003 RM
<b>Non-current assets</b>			
Property, plant and equipment	11	78,417,565	86,051,301
<b>Current assets</b>			
Inventories	13	444,975	4,906,516
Trade receivables	14	2,904,718	3,726,202
Other receivables, deposits and prepayments	15	206,988	8,363,897
Fixed deposit with licensed banks	17	362,005	353,362
Cash and bank balances		32,287	60,218
		<u>3,950,973</u>	<u>17,410,195</u>
<b>Current liabilities</b>			
Bank overdrafts, secured	18	9,492,385	8,670,998
Other bank borrowings, secured	19	51,448,617	49,596,874
Trade payables	20	8,433,708	11,620,599
Other payables and accruals	21	6,731,361	7,452,231
Lease payables	23	9,385,619	7,758,795
Tax payable		2,692,061	2,685,945
		<u>88,183,751</u>	<u>87,785,442</u>
<b>Net current liabilities</b>		<u>(84,232,778)</u>	<u>(70,375,247)</u>
		<u>(5,815,213)</u>	<u>15,676,054</u>
<b>Financed by:</b>			
Share capital	24	44,000,000	44,000,000
Share premium reserve	25	24,551,330	24,551,330
Capital reserve, non-distributable	26	12,665,978	12,665,978
Accumulated losses		(87,832,521)	(67,748,608)
Shareholders' equity		<u>(6,615,213)</u>	<u>13,468,700</u>
<b>Long term and deferred liabilities</b>			
Lease payables	23	-	1,407,354
Deferred tax liabilities	27	800,000	800,000
		<u>800,000</u>	<u>2,207,354</u>
		<u>(5,815,213)</u>	<u>15,676,054</u>

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

## Balance sheet as at 30th June 2004

	Note	2004 RM	2003 RM
<b>Non-current assets</b>			
Property, plant and equipment	11	97,142	176,644
Investment in subsidiary companies	12	1,950,009	1,950,009
		<u>2,047,151</u>	<u>2,126,653</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments	15	24,150	31,400
Amount due from subsidiary companies	16	524,016	144,559
Fixed deposit with licensed banks	17	232,550	223,907
Cash and bank balances		1,182	13,317
		<u>781,898</u>	<u>413,183</u>
<b>Current liabilities</b>			
Other payables and accruals	21	2,972,046	569,222
Amount due to a subsidiary company	22	-	267
		<u>2,972,046</u>	<u>569,489</u>
<b>Net current liabilities</b>		<u>(2,190,148)</u>	<u>(156,306)</u>
		<u>(142,997)</u>	<u>1,970,347</u>
<b>Financed by:</b>			
Share capital	24	44,000,000	44,000,000
Share premium reserve	25	24,551,330	24,551,330
Accumulated losses		(68,694,327)	(66,580,983)
Shareholders equity		<u>(142,997)</u>	<u>1,970,347</u>

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



## Consolidated Statement of Changes in Equity for the year ended 30th June 2004

	Share capital RM	Share premium reserve RM	Capital reserve, non- distributable RM	Accumulated losses RM	Total RM
<b>At 1st July 2002</b>	44,000,000	24,551,330	7,165,861	(42,305,805)	33,411,386
Surplus on revaluation of properties	-	-	6,300,117	-	6,300,117
Deferred taxation	-	-	(800,000)	-	(800,000)
Loss for the year	-	-	-	(25,442,803)	(25,442,803)
<b>At 30th June 2003</b>	44,000,000	24,551,330	12,665,978	(67,748,608)	13,468,700
Loss for the year	-	-	-	(20,083,913)	(20,083,913)
<b>At 30th June 2004</b>	44,000,000	24,551,330	12,665,978	(87,832,521)	(6,615,213)

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

## Statement of Changes in Equity for the year ended 30th June 2004

	Share capital RM	premium reserve RM	Share Accumulated losses RM	Total RM
<b>At 1st July 2002</b>	40,000,000	24,551,330	(720,428)	67,830,902
Loss for the year	-	-	(65,860,555)	(65,860,555)
<b>At 30th June 2003</b>	44,000,000	24,551,330	(66,580,983)	1,970,347
Loss for the the year	-	-	(2,113,344)	(2,113,344)
<b>At 30th June 2004</b>	44,000,000	24,551,330	(68,694,327)	(142,997)

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

## Consolidated Cash Flow Statement for the year ended 30 June 2004

	2004 RM	2003 RM
<b>Cash flows from operating activities</b>		
Loss before taxation	(20,083,913)	(25,442,659)
Adjustments for:		
Bad debt recovered	(2,099)	-
Depreciation	7,844,135	7,337,392
Interest expenses	3,436,199	5,437,315
Interest income	(8,642)	(14,063)
Property, plant and equipment written off	-	1,193
Provision for doubtful debts	643,197	7,701,162
Gain on disposal of property, plant and equipment	(12,043)	(145,028)
Operating loss before working capital changes	(8,183,166)	(5,124,688)
Changes in working capital:		
Inventories	4,461,541	2,908,406
Receivables	8,702,420	2,442,837
Payables	(5,614,864)	2,825,727
Amount due to directors	-	(7,536)
Cash (used in)/generated from operations	(634,069)	3,044,746
Interest paid	-	(814,503)
Interest received	-	14,063
Income tax paid	-	(3,798)
<i>Net cash (used in)/generated from operating activities</i>	<u>(634,069)</u>	<u>2,240,508</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(273,456)	(3,499,371)
Proceeds from disposal of property, plant and equipment	75,100	145,600
<i>Net cash used in investing activities</i>	<u>(198,356)</u>	<u>(3,353,771)</u>

## Consolidated Cash Flow Statement for the year ended 30th June, 2004 (contd.)

	2004 RM	2003 RM
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(968)	(1,190,637)
Repayment of lease financing	(15,925)	(143,419)
Decrease in fixed deposit pledged	-	2,107,884
<i>Net cash (used in)/generated from financing activities</i>	(16,893)	773,828
<b>Net decrease in cash and cash equivalents</b>	(849,318)	(339,435)
<b>Cash and cash equivalents at the beginning of the year</b>	(8,610,780)	(8,271,345)
<b>Cash and cash equivalents at the end of the year</b>	(9,460,098)	(8,610,780)
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	32,287	60,218
Bank overdrafts, secured	(9,492,385)	(8,670,998)
	(9,460,098)	(8,610,780)
<b>Analysis on acquisition of property, plant and equipment:</b>		
By cash	273,456	3,499,371

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

## Cash Flow Statement for the year ended 30th June 2004

	2004 RM	2003 RM
<b>Cash flows from operating activities</b>		
Loss before taxation	(2,113,344)	(65,860,555)
Adjustments for:		
Bad debt recovered	(770,000)	-
Depreciation	80,271	80,194
Provision for doubtful debts	-	17,170,000
Provision for diminution in value for investment	-	47,890,450
Interest income	(8,642)	(11,267)
Operating loss before working capital changes	(2,811,715)	(731,178)
Changes in working capital:		
Receivables	7,250	(17,300)
Amount due from subsidiary companies	390,543	(1,554,894)
Payables	2,402,822	207,599
Amount due to a subsidiary company	(267)	169
Amount due to directors	-	(7,536)
Cash used in operations	(11,367)	(2,103,140)
Interest received	-	11,267
<i>Net cash used in operating activities</i>	(11,367)	(2,091,873)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(768)	(4,000)
<i>Net cash used in investing activities</i>	(768)	(4,000)
<b>Cash flows from financing activity</b>		
Decrease in fixed deposit pledged	-	2,107,884
<i>Net cash generated from financing activity</i>	-	2,107,884
<b>Net (decrease)/increase in cash and cash equivalents</b>	(12,135)	12,011
<b>Cash and cash equivalents at the beginning of the year</b>	13,317	1,306
<b>Cash and cash equivalents at the end of the year</b>	1,182	13,317
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	1,182	13,317
<b>Analysis on acquisition of property, plant and equipment:</b>		
By cash	768	4,000

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

## Notes to the financial statements - 30 June 2004

### 1. Fundamental accounting concept

In connection with the preparation of the financial statements for the year ended 30 June 2004, the Directors noted the following:

- i. As at 30 June 2004, the Group and the Company disclosed net current liabilities amounting to RM84,232,778 (2003: RM70,375,247) and RM2,190,148 (2003: RM156,306) respectively. In respect of the results for the year ended 30 June 2004, the Group and the Company disclosed Losses after Taxation amounting to RM20,083,913 (2003 : RM25,442,803) and RM2,113,344 (2003 : RM65,860,555) respectively.
- ii. As disclosed in Notes 18 and 19, certain subsidiary companies have defaulted on the repayment of their banking facilities. As further disclosed in Notes 31 and 33, legal actions have been instituted against the said subsidiary companies and the Company by certain banks, the Inland Revenue Board and a creditor for amounts payable. A Restraining Order (RO) has been granted for a period of 90 days effective from 3 March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965 for the purpose of undertaking a scheme of arrangement with secured and unsecured financiers of the Group. On 14 June 2004, an extension of the RO was obtained for a further period of 180 days to 28 November 2004. On 26 November 2004, it was announced that the application for extension of the RO has been prepared and is in the midst of being filed into court by the solicitors.
- iii. As disclosed in Note 32, on 9 February 2003, the Company announced a Proposed Restructuring Scheme (the Scheme), which involves, inter alia, a capital reduction and cancellation of ordinary shares, transfer of listing status, debt settlement and waivers, and asset disposals. At the date these financial statements were approved for issue, the approvals from financiers and creditors, relevant authorities and shareholders for the implementation of the Scheme have yet to be obtained.

The abovementioned circumstances indicate significant uncertainty over the ability of the Group and the Company to meet their liabilities as and when they fall due. However, the Directors are of the opinion that the Scheme will be completed successfully in the anticipated time frame, and subsequently, the restructured Group and Company will be able to resume profitable operations. Accordingly, these financial statements have been prepared assuming the Group and the Company are going concerns. Should this assumption be inappropriate, adjustments to reduce the carrying amounts of assets, to classify all assets and liabilities as current assets and liabilities and to provide for additional liabilities if required.

## Notes to the financial statements - 30th June 2004

### 2. Corporate information

The principal activities of the Company are those of investment holding and the provision of management services to companies in the Group. The details of subsidiary companies and their principal activities are disclosed hereunder :

Name of Companies	Country of incorporation	Principal activities	Effective interest held	
			2004	2003
Jin Lin Trading Sdn. Bhd.	Malaysia	Marketing & distributing of timber & timber related products	100%	100%
Syarikat Mustapha & Ngu Timber Sdn. Bhd.	Malaysia	Timber processing, manufacturing & sales of timber products	100%	100%
<u>Subsidiary of Jin Lin Trading Sdn. Bhd.</u>				
Akitiasa Sdn. Bhd.	Malaysia	Warehousing, chemical treatment and trading of sawn timber	100%	100%
<u>Subsidiary of Syarikat Mustapha &amp; Ngu Timber Sdn. Bhd.</u>				
Jin Lin Bio-Coal Sdn. Bhd.	Malaysia	Dormant	100%	100%

All companies are audited by Ernst & Young, Malaysia.

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia. The registered office of the Company is located at Level 13, Menara Milenium, 8, Jalan Damanlela, Damansara Heights, 50490, Kuala Lumpur.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on

### 3. Significant accounting policies

#### (a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of land, industrial building and plant and machinery.

The financial statements comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2004, the Group and of the Company adopted the following MASB Standard for the first time:

MASB Standard 29      Employee benefits

The effects of adopting MASB Standard 29 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.



## Notes to the financial statements - 30th June 2004

### 3. Significant accounting policies (contd.)

#### (b) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealized gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognized in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

#### (c) Investments in subsidiary companies

The Company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

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

#### (d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost and valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

Freehold land is stated at cost and valuation less impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is recognized in the income statement to the extent of the decrease previously recognized. A revaluation decrease is first offset against an increase on unutilized earlier valuations in respect of the same asset and is thereafter recognized as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to accumulated losses.

Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use.

## Notes to the financial statements - 30th June 2004

### 3. Significant accounting policies (contd.)

#### (d) Property, plant and equipment and depreciation (contd.)

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases period ranging from 14 years to 60 years. Depreciation of other property, plant and equipment is calculated on the straight line method to write off the cost of each asset over the estimated useful life are as follows:

Industrial buildings	10 to 33 years
Office renovation	10 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Fixtures, fittings and equipment	10 years

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognized in the income statement and the unutilized portion of the revaluation surplus on that item is taken directly to accumulated losses.

#### (e) Inventories

Inventories are stated at the lower of cost (determine on weighted average basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (f) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank and bank overdraft, secured.

#### (g) Leases

A lease is recognized as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### (i) Finance leases

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(d).

## Notes to the financial statements - 30th June 2004

### 3. Significant accounting policies (contd.)

#### (g) Leases (contd.)

##### (ii) Operating leases

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the term of the relevant lease.

#### (h) Provision for liabilities

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

Provisions for restructuring costs is recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

#### (i) Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax is not recognized if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (j) Employee benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognized as an expense in the year in which the associated services are rendered by employees of the Company.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognized as an expense in the income statement as incurred.

## Notes to the financial statements - 30th June 2004

### 3. Significant accounting policies (contd.)

#### (k) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount if the revenue can be measured reliably.

##### Sales of goods

Revenue relating to sales of goods is recognized net of sales taxes and discounts given upon the transfer of risks and rewards.

##### Revenue from services

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

##### Management fee

Management fee is recognized when the management services are performed unless collectibility is in doubt.

#### (l) Foreign currencies transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement.

The principal exchange rate used for the foreign currency ruling at balance sheet date used is as follows:

	2004	2003
United States Dollar	3.80	3.80

#### (m) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognized as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilized previously recognized revaluation surplus for the same asset. Reversal of impairment losses recognized in prior years is recorded when the impairment losses recognized for the asset no longer exist or have decreased.

## Notes to the financial statements - 30th June 2004

### 3. Significant accounting policies (contd.)

#### (n) Financial instruments

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

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

##### (i) Trade receivables

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

##### (ii) Trade payables

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

##### (iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily taken a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

##### (iv) Equity instruments

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

## Notes to the financial statements - 30th June 2004

### 4. Revenue

The revenue of the Group and of the Company represents the total invoiced value of sales. Sales between the group of companies are excluded from revenue of the Group.

The significant categories of revenue recognised during the year are analyzed as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of timber and timber related products	12,181,369	13,725,133	-	-
Services rendered	718,423	1,063,822	-	-
Management fee received	-	-	288,000	288,000
	<u>12,899,792</u>	<u>14,788,955</u>	<u>288,000</u>	<u>288,000</u>

### 5. Loss from operations

Loss from operations is stated after charging/(crediting):

Staff costs (Note 6)	3,598,059	3,871,523	134,679	302,930
Auditors' remuneration				
- Statutory audit	39,500	47,000	10,000	10,000
- Other services	-	100,000	-	100,000
Depreciation (Note 11)	7,844,135	7,337,392	80,271	80,194
Directors' remuneration (Note 7)				
- Other emoluments	336,000	619,000	96,000	223,000
Late payment interest	-	24,930	-	-
Loss on foreign exchange, realised	667	1,066	-	-
Office rental	59,400	12,000	47,400	-
Property, plant and equipment written off	-	1,193	-	-
Provision for diminution in value for investment	-	-	-	47,890,450
Provision for doubtful debts	643,197	7,701,162	-	17,170,000
Rent of land and building	48,400	111,400	-	60,000
Bad debt recovered	(2,099)	-	(770,000)	-
Gain on disposal of property, plant and equipment	(12,043)	(145,028)	-	-
Gain on foreign exchange, realised	(1,373)	(517)	-	-
Interest income	(8,642)	(14,063)	(8,642)	(11,267)
Rental and sundry income	<u>(1,380,844)</u>	<u>(1,465,866)</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements - 30th June 2004

### 6. Staff costs

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
EPF	125,791	156,373	2,613	2,484
Allowance	1,700	-	-	-
Bonus	200	-	-	-
Food ration	225,140	182,925	-	-
Salaries and allowance	2,935,868	3,285,475	131,688	300,078
SOCSSO	17,630	17,555	378	368
Staff welfare	-	2,128	-	-
Sundry wages	264,799	227,039	-	-
Other staff relating expenses	26,931	28	-	-
	<u>3,598,059</u>	<u>3,871,523</u>	<u>134,679</u>	<u>302,930</u>
Number of employees as at 30 June 2004	<u>328</u>	<u>340</u>	<u>3</u>	<u>3</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM336,000 (2003: 594,000) and RM96,000 (2003: RM198,000) respectively as further disclosed in Note 7.

### 7. Directors' remuneration

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Executive Directors</b>				
Other emoluments:				
Salaries	336,000	594,000	96,000	198,000
<b>Non-executive Directors</b>				
Salaries and other emolument	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Total</b>	<u>336,000</u>	<u>619,000</u>	<u>96,000</u>	<u>223,000</u>



## Notes to the financial statements - 30th June 2004

### 8. Finance costs, net

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
LC interest	-	8,006	-	-
Bank overdrafts interest	795,882	627,291	-	-
Banker acceptances interest	-	1,391,948	-	-
Late payment interest	18,474	-	-	-
Lease interest	535,806	1,285,529	-	-
Loan interest	1,875,586	1,940,937	-	-
Other interest	44,718	135,572	-	-
Overdue interest	165,733	23,102	-	-
	<u>3,436,199</u>	<u>5,412,385</u>	<u>-</u>	<u>-</u>

### 9. Taxation

Malaysian taxation:

Under provision in prior years	-	144	-	-
	<u>-</u>	<u>144</u>	<u>-</u>	<u>-</u>

There is no tax charge anticipated for the year as the Group and the Company has recorded significant losses during the year.

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unutilised tax losses	38,400,000	27,950,000	29,200,000	950,000
Unabsorbed capital allowances	35,500,000	28,311,000	325,000	240,000
Unabsorbed reinvestment allowances	27,000,000	27,000,000	-	-
	<u>100,900,000</u>	<u>83,261,000</u>	<u>29,525,000</u>	<u>1,190,000</u>

## Notes to the financial statements - 30th June 2004

### 9. Taxation (contd.)

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Loss before taxation	(20,083,913)	(25,442,659)	(2,113,344)	(65,860,555)
Taxation at Malaysian statutory rate of 28% (2002: 28%)	(5,623,493)	(7,120,000)	(591,736)	(18,000,000)
Deferred tax assets not recognized during the year	5,094,203	4,050,000	551,952	50,000
Expenses not deductible for tax purposes	529,290	3,070,000	39,784	17,950,000
Tax expense for the year	-	-	-	-

### 10. Loss per share (sen)

The loss per share for the year have been calculated based on the net loss for the year of RM20,083,913 (2003: RM25,422,803) and dividing it by the weighted average number of ordinary shares in issue during the current financial year of 44,000,000 (2003: ordinary shares in issue of 44,000,000).



## Notes to the financial statements - 30th June 2004

### 11. Property, plant and equipment

Group	*Freehold land RM	*Leasehold land RM	*Industrial buildings RM	Office renovation RM	**Plant and machinery RM	**Motor vehicles RM	Furniture, fittings etc. RM	Total RM
<b>Cost and valuation</b>								
At 1 July 2003	14,296,000	5,750,174	33,698,055	210,587	60,416,423	1,559,516	1,704,222	117,634,977
Additions	-	-	229,578	-	21,900	-	21,978	273,456
Disposals	-	-	-	-	(170,378)	-	(3,009)	(173,387)
At 30 June 2004	14,296,000	5,750,174	33,927,633	210,587	60,267,945	1,559,516	1,723,191	117,735,046
<b>Accumulated depreciation</b>								
At 1 July 2003	-	482,966	5,768,060	156,757	23,173,372	1,146,092	856,429	31,583,676
Charge for the year (Note 5)	-	197,351	1,312,725	15,682	5,995,201	157,352	165,824	7,844,135
Disposals	-	-	-	-	(108,898)	-	(1,432)	(110,330)
At 30 June 2004	-	680,317	7,080,785	172,439	29,059,675	1,303,444	1,020,821	39,317,481
<b>Net book value</b>								
At 30 June 2004	14,296,000	5,069,857	26,846,848	38,148	31,208,270	256,072	702,370	78,417,565
At 30 June 2003	14,296,000	5,267,208	27,929,995	53,830	37,243,051	413,424	847,793	86,051,301
<b>Depreciation</b>								
Charge for 2003 (Note 5)	-	112,298	1,280,953	21,059	5,624,911	128,343	169,828	7,337,392

## Notes to the financial statements - 30th June 2004

### 11. Property, plant and equipment (contd.)

#### Group

#### \*Land and buildings

	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Industrial buildings RM	Total RM
<b>Analysis of cost and valuation</b>					
At 30th June 2004					
Cost	2,971,687	278,545	360,000	33,652,076	37,262,308
Valuation in 1999	8,980,470	653,455	2,214,753	1,736,000	13,584,678
Valuation in 2004	2,343,843	-	2,243,421	(1,460,443)	3,126,821
	<u>14,296,000</u>	<u>932,000</u>	<u>4,818,174</u>	<u>33,927,633</u>	<u>53,973,807</u>

#### \*\*Plant and machinery and motor vehicles

	Plant and machinery RM	Motor vehicles RM	Total RM
<b>Analysis of cost and valuation</b>			
At 30th June 2004			
Cost	57,122,693	1,531,472	58,654,165
Valuation in 2003	3,145,252	28,044	3,173,296
	<u>60,267,945</u>	<u>1,559,516</u>	<u>61,827,461</u>

The Group's land and building (which was previously revalued in the year 1999 by CH William Talhar Wong & Yeo Sdn. Bhd.), plant and machinery and motor vehicles had been revalued in 2003 by independent valuers based on the open market value as at 30 June 2003. The revaluation was carried out by Mr Henry Lu Nam Huat (V-255), a registered valuer of HASB Consultants (Sarawak) Sdn. Bhd. The resultant surplus of RM6,300,117 was credited to the revaluation reserve.

## Notes to the financial statements - 30th June 2004

### 11. Property, plant and equipment (contd.)

Had the revalued assets been carried at historical cost less depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year is as follow:

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Freehold land	2,971,687	2,971,687
Long leasehold land	253,344	257,986
Short leasehold land	245,071	250,687
Industrial buildings	26,847,569	28,031,981
	<u>30,317,671</u>	<u>31,512,341</u>
Plant and machinery	28,392,194	34,097,799
Motor vehicles	<u>311,237</u>	<u>385,380</u>

Net book value of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Motor vehicles	76,140	160,000
Plant and machinery	21,080,000	29,000,000
	<u>21,156,140</u>	<u>29,160,000</u>

The net book value of land held pledged for borrowings as referred to in Notes 18 and 19 are as follows:

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Freehold land	14,296,000	14,296,000
Short leasehold land	4,222,182	4,404,000
Long leasehold land	847,675	863,208
	<u>19,365,857</u>	<u>19,563,208</u>

## Notes to the financial statements - 30th June 2004

### 11. Property, plant and equipment (contd.)

#### Company

	<b>Furniture, fittings &amp; equipment</b>	<b>Office renovation RM</b>	<b>Motor vehicle RM</b>	<b>Total RM</b>
<b>Cost</b>				
At 1 July 2003	16,629	9,309	388,000	413,938
Additions	768	-	-	768
At 30 June 2004	17,397	9,309	388,000	414,706
<b>Accumulated depreciation</b>				
At 1 July 2003	3,095	1,399	232,800	237,294
Charge for the year (Note 5)	1,739	931	77,600	80,270
At 30 June 2004	4,834	2,330	310,400	317,564
<b>Net book value</b>				
At 30 June 2004	12,563	6,979	77,600	97,142
At 30 June 2004	13,534	7,910	155,200	176,644
<b>Depreciation</b>				
Charge for 2003 (Note 5)	1,663	931	77,600	80,194

### 12. Investment in subsidiary companies

	<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Unquoted shares, at cost	49,840,459	49,840,459
Less: Accumulated impairment losses	47,890,450	47,890,450
	1,950,009	1,950,009

## Notes to the financial statements - 30th June 2004

### 13. Inventories

	Group	
	2004 RM	2003 RM
<u>At net realizable value:</u>		
Logs	128,047	212,831
Briquettes	6,693	-
Veneer	69,906	627,192
Sawn timber	110,452	1,344,046
Moulded timber	74,500	339,774
Finger joint and laminated board	55,377	346,119
Kiln dry timber	-	1,947,148
Broomsticks and log core	-	89,406
	<u>444,975</u>	<u>4,906,516</u>

### 14. Trade receivables

Trade receivables	23,217,176	23,399,482
Less: Provision for doubtful debts	20,312,458	19,673,280
	<u>2,904,718</u>	<u>3,726,202</u>
Included in trade receivables are:		
Companies in which certain directors have significant influence amounting to:	-	1,182,331

The Group's normal credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.



## Notes to the financial statements - 30th June 2004

### 15. Other receivables, deposits and prepayments

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	135,010	8,272,189	5,750	-
Deposits	99,200	93,750	18,400	13,400
Prepayments	61,907	86,128	-	18,000
Staff advances	11,247	13,010	-	-
Less: Provision for doubtful debts	100,376	101,180	-	-
	<u>206,988</u>	<u>8,363,897</u>	<u>24,150</u>	<u>31,400</u>

Other receivables comprise:

	Group	
	2004 RM	2003 RM
Asamakin Sdn. Bhd.	-	4,035,835
Jin Seng Lee Sdn. Bhd.	-	4,127,658
Other companies	135,010	108,696
	<u>135,010</u>	<u>8,272,189</u>

### 16. Amount due from subsidiary companies

The amount due from subsidiary companies is unsecured, interest free and under no fixed term of repayment.

### 17. Fixed deposits with licensed banks

Fixed deposits are pledged to licensed banks for banking facilities granted to the Group.

The weighted average interest rates and average maturities of deposits as at the balance sheet date were 3.8% (2003: 3.8 %) and 365 days (2003: 365 days) respectively.

## Notes to the financial statements - 30th June 2004

### 18. Bank overdrafts, secured

These overdraft facilities bear interest ranging from 1.75% to 3.50% (2003: 1.75% to 3.50%) per annum above the banker's Base Lending Rate.

The facilities are secured by the following:

- All monies debentures creating a fixed and floating charges over all the assets of the subsidiary companies.
- Legal charges over the landed properties of subsidiary companies and of a third party.
- Lien over fixed deposits of the Company and the subsidiary companies as disclosed in Note 17 to the financial statements.
- Corporate guarantee from a corporate shareholder of the Company.
- Guarantee from certain directors of the Company and third parties.

The Group has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Company and certain subsidiary companies for the purpose of recalling the banking facilities as disclosed in Notes 31 to the financial statements.

### 19. Other bank borrowings, secured

	Group	
	2004 RM	2003 RM
Bankers' acceptances	19,357,169	19,357,169
Preshipment advances	191,784	191,784
Trust receipts	4,829,496	4,829,496
Term loans	27,070,168	25,218,425
	<u>51,448,617</u>	<u>49,596,874</u>

The weighted average effective interest rates at the balance sheet date for borrowings, excluding lease payables, were as follows:

	2004 %	2003 %
Bank overdrafts	1.75 to 3.50 (+ BLR)	1.75 to 3.50 (+ BLR)
Bankers' acceptances	1.50 to 3.50 (+BLR)	1.50 to 3.50 (+BLR)
Preshipments	1.50 (+BLR)	1.50 (+BLR)
Term loans	1.50 to 2.50 (+BLR) to 12	1.50 to 2.50 (+BLR) to 12

BLR stands for Base Lending Rate.

The secured bank overdraft and bankers' acceptances of the Group are secured by certain assets of the Group as disclosed in Note 11 to the financial statements.

## Notes to the financial statements - 30th June 2004

### 19. Other bank borrowings, secured (contd.)

The Group has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Company and certain subsidiary companies for the purpose of recalling the banking facilities as disclosed in Notes 31 to the financial statements. In view of the above, the term loans are accordingly classified as current liabilities for the purpose of the financial statements.

Term loans bear interest ranging from 1.50% to 2.50% (2003: 1.50% to 2.50%) per annum above the banker's BLR while the interest rate of Islamic Banking Facilities are charged at 11.50% to 12.00% (2003: 11.50% to 12.00%) per annum.

The facilities are secured by the following:

- All monies debentures creating a fixed and floating charges over all the assets of the subsidiary companies.
- Legal charges over the landed properties of subsidiary companies and of a third party.
- Lien over fixed deposits of the Company and the subsidiary companies as disclosed in Note 17 to the financial statements.
- Corporate guarantee from a corporate shareholder of the Company.
- Guarantee from certain directors of the Company and third parties.

### 20. Trade payables

	Group	
	2004 RM	2003 RM
Included in trade payables are:		
Companies in which certain directors have significant influence amounting to:	17,766	20,759

The normal trade credit terms granted to the Group are less than 30 days. Purchases are predominantly transacted on cash terms.

### 21. Other payables and accruals

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits	506,423	365,273	-	-
Accruals	2,764,830	3,218,596	219,146	268,626
Advance	-	3,420,000	-	-
Other payables	3,460,108	448,362	2,752,900	300,596
	<u>6,731,361</u>	<u>7,452,231</u>	<u>2,972,046</u>	<u>569,222</u>

## Notes to the financial statements - 30th June 2004

### 22. Amount due to a subsidiary company

The amount due to a subsidiary company is unsecured, interest free and under no fixed term of repayment.

### 23. Lease payables

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Repayable within twelve months	9,385,619	7,758,795
Repayable after twelve months	-	1,407,354
	<u>9,385,619</u>	<u>9,166,149</u>
Lease instalments payable:		
Not later than one year	9,562,810	7,907,029
Later than one year but not later than five years	-	1,672,190
	<u>9,562,810</u>	<u>9,579,219</u>
Less: Future finance charges	177,191	413,070
Present value of lease liabilities	<u>9,385,619</u>	<u>9,166,149</u>

The lease liabilities bore interest at the balance sheet date between 5.50% to 10.75% (2003: 5.50% to 10.75%) per annum.

Certain subsidiary company of the Group has defaulted in certain lease obligations and have been served with Writ of Summons by certain lease creditors.

### 24. Share capital

	<b>Number of ordinary Shares of RM1 each</b>		<b>Amount</b>	
	<b>2004</b>	<b>2003</b>	<b>2004 RM</b>	<b>2003 RM</b>
Authorized: At 1 July and 30 June	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid: At 1 July and 30 June	<u>44,000,000</u>	<u>44,000,000</u>	<u>44,000,000</u>	<u>44,000,000</u>

## Notes to the financial statements - 30th June 2004

### 25. Share premium reserve

	<b>Group/Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
At 1 July and 30 June	24,551,330	24,551,330

### 26. Capital reserve, non distributable

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>Assets revaluation reserve</b>		
Balance at 1 July	12,665,978	7,165,861
Add: Revaluation surplus (Note 11)	-	6,300,117
	12,665,978	13,465,978
Less: Deferred taxation (Note 27)	-	800,000
Balance at 30th June	12,665,978	12,665,978

### 27. Deferred Taxation

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Arising from revaluation surplus	800,000	800,000	-	-

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

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unutilised tax losses	38,400,000	27,950,000	29,200,000	950,000
Unabsorbed capital allowances	35,500,000	28,311,000	325,000	240,000
Unabsorbed reinvestment allowances	27,000,000	27,000,000	-	-
	100,900,000	83,261,000	29,525,000	1,190,000

The unutilized losses and unabsorbed capital allowances and reinvestment allowances are carried forward indefinitely for offset against future taxable profits.

## Notes to the financial statements - 30th June 2004

### 28. Significant related party transactions

	Group	
	2004 RM	2003 RM
<b>(a) Transactions with a subsidiary company:</b>		
<i>Management fee earned from:</i>		
-Jin Lin Trading Sdn. Bhd.	(288,000)	(288,000)

### (b) Transactions with company in which certain directors have significant influence:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<i>Storage income earned from:</i>				
- Jin Lin Engineering Works Sdn. Bhd.	-	(6,000)	-	-
<i>Office rental charged by:</i>				
- Dachong Hong Sdn. Bhd.	24,000	24,000	18,000	18,000
<i>Repair and maintenance charged by:</i>				
- Jin Lin Engineering Works Sdn. Bhd.	-	18,925	-	-

### (C) Directors' remuneration

The remuneration paid or payable to Executive Directors and Non-executive Directors of the Group and of the Company are disclosed as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Executive Directors</b>				
Other emoluments:				
Salaries	336,000	594,000	96,000	198,000
<b>Non-executive Directors</b>				
Salaries and other emoluments:	-	25,000	-	25,000
<b>Total</b>	<b>336,000</b>	<b>169,000</b>	<b>96,000</b>	<b>223,000</b>

## Notes to the financial statements - 30th June 2004

### 28. Significant related party transactions (contd.)

#### Directors' remuneration

The remuneration paid or payable to the Directors of the Group and of the Company are further analysed as follows:

Group	2004		2003	
	Executive	Non-executive	Executive	Non-executive
<b>Bands of remuneration</b>				
RM300,001 – RM350,000	-	-	-	-
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	1	-	1	-
RM150,001 – RM200,000	-	-	1	-
RM100,001 – RM150,000	-	-	1	-
RM 50,001 – RM100,000	1	-	1	1
RM1 – RM 50,000	-	-	-	-
RM Nil	-	4	-	-
<b>Company</b>				
<b>Bands of remuneration</b>				
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM150,001 – RM200,000	-	-	-	-
RM100,001 – RM150,000	-	-	-	-
RM 50,001 – RM100,000	1	-	1	-
RM1 – RM 50,000	-	-	1	1
RM Nil	1	4	-	-

## Notes to the financial statements - 30th June 2004

### 29. Contingent liabilities

	Company	
	2004 RM	2003 RM
Corporate guarantees for banking facilities granted to subsidiary companies		
- secured	1,200,000	1,200,000
- unsecured	64,863,305	64,863,305
	<u>66,063,305</u>	<u>66,063,305</u>

### 30. Segmental reporting

Segmental reporting under MASB 22 is not relevant as the Company is principally involved in the homogeneous activity of manufacturing and trading of timber and timber related products in Malaysia.

### 31. Significant events

- (a) On 27 August 2002, Standard Chartered Bank Malaysia Berhad (SCBMB) served a notice to the Company and one of its subsidiary companies, Jin Lin Trading Sdn. Bhd. (JLT) under Section 218 of Companies Act, 1965 demanding the repayment of the judgement sum together with the interest accrued amounting RM 3,065,831.

On 15 October 2002, SCBMB issued a notice pursuant to Section 218 of the Companies Act, 1965 on the Company and JLT demanding the judgement sum of RM 2,982,680. SCBMB alleged that this is the sum due as at 15 October 2002. A petition to wind up based on this notice was filed on 20 February 2003 and served on the Company. The hearing of the petition to wind up JLT was fixed on 11 March 2005.

- (b) The Company and one of its subsidiary companies, Syarikat Mustapha and Ngu Timber Sdn. Bhd. (SMNT), were served with the Writ of Summons dated 17 June 2002 in relation to a claim by Bumiputra-Commerce Bank Berhad, a licensed bank, for outstanding amount of RM 23,755,749 plus interest and cost in respect of banking facilities owing by SMNT.

Subsequently, on 1 August 2002, the Company and SMNT were served the Judgement in Default of appearance on 24 July 2002 ordering the Company and SMNT to pay the amount owing to Bumiputra-Commerce Bank Berhad. Judgement was obtained by the bank dated 24 July 2002 ordering the Company and SMNT to pay the claim.



## Notes to the financial statements - 30th June 2004

### 31. Significant events (contd.)

- (c) On 29 June 2002, SMNT was served with the Writ of summons dated 10 May 2002 in relation to a claim by Arab-Malaysian Finance Berhad for outstanding banking facilities due from SMNT amounting to RM59,531 together with interest at the rate of 18.44% per annum from 5 April 2002 until full payment and cost. Judgement in default was obtained on 25 September 2002.
- (d) On 18 July 2002, the Company and SMNT, were served with the Writ of Summons dated 22 June 2002 in relation to a claim by Affin Bank Berhad for repayment of amounts outstanding in respect of banking facilities due from SMNT amounting RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment and costs.
- (e) On 18 July 2002, the subsidiary company, Akitiasa Sdn. Bhd. (ATSB) was served with the Originating Summons dated 3 July 2002 issued by the High Court of Sabah and Sarawak at Bintulu. In the originating summons, Affin Bank Berhad, a licensed bank, sought an Order under Section 148(2) (C) of the Land Code (Cap.81) of Sarawak to sell, by public tender, the land and building of ATSB, which are charged in favour of Affin Bank Berhad for banking facilities granted to a fellow subsidiary company, SMNT, to satisfy the outstanding due from SMNT in the sum of RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment pursuant to the Writ of Summons served on SMNT dated 22 June 2002. The hearing for Order for Sale was fixed on 27 November 2002. An Order for Sale of land was obtained by Affin Bank Berhad on 12 March 2003.
- (f) On 7 October 2002, the Inland Revenue Board issued a notice of civil proceeding against JLT under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM 2,430,700 which have been provided as income tax payable in the financial statements.

JLT was served on 6 October 2003 with the Writ of Summon dated 2 September 2003 in relation to a claim by Inland Revenue Board amounting to RM2,414,503. An appearance has been entered on 22 November 2003 and a defence submitted. JLT was served on 6 October 2003 with the Writ of Summon dated 2 September 2003 in relation to a claim by Inland Revenue Board amounting to RM2,414,503. An appearance has been entered on 22 November 2003 and a defence submitted. Summons in Chambers was scheduled on 9 September 2004. An application for summary judgement was filed which was fixed for hearing on 9 November 2004.

- (g) SMNT and certain directors of the Company were served with the Writ of Summons dated 14 November 2002 in relation to a claim by HSBC Bank Berhad (HSBC) on packing credit account of RM166,994 and bankers acceptance of RM1,007,230 at a rate of 7.9% and 8.9% respectively until full and final settlement. HSBC filed an application for summary judgement on 2 April 2003 which the court allowed on 18 June 2003.

## Notes to the financial statements - 30th June 2004

### 31. Significant events (contd.)

- (h) JLT and certain directors of the subsidiary companies were served with the Writ of Summons dated 27 August 2003 in relation to a claim by Mulpha International Berhad (Mulpha) amounting to RM7,235,233 at a rate of 8% per annum from the date of judgement until full and final payment. An appearance has been entered.
- (i) On 4 February 2004, the Inland Revenue Board issued a notice of civil proceeding against ATSB under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM41,777. An appearance has been entered. This matter was fixed for Mention on 29 September 2004.
- (j) One of the subsidiary companies, Jin Lin Bio Coal Sdn. Bhd. (JLBC) and JLT were served with the Writ of Summons dated 5 February 2004 in relation to a claim by Orix Credit Malaysia Sdn. Bhd. for hire purchase facilities amounting to RM364,698 at a rate of 0.065% per day on the principal outstanding until full and final settlement.
- (k) SMNT was served with the Writ of Summons dated 12 February 2004 in relation to a claim by Mulpha amounting to RM817,443 at a rate of 8% per annum until full and final settlement.
- (l) SMNT and certain directors of the Company were served with the Writ of Summons dated 21 February 2004 in relation to a claim by RHB Delta Finance Berhad for hire purchase facilities due from SMNT amounting to RM93,637 at a rate of 17.75% per annum until full and final settlement. Judgement in default was entered on 19 August 2004.
- (m) SMNT was served with the Writ of Summons dated 15 March 2004 in relation to a claim by Mayban Finance Berhad amounting to RM108,022. The matter was fixed for Mention on 30 June 2004.
- (n) SMNT was served with the Writ of Summons dated 4 December 2001 in relation to a claim by MEC Consultants amounting to RM1,605,000. Judgement in default was obtained on 7 February 2002.

The Group was granted a Restraining Order (RO) for a period of 90 days effective from 3 March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965. On 14 June 2004, an extension of the RO was obtained for a further period of 180 days to 28 November 2004. On 30 November 2004, the application for extension of the RO was filed into court by the solicitors and the hearing is fixed on 4 January 2005.

As at the date of this report, there is no further development other than as disclosed above.

## Notes to the financial statements - 30th June 2004

### 32. Other significant events

#### (1) Proposed Restructuring Scheme

The Company announced on 9 February 2004 that it had entered into a conditional restructuring agreement (Restructuring Agreement) with Seo Aik Leong (SBG Controlling Shareholder) wherein the Company and SBG Controlling Shareholder have agreed to undertake a restructuring scheme with the intention of restoring the Group onto stronger financial footing via injection of new viable business.

The main features of the Proposed Restructuring Scheme (the Scheme) are summarized as follows:

#### (a) Proposed arrangements with the existing shareholders of the Company:

- (i) Proposed reduction of the existing issued and paid-up capital of the Company of RM44,000,000 comprising 44,000,000 ordinary shares of RM1 each to RM8,800,000 comprising 44,000,000 ordinary shares of RM0.20 each;
- (ii) Proposed consolidation of the 44,000,000 ordinary shares of RM0.20 each into 8,800,000 shares;
- (iii) Proposed cancellation of the entire issued and paid-up capital of the Company of RM8,800,000 comprising 8,800,000 ordinary shares, resulting in a credit reserve of RM8,800,000 arising in the Company's accounts;
- (iv) In consideration for the proposed cancellation, a new company (Newco) is to be incorporated to serve as the holding company for the purpose of facilitating the implementation of the Scheme, shall allot and issue to the shareholders 8,800,000 ordinary shares of RM1 each in Newco at par (Newco Shares), credited as fully paid on the basis of one Newco Share for every one of the Company's share;

## Notes to the financial statements - 30th June 2004

### 32. Other significant events (contd.)

#### (1) Proposed Restructuring Scheme (contd.)

##### (b) Proposed arrangements with the existing creditors:

- (i) Proposed settlement of debts owing to certain creditors of the Company comprising inter-alia, all financial institutions and certain other creditors (Creditors) amounting to RM57 million based on the cut off date of 30 June 2002;
- (ii) The waiver by the Creditors of all interest, penalties, costs, fees and other charges accrued after 30 June 2002;
- (iii) The release of the contingent liability under the corporate guarantees and other security arrangement provided by the Group;
- (iv) A further waiver by the unsecured/partially secured creditors at the rate of at least 50% for every RM1 of all the aggregate debts and liabilities after taking into account paragraph b(i) and b(ii) above;
- (v) The repayment of debts owing to the secured creditors (after taking into account paragraph b(i) and b(ii) above) from the proceeds of the disposal of certain assets of the Group;
- (vi) The issuance of Newco Shares of RM1 each in Newco to the unsecured/partially secured creditors or such persons as they may each nominate in the settlement of debts owing to them (after taking into account paragraph b(i), b(ii) and b(iv) above;
- (c) Proposed acquisition by Newco of the entire equity interest in two companies involved in producing marble for a purchase consideration of RM126,000,000 or such amount to be mutually agreed by the parties on a willing buyer-willing seller basis;
- (d) Proposed disposal of 100% equity interest in the Company by Newco (after the Proposed Scheme of Arrangement with the Company's shareholders) to purchaser(s) to be identified at a fair value to be determined as soon as it is practicable by an independent valuer and/or auditor;
- (e) Proposed transfer of the listing status of the Company on the Second Board of Bursa Malaysia to Newco.

As at the balance sheet date and at the date of this report, the implementation of the Scheme is pending certain approvals.

## Notes to the financial statements - 30th June 2004

### 33. Subsequent event

On 14 June 2004, Mulpha had filed an application in the Kuala Lumpur High Court to inter alia, intervene and set aside the RO and for the Scheme to be enlarged to include Mulpha. On 3 August 2004, Mulpha's application was heard and the Judge maintained the RO, did not order Mulpha to be included in the Scheme and granted leave for Mulpha to continue with its legal action in respect of a claim against JLT. On 4 August 2004, Mulpha filed an appeal against this decision for which no hearing date was fixed.

### 34. Financial instruments

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

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

#### (b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group has no substantial long-term interest-bearing assets as at 30 June 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (c) Foreign exchange risk

The Group is principally exposed to one currency, namely United States Dollar. Foreign currency denominated assets together with expected cash flows from highly probable export sales give rise to foreign exchange exposures. The foreign currency transaction exposures are not hedged as Malaysia Ringgit is pegged to United States Dollar.

#### (d) Liquidity risk

The Group has high liquidity risk as it has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Group for the purpose of recalling the banking facilities as disclosed in Notes 31 to the financial statements.

## Notes to the financial statements - 30th June 2004

### 34. Financial instruments (contd.)

#### (e) Credit risk

Credit risks are monitored via limiting the Group's associations to business partners with good creditworthiness.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have major concentration of credit risk related to any financial instrument.

#### (f) Fair values

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

*Cash and cash equivalents, trade and other receivables/payables, short term borrowings, amount due from/to subsidiary companies and amount due to directors.*

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

## Analysis of shareholdings

### As per the Record of Depositors as at 14 December 2004

Authorized Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up	:	RM44,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each
No. of Shareholders	:	5,636
Voting Rights	:	1 vote per Ordinary Share

### ANALYSIS BY SIZE OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	%
8	1 to 99	229	0.00
2,804	100 to 1,000 shares	2,770,287	6.30
2,319	1,001 to 10,000 shares	10,227,593	23.24
461	10,001 to 100,000 shares	14,015,221	31.85
44	100,001 to less than 5% of issued shares	16,986,670	38.61
0	5% and above of issued shares	0	0.00
<b>5,636</b>	<b>Total</b>	<b>44,000,000</b>	<b>100</b>

### DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As per the Register of Directors' Shareholdings as at 14 December 2004

Directors	Direct	%	Indirect	%
Dato' Dr Hj Sallehuddin bin Kassim	-	-	-	-
Ko Kung Hai	1,510,000	3.43	Ø	Ø
Cheng Yang Poh	-	-	-	-
Ngui Ing Ing	22,000	0.05	-	-
Kang Ching Hong	-	-	-	-
Lim Chin Aik	-	-	-	-

Ø Deemed interested by virtue of his 8.8% shareholding in Jin Lin Organisation Sdn Bhd. Jin Lin Organisation Sdn Bhd has a direct shareholding of 3.43% and an indirect interest of 1.32% in JLWIB through Jin Lin Credit & Development Bhd.

### SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders as at 14 December 2004

No. Shareholder	Direct	No. of Shares Held %	Indirect	%
- NIL -				

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

As per the Record of Depositors as at 14 December 2004

No.	Securities Account Holders	Shareholdings	%
1.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Dato' Nik Kamaruddin Bin Ismail (N14011980920)	1,626,002	3.70
2.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ko Kung Hai (M02)	1,450,000	3.30
3.	OSK Nominees (Tempatan) Sdn Berhad Jin Lin Organisation Sdn Bhd	1,244,273	2.83

## Analysis of shareholdings

No.	Securities Account Holders	Shareholdings	%
4.	Chan Soi Lan	835,000	1.90
5.	Chieng Lee Hook	819,000	1.86
6.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Keng Boo	800,000	1.82
7.	Jarenang Sendirian Berhad	796,276	1.81
8.	Splendid Horizon Sdn Bhd	749,300	1.70
9.	Lim Sow Wah	631,400	1.44
10.	Beh Chun Chuan	617,100	1.40
11.	Jin Lin Credit And Development Bhd	568,520	1.29
12.	Foo Wan Kong	554,900	1.26
13.	Fong Cheong Kok	500,000	1.14
14.	Mak Ngia Ngia @ Mak Yoke Lum	450,000	1.02
15.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lai Peng (LIM0841C)	409,100	0.93
16.	Lai Choon Kong	400,000	0.91
17.	Liao Ying Fong	300,000	0.68
18.	Yong Chiu Peng	281,300	0.64
19.	Jin Lin Organisation Sdn Bhd	266,474	0.61
20.	RHB Nominees (Asing) Sdn Bhd GK Goh SPL for Lian Giap Timber Pte Ltd (6Y/121188)	221,681	0.50
21.	Ong Kok Thye	215,000	0.49
22.	Tie Mee Leng	212,681	0.48
23.	Tan Soo Sum	200,000	0.45
24.	Ng Keng Keong	200,000	0.45
25.	Seng Kin Sdn Bhd	181,681	0.41
26.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hung Yong	171,000	0.39
27.	Ng Say Thin	150,000	0.34
28.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Cheng Keong (MM1289)	150,000	0.34
29.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Muhammad Syafiq Baljit bin Abdullah	148,000	0.34
30.	(Daphne) Lok Ping Yoke	143,700	0.33
<b>TOTAL</b>		<b>15,292,388</b>	<b>34.76</b>



## List of all Properties held as at 30 June 2004

List of all properties owned by the JLWIB Group are set out below:

Title/Location	Description and Current Use	Year Built	Tenure	Land Area	Net Book Value (RM)	Date of Revaluation
(a) Lot 543, Block 22, Buan Land District Tatau, Bintulu	Vacant Land	n.a	Leasehold/ to expire on 09.08.2010	2.064 sq.mt	111,092.51	23.12.2003
	Sawmill situated in open-sided timber and steel structures	1994	Freehold	1.08 hectares	498,147.24	23.12.2003
(b) Tatau Lease 5504, Tatau, Bintulu and;	Single storey wooden terrace staff quarters (Lot 64)	1998	Leasehold/ to expire on 31.12.2023	2.08 hectares	1,164,013.07	23.12.2003
(c) Amalgamated lots 64, 72, 211, 216, 252, 231, 545, 547 and 213 Buan Land District Tatau, Bintulu	Vacant Land (Lot 72)	n.a	Leasehold/ to expire on 31.12.2023	5.2 hectares	2,947,076.54	23.12.2003
	3 pitched roof single storey, steel open-sided structure veneer factory with concrete floor slabs (Lot 184)	1997	Freehold	3.01 hectares	1,412,476.32	23.12.2003
	Single storey, high pitched roofing, steel open structures warehouse with concrete floor slabs (Lot 211)	1997	Freehold	1.54 hectares	723,360.50	23.12.2003
	Logyard (Lot 216)	n.a	Freehold	1.49 hectares	696,621.49	23.12.2003
	Logyard (Lot 252)	n.a	Freehold	5747 sq. mt	2,695,948.65	23.12.2003
	General Moulding Factory (Lot 231)	1991	Freehold	1.62 hectares	761,264.22	23.12.2003
	Sawmill, warehouse and general moulding factory (Lot 545)	1991	Freehold	2.72 hectares	1,286,329.65	23.12.2003
	Single storey, high pitched roofing, open structured charcoal and fingerjoint and lamination factories with concrete floor slabs (Lot 547)	1997	Freehold	5.65 hectares	2,650,445.43	23.12.2003

## List of all Properties held as at 30 June 2004

List of all properties owned by the JLWIB Group is set out below:

Title/Location	Description and Current Use	Year Built	Tenure	Land Area	Net Book Value (RM)	Date of Revaluation
	Double storey wooden quarters and canteen within integrated wood processing factory (Lot 213)	1998	Freehold	6.68 hectares	3,135,969.50	23.12.2003
	Land charges and fees of amalgamation & AVTC of Lots 231, 543, 545, 547 Buan Land District and Lots 64, 72, 184, 211, 213, 126 & 252 Buan Land District	2003			435,437.00	
Subtotal (SMNT)					18,518,182.12	
Under Akitiasa Sdn Bhd (ASB) Lot 2605, Block 32, Kemena Land District Bintulu	Double pitched single storey warehouse and chemical treatment plant building	1995	Leasehold/ to expire on 17.07.2056	1.4 hectares		
Subtotal (ASB)					847,673.80	02.12.1998
Total (JLWIB Group)					19,365,855.92	

## Other Information

**1. Non-audit fees paid to external auditors**

The Company and its subsidiaries did not make any payments to the external auditors as non-audit fees for the financial year ended 30 June 2004.

**2. Share buybacks**

The Company did not purchase any of its own shares during the financial year ended 30 June 2004.

**3. Options, warrants or convertible securities**

The Company did not issue any options, warrants or convertible securities during the financial year ended 30 June 2004.

**4. American Depositary Receipt (ADR) or Global Depositary Receipts (GDR)**

During the financial year, the Company did not sponsor any ADR or GDR programme.

**5. Imposition of sanctions and/or penalties**

On 9 July 2004, Bursa Malaysia Securities Berhad ("Bursa Securities") in consultation with the Securities Commission ("SC"), publicly reprimanded and imposed a fine of RM 10,000.00 on JLWIB for breach of paragraph 9.03, in particular paragraph 9.03(1) and paragraph 9.04(f) of the Bursa Securities Listing Requirements.

On 24 September 2004, Bursa Securities in consultation with SC, publicly reprimanded and imposed a total fine of RM372,500 on Jin Lin Wood Industries Berhad for breach of paragraphs 9.22(1), 9.23(a) and 9.23(b) of the Bursa Securities Listing Requirements.

**6. Material Contracts**

There were no material contracts entered into by the Company and its subsidiary companies which involve its Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2004 or entered into since the end of the previous financial year.

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

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

**8. Profit Guarantee**

No profit guarantee was given by the Company in respect of the financial year.

**9. Recurrent related party transactions in the ordinary course of business**

The following recurrent related party transactions were entered into in the ordinary course of business during the financial year ended 30 June 2004 pursuant to the Shareholders' Mandate obtained on 31 December 2003 and 23 July 2004:-

	Financial year ended 30 June 2004	
	Company (RM)	Group (RM)
Office rental of premises rented from Dachong Hong Sdn Bhd by JLWIB and Jin Lin Trading Sdn Bhd	18,000	24,000

## Other Information (contd.)

The relationships with the above related parties as set out in the circular to shareholders dated 1 July 2004 are as follows:

Related Party	Nature of Relationship
Dachong Hong Sdn Bhd	<p>Dachong Hong Sdn Bhd is a 100% owned subsidiary company of Jin Lin Organisation Sdn Bhd.</p> <p>Jin Lin Organisation Sdn Bhd has a shareholding of 2.93% in JLWIB and a shareholding of 24.42% in Jin Lin Credit &amp; Development Berhad, which in turn has a shareholding of 1.32% in JLWIB.</p> <p>Ko Kung Hai who is Managing Director of JLWIB is also Managing Director of Jin Lin Organisation Sdn Bhd. He is also a Director of Dachong Hong Sdn Bhd.</p> <p>Ko Kung Hai has a direct shareholding of 3.43% in JLWIB and direct shareholding of 8.8% in Jin Lin Organisation Sdn Bhd.</p> <p>Ting Siew Eng, the spouse of Ko Kung Hai has a direct shareholding of 20,000 shares in JLWIB.</p>

### 10. Utilisation of Proceeds

JLWIB did not undertake any fund raising corporate proposal during the financial year ended 30 June 2004.



## NO. OF SHARES HELD

(Company No. 467115-T)

(FULL NAME IN BLOCK LETTERS)

(ADDRESS)

(FULL NAME)

(ADDRESS)

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

## Proposed Shareholders' mandate for Jin Lin Wood Industries Berhad and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Mandated Party

Dated this                      day of                      2005

A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company. In the case of a corporate member, the instrument appointing a proxy shall be either under its Common Seal or under the hand of its attorney duly authorized in that behalf. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Level 13, Menara Milenium, 8 Jalan Damanela, Damansara Heights, 50490 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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STAMP

The Company Secretary

**JIN LIN WOOD INDUSTRIES BERHAD** (Company No. 467115-T)

Level 13, Menara Milenium, 8 Jalan Damanlela  
Damansara Heights, 50490 Kuala Lumpur.

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