

THE AYER MOLEK RYBBER COMPANY BERHAD (1292-P)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
BURSA SECURITIES LISTING REQUIREMENTS

1. Review of Performance

The Company and its subsidiaries did not carry on any business operation during the period under review as the plantation lands had been disposed off by the former directors. This position would continue until the Group is able to acquire revenue generating assets. The present directors are actively pursuing this objective.

In this connection the transferee of the Company's lands held under Grant 20098 for Lot 299 and Grant 1087 Lot 300 for all in the Mukim of Ayer Panas, District of Jasin, State of Malacca has offered to rescind the transfer in return for a sum of RM600,000 which was paid as consideration for the transfer of the said lands. The present directors have agreed to accept the offer subject to documentation.

2. Prospects for the current Financial Year

The prospect for the current financial year would remain unchanged until the Group is able to acquire revenue generating assets.

3. Profit forecast

Not applicable as no profit forecast was published.

4. Taxation

There was no provision for taxation or adjustment of deferred taxation as the Group was dormant during the period under review.

5. Unquoted Securities

The Company had in 2006 through its wholly owned subsidiary AMP acquired unquoted investment comprising of 30% equity in P.T. Varita Majutama (Varita) a company incorporated in Indonesia for Indonesian Rupiah 5.4 billion. Agreement has been reached to sell this investment back to the original vendor at Indonesian Rupiah 5.4 billion.

The Company had earlier through its wholly owned subsidiary The Ayer Molek Plantation Sdn Bhd (AMP) advanced a sum of Indonesian Rupiah 10 billion to Varita. Agreement has been reached to accept Indonesian Rupiah 7.4 billion as full and final settlement of this sum advanced to Varita by AMP

The present directors are pleased to advise the sum of Indonesian Rupiah 12.4 million (RM4,260,000) has been received in full.

6. Quoted Securities

The Group did not purchase or dispose off any quoted securities during the period.

7. Material litigations

As reported in the Annual Reports for 2006, 2007 and 2008, certain landed properties of the Company had been unlawfully disposed and transferred. The Company has since commenced legal actions in the High Court of Malaysia seeking to set aside the disposal and transfer of the said properties. The relevant legal actions are set out below:

- a. High Court in Melaka Civil Suit No. 22-48-2009 The Ayer Molek Rubber Company Berhad vs Bintang-Bintang Sdn Bhd & 6 others in respect of “Jasin Lands”
- b. High Court in Johor Bahru Civil Suit No. 22-217-2009 The Ayer Molek Rubber Company Berhad vs Bintang-Bintang Sdn Bhd & 6 others in respect of “Segamat Land”
- c. High Court in Johor Bahru Civil No.22-216-2009 The Ayer Molek Molek Rubber Company vs Ropie Subari and 4 others in respect of “Jementah Land”
- d. High Court in Melaka Civil Suit No. 22-90-2009 The Ayer Molek Rubber Company Berhad vs Magma Tenggara Sdn Bhd & 5 others in respect of “Ayer Panas Land”

The transferee of the lands in this transaction has offered to return the said lands against the refund of the sum paid earlier as consideration. The Board has accepted the offer subject to documentation.

In 2006 the former Managing Director of the Company had in the name of the Company’s wholly owned subsidiary AMP issued a Letter of Undertaking to Mr. Gautama Hartarto (the original vendor of the 30% equity interest in P.T. Varita Majutama to AMP) providing for:

- i) Goodwill payment amounting to US Dollars 5,500,000;
- ii) Assumption of Heavy Equipment Liability amounting to US Dollars 2,000,000;
- iii) Making advances to Varita.

Based on the Letter of Undertaking Mr. Gautama Hartarto had commenced civil action in the Southern Jakarta District Court under Civil Case No. 644/Pdt. G/2008/PN Jak SEL. seeking to enforce the terms of the Letter of Undertaking. AMP and the Company have been named as first and second defendants.

The present Board has reviewed the documents and circumstances surrounding the issue of the Letter of Undertaking and are of the view that there was no authorization

for the issue of the Letter of Undertaking and accordingly unenforceable. We have instructed counsels in Jakarta to defend the action.

On 14 June, 2009 agreement was reached with Mr. Gautama in Singapore to settle the disputes and Mr. Gautama Hartarto has agreed to withdraw the case against The Company and AMP

As disclosed in Note 5 above, full payment has been received in connection with the settlement reached.

Mr. Gautama Hartarto has since withdrawn the case against us.

The dispute is thus fully settled.

8 Corporate proposals.

The Company has on 11 August, 2009 announced that it has entered into a restructuring agreement with a group of plantation companies known as the Yuwang Group and to transfer its listing status to a newly incorporated holding company. Subsequent to making the announcement, the Company engaged Messrs KPMG Chartered Accountants and Messrs Mah Kamariyah Philip Koh a firm of solicitors to conduct a financial and legal due diligence exercise on the Yuwang Group.

Unfortunately the financial due diligence uncovered certain non-compliances with the new Financial Reporting Standards in the audited accounts of the Yuwang Group which would necessitate certain adjustments This would in turn result in Yuwang no longer possessing the requisite track record to qualify for a reverse take-over exercise (RTO).

After careful consideration of the alternatives available and for the protection of the interest of shareholders, the Directors have decided to make a 10 for 1 Rights Issue, subject to the approval of shareholders and the agreement of Bursa Malaysia Securities Berhad to grant permission to list and quote these new shares to be issued. The proposed utilization of the funds to be raised are:

- a) to finance the recovery of the plantation lands disposed previously;
- b) to finance the acquisition of suitable new plantation lands.

MIMB Investment Bank has been appointed advisors in this effort.