

THE AYER MOLEK RUBBER 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 which is yet to be completed since the last report.

**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”

As stated in Note 1 above, 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 which is yet to be completed since the last report. .

The claim by Mr. Gautama Hartarto against The Ayer Molek Plantation Sdn Bhd (AMP) and the Company under Civil Action Case No. 644/Pdt. G/2008/PN JAK. SEL arising from the Letter of Undertaking issued by the former Managing Director of the Company in the name of AMP has been fully settled.

As part of the settlement of the claim referred to in the preceding paragraph, a sum of Indonesian Rupiah 7.4 billion (RM2.463 million) has been received as full and final settlement for the advance of Indonesian Rupiah 10 billion to P.T. Varita Majatama (Varita) made through AMP.

## 8 Corporate proposals.

Since the announcement of the 3<sup>rd</sup> Quarterly Report on 11 November, 2009, the Company and Yuwang Group have mutually agreed not to proceed with the capitalization restructuring exercise announced earlier. Announcement of cessation of the agreement entered earlier was made on 18 November, 2009.

The Company has on 18 November, 2009 through MIMB Investment Bank Berhad announced that the Directors have decided to make a 10 for 1 Rights Issue in conjunction with the Proposed Rescission of Property Disposals. The purposes of the Rights Issue are:

- a) for recovery of the plantation lands of the Company measuring 968 acres 9of which approximately 936 acres are income generating) which were previously disposed; and
- b) for acquisition of income generating new plantation lands.

Application has been made to Bursa Malaysia Securities Berhad (Bursa Securities) for listing and quotation on the Main Market of the Rights Issue Shares. However, Bursa Securities have indicated that approval cannot be granted prior to the formation of the regularization plan for the company as required by Bursa Securities. Accordingly, the Board has decided to defer the Rights Issue at this stage.

MIMB Investment Bank Berhad has been appointed advisors in this effort.