

WIJAYA BARU GLOBAL BERHAD (8184-W)
(Incorporated in Malaysia)

Notes to the Interim Financial Statements
For the quarter ended 31 December 2009

Explanatory Notes Pursuant to the Financial Reporting Standard (“FRS”) 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of leasehold land and building and medical equipment. The timber concession rights are stated at fair value as at date of acquisition of the subsidiary.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

At the date of authorisation of this financial statement, the following FRSs, Amendments to FRSs and Interpretation were in issue but not yet effective and have not been applied by the Group and the Company:

	<u>FRS, Amendments to FRS and Interpretations</u>	<u>Effective for financial periods on or after</u>
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statement	1 July 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based payment : Vesting Conditions and Cancellations	1 July 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Financial Instruments : Disclosures	1 January 2010
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 107	Statement of Cash Flows	1 January 2010

<u>FRS, Amendments to FRS and Interpretations (cont'd.)</u>		Effective for financial periods <u>on or after</u>
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Balance Sheet Date	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123	Borrowing Costs	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131	Interests in Joint Ventures	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 July 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivates	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010

The above FRSs, Amendments to FRSs and Interpretations are expected to have no significant impact on the financial statement of the Group and the Company upon their initial application.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the annual financial statements of the Group for the financial year ended 31 December 2008 was not qualified.

4. Seasonal or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors during the quarter under review.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial quarter under review.

6. Changes in Estimates

There were no changes in the estimates that have had a material effect in the current quarter results under review.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter under review.

8. Dividends Paid

There was no dividend paid during the financial quarter under review (31 December 2008: Nil).

9. Segmental Reporting

Segmental information is presented in respect of the Group's business segment.

Business Activity	4 th Quarter 3 months ended				Cumulative 12 months ended			
	31/12/2009		31/12/2008		31/12/2009		31/12/2008	
	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timber	12,045	362	12,045	307	48,181	580	52,248	2,845
Investment holding	-	(34,860)	-	(1,185)	-	(38,187)	-	(3,922)
Property development	-	(1)	-	-	-	(4)	-	(6)
Medical centre	2,990	(2,239)	3,413	(1,468)	11,764	(8,788)	9,917	(7,293)
Others	146	58	126	19	603	286	266	(336)
	15,181	(36,680)	15,584	(2,327)	60,548	(46,113)	62,431	(8,712)
Share of net results of an associated company	-	(11,341)	-	(334)	-	(9,910)	-	4,058
	15,181	(48,021)	15,584	(2,661)	60,548	(56,023)	62,431	(4,654)

No geographical segment information is presented as the Group operates principally in Malaysia.

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 31 December 2008.

11. Subsequent Material Events

There were no material events subsequent to the end of the current financial quarter under review to the date of announcement which were likely to substantially affect the results and the operations of the Group.

12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

13. Changes in Contingent Liabilities and Contingent Assets

There were no additional contingent liabilities or contingent assets since 31 December 2008 till the date of announcement of this quarterly report.

14. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2009 are as follows:

	RM'000
a) Approved and contracted for:	
Automatic Instant Rice Cooking and Packaging Plant	
- Plant and equipment (USD9,799,600)*	34,005
- Management and operation service fee payable (USD500,000)*	1,735
Land	2,406
b) Approved but not contracted for:	
Land (Rmb 2,140,000)*	1,147
	39,293

* The foreign exchange rate used as at 31 December 2009 are as follows:

USD 1.00 : RM3.4700

Rmb 1.00 : RM0.5359

Additional Explanatory Notes in compliance with Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Review of Performance

Revenue

Cumulative quarter ended 31 December 2009 as compared to the corresponding cumulative quarter ended 31 December 2008

The Group recorded a decrease in revenue by RM1.88 million or 3.02% as compared to the corresponding quarter.

Despite the improvement from Medical centre's performance by RM1.85 million, the reduction in timber quotas by 15,600 cubic meters, (equivalent to RM4.07 million), significantly lowered the Group revenue.

Current quarter ended 31 December 2009 as compared to the corresponding current quarter ended 31 December 2008

The Group recorded a slight decrease of RM0.40 million or 2.59% as compared to the corresponding quarter.

The variance was mainly due to the drop in revenue from Medical centre during the current quarter by RM0.42 million, even though on the cumulative basis the Medical centre performance has improved.

Loss before taxation

Cumulative quarter ended 31 December 2009 as compared to the corresponding cumulative quarter ended 31 December 2008

The Group recorded an increased in pre-tax loss of RM51.37 million as compared to the corresponding quarter.

This was mainly due to its share of losses from an associated company, Wijaya Baru Sdn Bhd ("WBSB") as a result of provision of doubtful debt made for one of its significant trade receivables.

In view of ongoing financial condition of the trade debtor, directors are of the opinion that provision of doubtful debt is required. The Company will continue to monitor the recoverability of the amount from time to time.

In addition to the above, the Group's investment in an associated company (WBSB) has decreased from RM81.58 million as at 31 December 2008 to RM34.20 as at 31 December 2009, mainly due to impairment loss provided for investment in WBSB amounting to RM33.96 million.

Current quarter ended 31 December 2009 as compared to the corresponding current quarter ended 31 December 2008

The Group recorded an increased in pre-tax loss by RM45.36 million as compared to the corresponding quarter.

These were mainly due to its share of losses from WBSB as a result of provision of doubtful debt made for one of its significant trade receivables as mentioned above and impairment loss provided for investment in WBSB amounting to RM33.96 million.

16. Variation of Results Against Preceding Quarter

Group's pre-tax loss for current quarter ended 31 December 2009 was RM48.02 million as compared to Group's pre-tax loss of RM3.54 million for the preceding quarter ended 30 September 2009.

The variation of RM44.48 million were mainly due to its share of losses from WBSB as a result of provision of doubtful debt made for one of its significant trade receivables and impairment loss provided for investment in WBSB amounting to RM33.96 million.

17. Current Year Prospects

Timber and Medical services remain as the core businesses of the Group besides the construction activities of our associated company.

We anticipate that with the exclusion of the provision mentioned above, our associated company will still continue to contribute profit to the overall performance of the Group in the coming periods.

18. Profit Forecast and Profit Guarantee

There is no profit forecast and profit guarantee that is applicable to the Group.

19. Taxation

Taxation comprises the following:

	Current Quarter (3 months ended)		Cumulative Quarter (12 months ended)	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Current tax:				
Malaysian income tax	443	960	1,508	1,886
	<u>443</u>	<u>960</u>	<u>1,508</u>	<u>1,886</u>
Under/(Over) provision of Malaysian income tax in prior years	26	-	324	(420)
	<u>469</u>	<u>960</u>	<u>1,832</u>	<u>1,466</u>
Deferred tax	(315)	294	(1,339)	(192)
Total income tax expense	<u><u>154</u></u>	<u><u>1,254</u></u>	<u><u>493</u></u>	<u><u>1,274</u></u>

The Group's effective tax rate is higher than the statutory tax rate mainly due to the absence of the Group's tax relief in respect of losses suffered by certain companies and certain expenses which are not deductible for tax purpose.

Included in the income tax figure for the quarter ended 31 December 2009 are the net adjustment for deferred tax charges in respect of timber concession rights, ICULS liability component and revaluation of medical equipment, leasehold land and building.

20. Sale of Unquoted Investments and / or Properties

There was no sale of unquoted investments or properties during the quarter under review.

21. Purchase or Disposal of Quoted Securities

There was no purchase or sale of quoted securities during the quarter under review.

22. Corporate Proposals**(a) Status of Corporate Proposals Announced but Not Completed****(I) Memorandum of Understanding (“MoU”) in the Socialist Republic of Vietnam**

There are no major developments on the above Corporate Proposals since the last announcement except for :

Proposed Projects	Status
Elevated Road route No. 2	Technical feasibility study had been received and accepted by the Ho Chi Minh City authority at the end of December 2009

(II) Memorandum of Understanding (“MoU”) with the government of the republic of Djibouti.

There are no major developments on the above Corporate Proposals since the last announcement

23. Group Borrowings and Debts Securities

Group borrowings are as follows:-

	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
(a) Current borrowing – secured		
Hire purchase payable	129	122
(b) Non-current borrowing – secured		
Hire purchase payable	44	173

(c) There were no borrowings or debt securities denominated in foreign currencies.

24. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 19 February 2010. (The latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report)

25. Material Litigation

Other than the cases shown below, there was no other material litigation pending as at 19 February 2010 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

(A) Usama Industries Sdn. Bhd. Cases

(1) Civil Suit No: 22-98-2006-II at the High Court of Kuching
Usama Industries Sdn. Bhd. vs Jati Bahagia Sdn. Bhd.

This case is about the Usama Industries Sdn. Bhd. (“UISB”) claiming against Jati Bahagia Sdn. Bhd. for the sum of RM21,814,790.48 with interest as at June 2006 for premium underpaid. (However, due to the time barred of the earlier period, the claim had been reduced to RM17,820,140.00)

This case was originally filed under Civil Suit No: 22-164-2004. The Writ of Summons was not served and had expired. The previous solicitors’ firm Messrs Victor Wong & Co. had filed a new writ under Civil Suit No: 22-98-2006 and updated the claim to June 2006 for RM21,814,790.48. Judgment in default of Appearance was obtained on 10 October 2006. The Defendant had filed an Application to set aside the Judgment and the Judgment was set aside.

The Defendant’s solicitors had also filed their Defence and Counter-claim for a sum of RM6,688,300.18.

The case really turns to the interpretation of the Variation Agreement no. 2, on whether the payment of the premium to be paid by the Defendant to the Plaintiff is based on the market price of Meranti as published in the International Tropical Timber Organisation (“ITTO”) journal or the sale price of the Meranti as alleged by the Defendant. The Plaintiff’s solicitors contention is that the price should be based on the market price of Meranti as published by ITTO in the Asia Pacific region.

As to the counterclaim of the Defendant, the Plaintiff is pleading estoppel in that all payments paid by the Defendant to the Plaintiff were based on the volume of timber calculated and tabulated by the Defendant to the Plaintiff. The case was heard on 27 and 28 April, 2009. Both parties’ counsels were asked to give their written submissions and the court has fixed 15 June 2009 for a decision.

The Court had on 15th June, 2009 dismissed the Plaintiff’s case and the Plaintiff had filed the Notice of Appeal on 16th June, 2009. The Court had also dismissed the Defendant’s counter-claim and the Defendant had also filed a Cross-Appealed on 17 August, 2009.

We are now waiting for the Court of Appeal to fix the date of hearing for both Appeals.

We expect the Court of Appeal to fix the date of hearing by the March or April of 2010.

The outcome of the above legal case has no adverse financial impact to the Group.

25. **Material Litigation (cont'd)**

(A) Usama Industries Sdn. Bhd. Cases (cont'd)

(2) Civil Suit No: S5-23-76-2003 at the High Court of Kuala Lumpur
Jati Bahagia Sdn. Bhd. vs Wijaya Baru Global Bhd. and Usama Industries Sdn. Bhd.

This case is about an announcement made by Wijaya Baru Global Berhad to the Bursa Malaysia Securities Berhad concerning some illegal logging activities.

The Plaintiff has withdrawn the matter as against both Defendants as per the announcement dated 24 February 2010.

The case is now considered settled.

(3) Civil Suit No: 22-32-2007 at the High Court in Sabah and Sarawak at Sibu
Usama Industries Sdn. Bhd. vs Victor L.F. Wong trading as Victor Wong & Chiew Advocates and Solicitors and Victor Wong & Chiew Advocates and Solicitors (a firm)

Usama Industries Sdn. Bhd. filed a suit against Victor L.F. Wong trading as Victor Wong & Chiew (1st Defendant) and Victor Wong & Chiew Advocates and Solicitors (2nd Defendant) for professional negligence and claiming Special Damages in the sum of RM27,440,000.00, General Damages, interest at such and for such period as the Court shall think fit and costs. This is due to the fact that Victor L.F. Wong had failed to take active steps or sufficient actions to prosecute our claims nor serve the summons of the three cases after the same had been filed, sealed and issued by the High Court in Kuching i.e. Kuching High Court Suit No.22-164-2004-II, 22-165-2004-II and 22-166-2004-I resulting in UISB's claim for damages against Jati Bahagia Sdn. Bhd. to become statute barred by virtue of Section 2 of the Limitation Act Ordinance. Victor Wong & Chiew, as Usama's solicitors had misinformed the Company on 14 November 2007 that the Writ Of Summons together with the Statement of Claim had been served on both the 1st and 2nd Defendants when that was not so.

The Case initially filed at the High Court of Sibu has been transferred to the High Court of Miri and the Court has fixed a mention date on 9 June 2009. Court changed to 10 July 2009 for further mention. On 10 July 2009 when the matter came up for mention, the court fixed 14 August 2009 for mediation.

In the meantime, the Chief Judge of Sabah & Sarawak had written to us earlier fixing 14th August, 2009 for a mediation between Mr Victor Wong and Dato' Seri Tiong but it had to be postponed because of the Judges' Conference and no new date has been fixed yet.

The solicitors for UISB, Messrs Tang & Co had filed an Order 14 Application for summary judgment as the facts and evidence are cleared enough. Our solicitors filed in the High Court in Miri for the summary judgment against the defendants with damages to be assessed but no date has been fixed yet.

In the meantime, the defence of the Defendants has yet to be filed, our solicitors had filed in a Judgment in Default of Defence. However, the Defendant had filed an Application to set aside the Judgment in Default and the hearing date of that Application is fixed on 10 March 2010.

The outcome of the above legal case has no adverse financial impact to the Group.

25. **Material Litigation (cont'd)**

(A) Usama Industries Sdn. Bhd. Cases (cont'd)

(4) Civil Suit No: 22-42-2009 at the High Court in Sabah and Sarawak at Sibul
Usama Industries Sdn. Bhd. vs Jati Bahagia Sdn. Bhd.

UISB filed a Writ of Summons and Statement of Claim ("Writs") on 17 August 2009 which has been served on the advocates of Jati Bahagia Sdn Bhd on 2 September 2009.

This suit arose due to the breach of the Deed of Variation No. 2 dated 15 October 1998 by the Defendant. Despite repeated protests and demands, the Defendant refused to pay the Plaintiff premium for the logs purchased based on market price of Meranti timber of standard quality and above but continued to pay the Plaintiff premium based on the arbitrary price set up by the Defendant on Meranti timber which has no reference to the market price of Meranti in open market at all.

The Plaintiff claims against the Defendant for:-

1. The sum of RM15,570,644.00 being the amount of underpaid premium due and owing from the sale of logs under the Deed of Variation No. 2 from August 2006 to July 2009.
2. Interest at the rate of 8% per annum from the date of the Writs until Judgment and thereafter interests at the rate of 8% per annum from the date of the Judgment until full payment.
3. Such further and other relief as the Court deems fit and proper.
4. Costs.

Summons had been served and defence filed and served. Our solicitors filed in the Bundle of pleadings and the summons for direction were heard before the High Court on the 26 January 2010 where the court gives 30 days for discoveries. Now the case is pending case management

The outcome of the above legal case has no adverse financial impact to the Group.

**(B) Civil Suit No: SK 22-01-2007 at the High Court of Kota Kinabalu
- Wijaya Baru Global Berhad vs Crest Megaway Sdn. Bhd.**

This suit is filed for the recovery of the sum of RM2,500,000.00. The Civil Suit was filed on 3 January 2007 and the Defendant has filed its Defence on 5 February 2007.

A trial date has been fixed on 31 March 2010.

The outcome of the above legal case has no adverse financial impact to the Group.

25. **Material Litigation (cont'd)**

(C) Winding-up petition (Shah Alam High Court, winding –up No: MT FLJC – 28-195 of 2009) on Wijaya Baru Sdn Bhd (“WBSB”), a 45%-owned associated company of WBGB.

The winding-up petition is scheduled for hearing on 30 October 2009. The Petitioner claims against WBSB pertaining to a written notice pursuant to section 218 of the Companies Act, 1965 dated 2 June 2009 calling upon WBSB to made payment of the sum of RM2,746,121.52 together with interest at the rate of 8% per annum from 8 July 2008 to the date of realization, being alleged balance outstanding for works done at “ The Proposed Construction and Completion of Main Water Supply Pipeworks to the development at Free Zone on Lot 67894, Pulau Indah, Mukim Klang, Selangor Darul Ehsan – Contract No. 1002/INFRA/02” projects.

The claim of the Petitioner arose from dispute on the variation order for works done at “The Proposed Construction and Completion of Main Water Supply Pipeworks to the development of Free Zone on Lot 67894, Pulau Indah, Mukim Klang, Selangor Darul Ehsan – Contract No. 1002/INFRA/02” projects. However, the accounts have not been finalized.

WBSB has appointed solicitor to oppose and file an application for striking off the said winding-up petition which was filed on 6th August, 2009. The hearing date for this Notice of Motion was fixed on 1st October 2009. On that day, the matter is fixed for Pre Trial Case Management on 18th November 2009.

The matter is now fixed for Mention on 04 January 2010 for the Petitioner to file and serve their Affidavit in Reply to our Application.

The matter is now fixed for Pre Trial Case Management on 24 February 2010 for a Application to Oppose Winding-Up Petition.

The winding-up proceedings is not expected to have any material financial and operational impact on WBSB and the group as WBSB has adequate resources to meet the commitment of the alleged claim.

26. **Dividend Payable**

No interim ordinary dividend has been declared for the financial period ended 31 December 2009 (31 December 2008: Nil).

27. (Loss) / Earnings Per Share

(a) Basic (Loss) / Earnings Per Share

The basic (loss) / earnings per share for the current quarter and cumulative quarter ended 31 December 2009 are calculated by dividing the Group's net (loss) / profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the current quarter and cumulative quarter ended 31 December 2009.

	Current Quarter (3 months ended)		Cumulative Quarter (12 months ended)	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Net (loss) / profit attributable to ordinary equity holders of the parent (RM'000)	(48,175)	(3,915)	(56,516)	(5,928)
Weighted average number of ordinary shares in issue ('000)	276,270	276,821	276,417	276,839
Basic (loss) / earnings per share (sen)	<u>(17.44)</u>	<u>(1.41)</u>	<u>(20.45)</u>	<u>(2.14)</u>

(b) Diluted (Loss) / Earnings Per Share

For the purpose of calculating diluted (loss) / earnings per share, the net (loss) / profit for the current quarter and cumulative quarter ended 31 December 2009 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the current quarter and cumulative quarter ended 31 December 2009 have been adjusted for the dilutive effects of all potential ordinary shares, i.e. ICULS and Warrants during the current quarter and cumulative quarter ended 31 December 2009.

The effects on the basic loss per share for the current quarter and cumulative quarter ended 31 December 2009 and 31 December 2008 arising from the assumed conversion of ICULS and Warrants are anti- dilutive.

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2010.