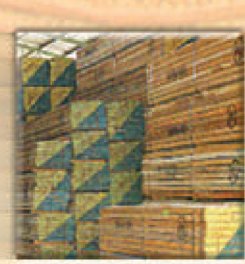
Priceworth Wood Products Berhad
(Company No: 399292-V)

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara,
P.O. Box 2848, 90732 Sandakan, Sabah, Malaysia.
(Head Office) Tel: 089-221170/223767/221211 Fax: 089-221213/227823
E-mail: pricwor@tm.net.my / maxland@tm.net.my

Priceworth Wood Products Berhad

(Company No: 399292-V)

ANNUAL REPORT 2003



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CORPORATE INFORMATION

BOARD OF DIRECTOR

Tan Sri Sabbaruddin Chik
(Chairman)

Lim Nyuk Foh
(Managing Director)

Chok Syn Vun
(Executive Director)

Ramlee Bin Mohd Shariff
(Non-Executive Director)

Kwan Tack Chiong
(Independent Non-Executive Director)

Ooi Jit Huat
(Independent Non-Executive Director)

AUDIT COMMITTEE

Kwan Tack Chiong
(Chairman)

Chok Syn Vun
(Member)

Ooi Jit Huat
(Member)

COMPANY SECRETARY

Yuen Wai Seng *(MIA 1937)*

REGISTERED OFFICE / HEAD OFFICE

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4,
Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah
Tel : 089 221170/223767/221211
Fax : 089 221213/227823
Email : pricwor@tm.net.my / maxland@tm.net.my
Website : www.borneoonline.com.my/priceworth

REGISTRAR

Signet Share Registration Services Sdn Bhd (506293-D)
11th Floor, Tower Block, Kompleks Antarabangsa
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : 03 21454337
Fax : 03 21421353

PRINCIPAL BANKER

AmMerchant Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan, 50200 Kuala Lumpur

Malayan Banking Berhad (3813-K)
48 Jalan Tiga, 90704 Sandakan, Sabah

Alliance Bank Malaysia Berhad (88103-W)
No. 1 Block C Taman Kim Fung,
90000 Sandakan, Sabah

AUDITOR

Ernst & Young *(Firm No. AF 0039)*
Alliance Bank Building, 2nd Floor, Jalan Utara
W.D.T. 46, 91009 Tawau, Sabah

STOCK EXCHANGE LISTING

Second Board of Kuala Lumpur Stock Exchange

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be convened and held at the Executive Parlour of Sabah Hotel, Sandakan, Sabah on 19 December 2003 at 9.30 a.m. to transact the following business:

AGENDA

1.	To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2003 and the Reports of the Directors and Auditors thereon	**Resolution 1**
2.	To declare a first and final tax-exempt dividend of 2 sen in respect of the financial year ended 30 June 2003.	**Resolution 2**
3.	To approve the payment of Directors' Fees.	**Resolution 3**
4.	To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association:	
	(a) Mr Chok Syn Vun	**Resolution 4**
	(b) Encik Ramlee Bin Mohd. Shariff	**Resolution 5**
5.	To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	**Resolution 6**
6.	As Special Business:	

ORDINARY RESOLUTION **Resolution 7**

- **Authority to allot shares pursuant to Section 132D ofthe Companies Act, 1965**

"**THAT,** subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may 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 for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board

YUEN WAI SENG
Company Secretary

Tawau
27 November 2003

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 5, 1st Floor, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P. O. Box 2848, 90732 Sandakan, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

5. ***EXPLANATORY NOTE ON SPECIAL BUSINESS***

   Resolution No.7
   - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

   The Resolution No. 7 proposed under Item 6, if passed, will give powers to the Directors to issue up to a maximum 10% of the issued share capital for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked and varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

CHAIRMANS' STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Priceworth Wood Products Berhad for the financial year ended 30 June 2003.

FINANCIAL RESULTS

During the year under review, the Group recorded revenue of RM125.7 million and profit after taxation of RM11.3 million compared to revenue of RM99 million and profit after tax of RM20 million in the previous financial year. The increase in revenue for the current financial year was mainly contributed by the new logging service contract involving the extraction of logs for area of 4,000 hectares per annum for three (3) years at Yayasan Sabah Forest Concession, Pinangah Forest Reserve, Sabah. However, the decrease in the profit after tax was mainly due to higher depreciation charges as more new plant and machineries were acquired during the financial year.

The new logging contract services as mentioned above was awarded to Maxland Sdn Bhd on 21 January 2002 by Rakyat Berjaya Sdn Bhd., a wholly owned subsidiary of Innoprise Corporation Sdn. Bhd. involves extraction of logs over 4,000 hectares per annum for the next three years. This is expected to contribute additional revenue and cash flows to the Group.

PROSPECTS

The future prospects of the timber industry will be dependent on the outlook on the international front as well as the domestic economy. The positive growth of economy will be beneficial for the timber and processed wood products industry especially since the Government's expansionary fiscal and monetary policy will concentrate on the construction sector, which is one of the main users of timber products. Hence the demand from the industry is expected to grow in tandem with the growth in the construction sector.

Despite the increasing difficulties and challenging environment ahead, the Board is confident that the Group's performance for the forthcoming year will remain satisfactory and growth could be achieved due to the anticipated improvement in the global timber market.

The Board believes that the Group's long-term prospect in the industry remains intact and the Group would continue to strive to maintain market position and focus on measures to produce and market high quality downstream value added products and to continue improve its efficiency and production capacity.

On the basis of the above and barring unforeseen circumstances, the Board of Directors is optimistic that the Group will continue to achieve positive results for the financial year ending 30 June 2004.

DIVIDEND

The Board has recommended for your approval a first and final tax-exempt dividend of 2 sen per share for the financial year ended 30 June 2003. The dividend payout by the Group would amount to RM1.7 million.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to convey our appreciation to the management and staff for their diligence, dedication, professionalism and commitment towards the achievements of the Group in maintaining the Group's competitiveness and making another successful year possible. I wish also to express my gratitude to the shareholders, financiers, customers, suppliers, business associates and all other stakeholders for the continued support and confidence for the Group. Finally, I would also like to express appreciation to our other board members for their contributions and unfailing support during the year.

Tan Sri Sabbaruddin Chik
Chairman

21 October 2003

DIRECTORS' PROFILE

Tan Sri Sabbaruddin Chik
Aged 62, is appointed as the Chairman of the PWP Group on 2 November 2001.

He graduated from Universiti Malaya in 1965 and from the Institute of Social Studies, The Hague, Holland in 1974. He started his government career as the Assistant Secretary for the State of Negeri Sembilan from 1966 to 1967. In 1967, he was appointed as Assistant Secretary for the Ministry of Foreign Affairs. From 1967 to 1971, he was the Malaysian Consulate in Saigon before being appointed as the Assistant Secretary Head in the Prime Minister Department from 1971 to 1975. In 1975, he was appointed as Director for Planning in the Prime Minister Department and thereafter became the Director for International Trade in the Ministry of Trade and Industry from 1976 to 1979. Between 1980 and 1981, he was the Deputy Secretary for the Government of Selangor. Subsequently he was appointed as Deputy Finance Minister from 1982 to 1987 and thereafter, he was the Cultural, Arts and Tourism Minister from 1987 to 1999. He was awarded the Setia Mahkota Selangor (S.M.S.) and Darjah Sultan Ahmad Shah Pahang (S.D.A.P.) in 1982, the Seri Indera Mahkota Pahang (S.I.M.P.) in 1988, the Dato' Paduka Mahkota Selangor (D.P.M.S.) in 1992, the Sri Sultan Ahmad Shah Pahang (S.S.A.P.) in 1998 and the Paduka Setia Mahkota (P.S.M.) in 2000.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

Lim Nyuk Foh
Aged 39, who is the founder was appointed as the Managing Director of the PWP Group from 2 November 2001. He graduated from the University of Toledo, Toledo, United States of America with a Degree in Finance majoring in Investment.

He has extensive experience in the timber industry. Coming from a family involved in the timber business, he ventured into the trading of timber for the domestic and foreign market in 1989, and in 1990 he founded PISB to undertake the sawmilling and timber extraction business. In 1993, PISB commenced its manufacturing operations. PWP today is involved in the manufacture and sale of processed wood products namely sawn timber, barecore board, fingerjoints, laminated timber, moulding profiles & moulded timber, wooden doors, window frames, parquet flooring, UV coating flooring, CCA treated wood, provision of wood processing services and rental of kiln dry machinery.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

Chok Syn Vun
Aged 33, is the Executive Director of PWP Group from 2 November 2001.

He graduated from Stamford College, Singapore in 1991 with a Diploma in Accounting. In 2000, he was awarded Bachelor of Business Administration, with a major in Accounting with Distinction from Ashington University, England. He joined PISB in 17 March 1994. The limited number of personnel during the formative years of the Group provided him with the opportunity to involve himself in various aspects of operations, including administrative, finance and human resources management. Through this exposure, he has gained extensive experience in the timber operations of the Group.

Chok Syn Vun was appointed as the Executive Director of PISB on 17 February 1997. He is in the management team where he oversees the administration and financial functions of the PWP Group.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

Ramlee Bin Mohd Shariff
Aged 39, is a director of PISB.

He is a Fellow member of Association of Certified Chartered Accountants (ACCA). He began his career in Ernst & Young in 1987 and became an Audit Manager in 1992. In 1993, he joined Shapadu Corporation Sdn Bhd as the Internal Audit Manager and was promoted to Group Financial Controller in May 1995. He left the company in May 1997 to join Bridgecon Holdings Berhad as the General Manager - Finance where he was also responsible for the Group's Corporate Finance, Accounts and Management Information System Department. He is currently the Managing Director of Iman Consulting Sdn Bhd, a company involved in providing corporate finance and financial related advice to clients.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

DIRECTORS' PROFILE

Kwan Tack Chiong
Aged 40 was appointed to the Board of PWP on 2 November 2001.

He graduated from the University of Toledo, Toledo, United States of America with a Bachelor of Business Administration. He started off as a supervisor in Pinayas Wood Products Sdn Bhd in 1989. Then in 1990, he joined Trimwood Industrial Sdn Bhd as a Manager until 1992. Subsequently from 1992 until 1993, he joined Service Trading Sdn Bhd as a Marketing Director before joining Priceworth Industries Sdn Bhd as a Director from 1993 to 1995.In 1996, he is the Director for Matotech (M) Sdn Bhd until currently.

He has no other directorship or major shareholdings in other public corporations for the past two (2) years.

Ooi Jit Huat
Aged 51 was appointed to the Board of PWP on 2 November 2001.

He started his career at Peat Marwick Mitchell & Co, Kuala Lumpur as an Article Student and was subsequently promoted to be an Audit Supervisor. He was a superviser in the Computer Audit Department for Peat Marwick Mitchell & Co in London from 1980 to 1981. Subsequently on 1981, he was a Manager at Peat Marwick Mitchell & Co of Kuala Lumpur until 1982. In 1983, he became a Financial Controller for Zemex Corporation before he founded his own public accounting firm, Russ Ooi & Associates in 1985. He has over 20 years of experience in the financial industry having carved areas of expertise in corporate consultancy, financial management, management information systems and auditing and investigations. He has also served on the Boards of several Malaysian Public Listed companies and currently he is the independent director of Kwantas Corporation Berhad. His professional assignments covered flotations exercises, investigations and due diligence reporting and the reverse take-overs of several companies on the Kuala Lumpur Stock Exchange. He is a Certified Public Accountant, a member of the Malaysian Association of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation. .

He currently does not hold any of the issued and paid-up share capital of PWP as at 2 November 2001.

He is a director of Kwantas Corporation Berhad. Save as disclosed, he does not have other directorship or major shareholdings in other public corporations for the past two (2) years.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Priceworth Wood Products Berhad ("PWP" or the Company) recognises its responsibility for maintaining good corporate governance. The Board acknowledges that good corporate governance is a continuous improvement process that requires periodic reassessment and refinement of management practices and systems.

A. BOARD OF DIRECTORS

Composition of the Board

PWP is led and managed by a Board comprising members with wide range of experience in the relevant fields required to successfully direct and supervise the company's business activities. As at the date of this statement, the Board consists of two Executive Directors and four Non-Executive Directors, two of whom are independent. The profile of each director is presented in this Annual Report on pages 6 to 7.

The Managing Director is primarily responsible for the orderly conduct and the working of the Board, day-to-day running of the business and implementation of Board policies and decisions. The presence of Independent Non-Executive Directors is essential as they provide unbiased and independent views, advice and judgments as well as to safeguard the interest of other parties such as minority shareholders.

Board Meetings

To ensure that PWP is managed effectively and efficiently, the Board has met four (4) times during the financial year ended 30 June 2003 with a formal schedule of matters reserved for its deliberation. Besides that, the Board also approves matters through the circulation of Directors' Circular Resolutions in accordance with the Articles of Association.

The details of the Directors' attendances for the Board meetings are set out below:-

	Directors	No. of Meetings Attended
1)	Tan Sri Sabbaruddin Chik	4 of 4
2)	Lim Nyuk Foh	4 of 4
3)	Chok Syn Vun	4 of 4
4)	Ramlee Bin Mohd Shariff	4 of 4
5)	Kwan Tack Chiong	4 of 4
6)	Ooi Jit Huat	4 of 4

Appointments to the Board

A Nominating Committee was established on 2nd January 2002, comprising the following members:

1. Tan Sri Sabbaruddin Chik *(Chairman)*
2. Kwan Tack Chiong
3. Ooi Jit Huat

The Nomination Committee is responsible for making recommendations for any appointments to the Board including those of subsidiary companies having considered the required mix of skills and experience.

Supply of Information

Prior to the Board meeting, the Chairman ensures that all the Directors receive the agenda and Board papers containing information relevant to the business of the meeting, including information on major financial performance, operational and corporate matters of the Group. The Minutes of the Board meetings are confirmed at the following meeting and are maintained by the Company Secretary.

The Directors have unhindered access to the advice and services of the Company Secretary.

STATEMENT OF CORPORATE GOVERNANCE

Re-election of Directors

In accordance with the provisions of the Company's amended Articles of Association, at least one-third of the Directors (including Managing Director) are subject to retirement by rotation at each Annual General Meeting and that all Directors shall retire and be eligible for re-election at least once in three years.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RHAM).

Audit Committee

The detail of the Audit Committee is set out in Audit Committee Report on pages 13 to 15.

B. DIRECTORS' REMUNERATION

The Directors' Remuneration Committee was established on 28 February 2002, comprising the following members:

1. Kwan Tack Chiong *(Chairman)*
2. Lim Nyuk Foh
3. Ooi Jit Huat

The Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors.

The aggregated remuneration of the directors categorised into appropriate components is:

Director Remuneration	Executive Director(s) RM'000	Non-Executive Director(s) RM'000
Fee	–	210
Salaries	294	–
Bonuses & allowance	95	–
Total	389	210

The number of directors of the Company whose total remuneration fall within the following bands is:

Director Remuneration	Executive Director(s) RM'000	Non-Executive Director(s) RM'000
RM'000	Number of directors	Number of directors
Below 50	–	3
50 to 100	–	–
100 to 150	2	1
Total	2	4

Statement of Corporate Governance

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board believes in clear and regular communication with its shareholders and institutional investors. The Annual Report and release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and its business activities.

The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities. The Board also plans to conduct regular dialogues with institutional investors, fund managers and analysts with the aim of fostering mutual understanding of the Group's objectives.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the results to shareholders as well as the Chairman's statement and review of the operations in its first annual report.

Internal Control

The overview of the state of internal controls within the Group is covered under Statement on Internal Control in the following pages.

Relationship with the Auditors

The Company has established a formal and transparent arrangement with the auditors in line with the auditors' professional requirements. The auditors may from time to time throughout the financial year, highlight to the Audit Committee and the Board on matters that require the Board's attention.

The Board of Directors
Priceworth Wood Products Berhad
21 October 2002

STATEMENT OF INTERNAL CONTROL

The Board recognizes that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. As with any internal control system, the system can only provide reasonable but not absolute assurance against material misstatement or loss, as controls are designed to manage rather than eliminate the risk of failure to achieve business objectives.

In striving to operate a system of internal control that will drive the Group towards its goals, the Board relies upon balanced monitoring and reviewing of the system by the Executive Directors and the Audit Committee respectively. The Executive Directors oversee the day-to-day operations and conduct of the Group's business. Scheduled meetings, chaired by either the Managing Director or Executive Director, were held at operational and management level to identify, discuss and resolve business and operational issues. Significant matters that were discussed during those scheduled meetings were then reported to the Board.

The Group's detailed organisation structure embeds strong control features throughout the Group. The structure identifies the head of each department, their subordinates and superiors which facilitates a clear reporting line.

The Board is considering the need for an internal audit function in view of the growing of the size of the Group. Currently, the Executive Board members through their day to day involvement in the business operations and attendances at the operational and management level meetings, manage and monitor the Group's direction, operational effectiveness and efficiency, and adherence to Group's policies and procedures. The Executive Board members have been continually identifying, evaluating and managing the significant risks faced by the Group throughout the year and recognize the importance of maintaining the adequacy and integrity of the Group's system of internal control.

The Board of Directors
Priceworth Wood Products Berhad
21 October 2003

STATEMENT OF DIRECTORS' RESPONSIBILITY

This Statement is prepared as required by the Listing Requirement of Kuala Lumpur Stock Exchange.

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

In preparing the financial statements set out on pages 21 to 48, the directors have:

- adopted appropriate accounting policies and applied them consistently
- made judgements and estimates that were prudent and reasonable; and
- ensured applicable approved accounting standards in Malaysia have been followed

The directors are responsible for ensuring that the Company and its subsidiaries maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965

The statement by the Board pursuant to Section 169(15) of the Companies Act, 1965 is presented on page 19.

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

AUDIT COMMITTEE REPORT

MEMBERSHIP

Chairman

Kwan Tack Chiong	Independent Non-Executive Director

Members

Chok Syn Vun	Executive Director
Ooi Jit Huat	Independent Non-Executive Director

COMPOSITION

The Audit Committee ("the Committee") shall be appointed by the Board of Directors from amongst its Directors and shall consist of not less than three (3) members of whom a majority shall be independent directors. A quorum shall be two (2) members.

In this respect, the "independent directors" is confined within the definition under the Kuala Lumpur Stock Exchange Listing Requirements. And at least one (1) member of the Committee:

1. shall be a member of the Malaysian Institute of Accountants; or

2. if he is not a member of Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

   a. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

   b. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967

The members of the Committee shall elect a Chairman from among their number who is an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

MEETING

Meetings of the Committee shall be held not less than four (4) times in a financial year. The External Auditors may request a meeting if they consider that one is necessary.

In addition to the Committee Members, the meetings will be attended by a representative of the department in the Company and of the external auditors as and when required.

The Secretaries to the Committee shall be the Company Secretaries.

AUDIT COMMITTEE REPORT

FUNCTIONS

The functions of the Committee shall be:

1. Review the following and report the same to the Board of Directors:

    a. with the external auditors, the audit plan;

    b. with the external auditors, their evaluation of the system of internal control;

    c. with the external auditors, his audit report on the financial statements;

    d. the assistance given by employees of the Company to the external auditors;

    e. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

    f. the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

    g. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

        i. changes in or implementation of major accounting policy changes;

        ii. significant and unusual events; and

        iii. compliance with accounting standards and other legal requirements;

    h. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

    i. any letter of resignation from external auditors of the Company;

    j. whether there is reason (supported by ground) to believe that the Company's external auditors is not suitable for re-appointment

    k. to consider any matters the auditors wish to bring to the attention of the Board of Directors or shareholders; and

    l. such other responsibilities as may be applied to by the Committee and the Board

2. Recommend the nomination of a person or persons as external auditors.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 30 June 2003, the Committee held four (4) meetings. Details of attendance are as follows:

Members	No. of Meetings Attended
Kwan Tack Chiong	4/4
Chok Syn Vun	4/4
Ooi Jit Huat	4/4

During the year, the Audit Committee carried out its duties as set out in the terms of reference. The Committee met with due notices of meetings issued and with agenda planned and itemized in order for issues raised to be discussed in a focused and detailed manner.

The following activities were carried out by the Committee during the financial year ended 30 June 2003:

1. Reviewed quarterly financial statements before submissions to the Board and announcements/fillings to the Kuala Lumpur Stock Exchange.

2. Reviewed annual audited financial statements before submissions to the Board and announcements/fillings to the Kuala Lumpur Stock Exchange.

3. Reviewed the internal controls of the Company.

4. Reviewed the recurrent and other related party transactions arise in the ordinary course of business and are on terms not more favorable to the related party than those generally available to the public.

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 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	11,344,217	4,021,366

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.

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 other than the effect arising from the change in accounting policy resulting in a decrease in the Group's net profit for the year by RM1,612,896 as disclosed in Note 27 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2002 was as follows:

	RM
In respect of the financial year ended 30 June 2002 as reported in the directors' report of that year:	
Final tax exempt dividend of 4 sen per share, paid on 10 March 2003	3,400,000

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:

Tan Sri Sabbaruddin Chik
Lim Nyuk Foh
Chok Syn Vun
Ramlee Bin Mohd. Shariff
Kwan Tack Chiong
Ooi Jit Huat

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 6 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' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests 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:

	Number of Ordinary Shares of RM0.50 Each			
The Company	**1 July 2002**	**Bought**	**Sold**	**30 June 2003**
Direct Interest				
Tan Sri Sabbaruddin Chik	900,000	–	–	900,000
Lim Nyuk Foh	34,428,980	–	3,515,000	30,913,980
Chok Syn Vun	1,084,000	–	122,000	962,000
Ramlee Bin Mohd. Shariff	5,220,000	–	210,000	5,010,000
Kwan Tack Chiong	–	5,000	5,000	–

Lim Nyuk Foh by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

SIGNIFICANT EVENTS

(a) On 22 January 2003, the Company obtained approval from the Securities Commission to issue Murabahah Multi-Option Notes ("MON") comprising of Murabahah Underwritten Notes ("MUN") and Murabahah Medium Term Yield Notes ("MUR") of up to an aggregate nominal value of RM60 million. The tenure of the facility is up to seven years from the date of the first issue. During the tenure of the facility, the Company may issue MUN of between one to nine months' maturities and MUR with maturities of up to seven years.

On 18 February 2003, the Company entered into a Murabahah Multi-Option Notes Issuance Facility Agreement for the issue of MON with Abrar Discounts Berhad as facility agent and issue agent in relation to the Company's proposed issuance of up to RM60 million nominal value Murabahah Underwritten Notes/Medium Term Yield Notes.

At 30 June 2003, the Company had utilised the proceeds of RM44 million raised from the initial issue of RM60 million MUR under the facility and details of proceeds utilisation are set out in the Additional Compliance Information of the Group's Annual Report.

(b) On 6 February 2003, the Company acquired 2 ordinary shares of RM1 each in Cabaran Cerdas Sdn. Bhd. ("CCSB"), representing 100% equity holding in CCSB, for a cash consideration of RM2.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and 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 the 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 or 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 of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) 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 or of the Company for the financial year in which this report is made.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares under option at 30 June 2003.

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,

LIM NYUK FOH **CHOK SYN VUN**

Sandakan, Sabah
Malaysia
21 October 2003

STATEMENT BY DIRECTORS

We, **LIM NYUK FOH** and **CHOK SYN VUN**, being two of the directors of **PRICEWORTH WOOD PRODUCTS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 21 to 48 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 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

LIM NYUK FOH **CHOK SYN VUN**

Sandakan, Sabah
Malaysia
21 October 2003

STATUTORY DECLARATION

I, **KOO JENN MAN**, being the officer primarily responsible for the financial management of **PRICEWORTH WOOD PRODUCTS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 21 to 48 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.

Subscribed and solemnly
declared by the abovenamed
KOO JENN MAN
at Sandakan in the State of Sabah
on 21 October 2003 **KOO JENN MAN**

Before me,

Hamzah Abdullah
Pesuruhanjaya Sumpah
Lot 6, Blok 24,
Lebuh Dua,
90009 Sandakan

REPORT OF THE AUDITORS

TO THE MEMBERS OF PRICEWORTH WOOD PRODUCTS BERHAD

We have audited the accompanying financial statements set out on pages 21 to 48. 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 our opinion:

(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 2003 and of the results and 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; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

PANG PAK LOK
1228/3/05 (J)
Partner

21 October 2003
Tawau, Sabah
Malaysia

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Group 2003 (12 months) RM	Group 2002 (8 months) RM	Company 2003 (12 months) RM	Company 2002 (12 months) RM
Revenue	3	125,733,214	99,358,258	4,946,105	–
Cost of sales		(104,041,382)	(69,656,366)	–	–
Gross profit		21,691,832	29,701,892	4,946,105	–
Other operating income		1,002,543	133,432	–	–
Selling expenses		(1,055,605)	(1,167,926)	–	–
Administrative expenses		(4,178,404)	(2,837,154)	(925,457)	(95,353)
Profit/(loss) from operations	4	17,460,366	25,830,244	4,020,648	(95,353)
Interest income	7	3,542	36,095	679,211	33,419
Finance costs	8	(3,140,587)	(3,141,841)	(678,233)	–
Profit/(loss) before taxation		14,323,321	22,724,498	4,021,626	(61,934)
Taxation	9	(2,979,104)	(2,728,466)	(260)	(8,900)
Net profit/(loss) for the year/period		11,344,217	19,996,032	4,021,366	(70,834)
Earnings per share (sen)					
Basic	10	13.35	23.52		
Net dividend per share (sen)					
Proposed	11	4.00	–		

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

BALANCE SHEETS
AS AT 30 JUNE 2003

	Note	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	77,705,600	67,833,478	–	–
Investments in subsidiaries	13	–	–	42,076,738	42,076,738
Other investment	14	50,000	50,000	–	–
		77,755,600	67,883,478	42,076,738	42,076,738
CURRENT ASSETS					
Inventories	15	15,337,740	12,965,440	–	–
Trade receivables	16	17,619,717	21,296,891	–	–
Other receivables	17	39,912,181	19,615,614	58,993,479	14,411,525
Cash and bank balances	18	6,460,084	5,015,596	65,859	1,582
		79,329,722	58,893,541	59,059,338	14,413,107
CURRENT LIABILITIES					
Borrowings	19	2,416,744	17,768,035	–	–
Trade payables	21	2,576,953	4,108,392	–	–
Other payables	22	4,161,441	3,680,403	143,256	109,762
Tax payable		5,428,411	4,828,241	271	8,900
		14,583,549	30,385,071	143,527	118,662
NET CURRENT ASSETS		64,746,173	28,508,470	58,915,811	14,294,445
		142,501,773	96,391,948	100,992,549	56,371,183
FINANCED BY:					
Share capital	23	42,500,000	42,500,000	42,500,000	42,500,000
Share premium	24	14,017,161	14,017,161	14,017,161	14,017,161
Other reserve	25	5,234,412	5,234,412	–	–
Retained profits		27,836,169	19,891,952	475,388	(145,978)
Shareholders’ equity		89,587,742	81,643,525	56,992,549	56,371,183
Borrowings	19	47,391,792	11,262,123	44,000,000	–
Deferred tax liabilities	26	5,522,239	3,486,300	–	–
Non-current liabilities		52,914,031	14,748,423	44,000,000	–
		142,501,773	96,391,948	100,992,549	56,371,183

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

Group	Note	Share Capital RM	Share Premium RM	Retained Profits RM	Other Reserve RM	Total RM
At 1 July 2001						
As previously stated		10	–	(75,144)	–	(75,134)
Prior year adjustment	27	–	–	(28,936)	–	(28,936)
At 1 July 2001 (restated)		10	–	(104,080)	–	(104,070)
Net profit for the period		–	–	19,996,032	–	19,996,032
Issue of share capital	23&24	42,499,990	16,333,748	–	–	58,833,738
Share issue expenses	24	–	(2,316,587)	–	–	(2,316,587)
Reserve arising from acquisition of subsidiaries		–	–	–	5,234,412	5,234,412
At 30 June 2002		42,500,000	14,017,161	19,891,952	5,234,412	81,643,525
At 1 July 2002						
As previously stated		42,500,000	14,017,161	17,988,252	5,234,412	79,739,825
Prior year adjustment	27	–	–	1,903,700	–	1,903,700
At 1 July 2002 (restated)		42,500,000	14,017,161	19,891,952	5,234,412	81,643,525
Net profit for the year		–	–	11,344,217	–	11,344,217
Dividend	11	–	–	(3,400,000)	–	(3,400,000)
At 30 June 2003		42,500,000	14,017,161	27,836,169	5,234,412	89,587,742

Company	Note	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 July 2001		10	–	(75,144)	(75,134)
Net loss for the year		–	–	(70,834)	(70,834)
Issue of share capital	23&24	42,499,990	14,017,161	–	56,517,151
At 30 June 2002		42,500,000	14,017,161	(145,978)	56,371,183
At 1 July 2002		42,500,000	14,017,161	(145,978)	56,371,183
Net profit for the year		–	–	4,021,366	4,021,366
Dividend	11	–	–	(3,400,000)	(3,400,000)
At 30 June 2003		42,500,000	14,017,161	475,388	56,992,549

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	14,323,321	22,724,498	4,021,626	(61,934)
Adjustments for:				
Depreciation of property, plant and equipment	9,566,495	4,820,574	–	–
Gain on disposal of property, plant and equipment	–	(11,438)	–	–
Goodwill written off	2,925	–	–	–
Interest income	(3,542)	(36,095)	(679,211)	(33,419)
Finance costs	3,140,587	3,141,841	678,233	–
Operating profit/(loss) before working capital changes	27,029,786	30,639,380	4,020,648	(95,353)
Increase in inventories	(2,372,300)	(1,483,411)	–	–
Increase in receivables	(16,619,393)	(9,946,280)	(44,581,954)	(14,411,525)
(Decrease)/increase in payables	(1,053,326)	1,768,869	33,494	(354,825)
Cash generated from/(used in) operations	6,984,767	20,978,558	(40,527,812)	(14,861,703)
Taxes paid	(342,995)	(170,000)	(8,889)	–
Net cash generated from/(used in) operating activities	6,641,772	20,808,558	(40,536,701)	(14,861,703)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary, net of cash acquired (Note 13)	–	870,573	–	–
Payment of share issue expenses	–	(1,927,144)	–	(1,927,144)
Purchase of property, plant and equipment (Note 12(b))	(17,582,917)	(22,812,083)	–	–
Proceeds from disposal of property, plant and equipment	–	92,000	–	–
Interest received	3,542	36,095	679,211	33,419
Net cash (used in)/generated from investing activities	(17,579,375)	(23,740,559)	679,211	(1,893,725)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(3,140,587)	(3,141,841)	(678,233)	–
Proceeds from issuance of ordinary shares	–	16,757,000	–	16,757,000
Proceeds from issuance of Medium Term Yield Notes	44,000,000	–	44,000,000	–
Repayment of bankers' acceptances	(579,002)	(2,052,203)	–	–
Repayment of revolving credits	(4,900,000)	(167,597)	–	–
Repayment of hire purchase and lease financing	(1,759,812)	(1,146,108)	–	–
Repayment of term loan	(12,429,313)	(7,710,859)	–	–
Dividend paid	(3,400,000)	–	(3,400,000)	–
Net cash generated from financing activities	17,791,286	2,538,392	39,921,767	16,757,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,853,683	(393,609)	64,277	1,572
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	(393,599)	10	1,582	10
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD (Note 18)	6,460,084	(393,599)	65,859	1,582

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P. O. Box 2848, 90732 Sandakan, Sabah.

The numbers of employees in the Group and in the Company at the end of the financial year/period were 782 (2002 : 530) and 3 (2002: 3) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 October 2003

2. 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 and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 23	Impairment of Assets
MASB 24	Financial Instruments: Disclosure and Presentation
MASB 25	Income Taxes
MASB 27	Borrowing Costs

The effect of adopting MASB 25 is summarised in the Statements of Changes in Equity and further information is disclosed in Note 27 to the financial statements. The adoption of MASB 23, MASB 24 and MASB 27 have not given rise to any adjustments to the opening balances of retained profits of the prior and current years or to changes in comparatives.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries 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.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial 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 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 an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary 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 unrealised 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 which were not previously recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

(c) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

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

(d) Other Investment

Unquoted investment held on a long term basis is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

No depreciation is provided on leasehold land with an unexpired term of more than 50 years. This is not in compliance with MASB 15 Property, Plant and Equipment. In the opinion of the directors, the effect of this non-compliance on the financial statements is considered to be immaterial and is disclosed in Note 12.

Construction-in-progress is not depreciated until it is completed and ready for use.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	-	2% - 10%
Heavy equipment, motor vehicles and motor launches	-	20%
Plant and machinery	-	7%
Furniture, fittings and equipment	-	10% - 33 1/3%
Camp infrastructure	-	15%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(f) Inventories

Inventories are valued at the lower of cost (determined on the 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 realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

(h) Leases

A lease is recognised 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 the 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 recognised 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 2(e).

(ii) Operating leases

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

(i) Provisions for Liabilities

Provisions for liabilities are recognised 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.

(j) 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised. Deferred tax is not recognised 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 transaction, 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 realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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.

Prior to the adoption of MASB 25 Income Taxes on 1 July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

(k) Revenue Recognition

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

(i) Sale of goods

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

(ii) Revenue from services

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

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(l) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. 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 forward 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. The principal exchange rate used for every unit of foreign currency ruling at balance sheet date used is as follows:

	2003 RM	2002 RM
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 recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

(n) Financial Instruments

Financial instruments are recognised 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 realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Receivables

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.

(iii) Payables

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

(iv) 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 take a substantial period of time to get ready for their intended use of 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. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation 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 recognised as an expense in the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction that would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS
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3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Gross dividend from a subsidiary	–	–	4,946,105	–
Sale of processed wood products	67,848,761	71,764,260	–	–
Sale of log timber	11,349,026	14,815,114	–	–
Wood processing services	138,480	159,903	–	–
Contract fees	45,070,915	12,208,935	–	–
Road toll	1,326,032	410,046		
	125,733,214	99,358,258	4,946,105	–

4. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Staff costs (Note 5)	9,471,173	5,278,258	–	–
Directors' remuneration (Note 6)	599,048	639,454	90,000	45,000
Auditors' remuneration	48,800	48,500	10,000	10,000
Depreciation of property, plant and equipment	9,566,495	4,820,574	–	–
Rental of premises	146,410	76,500	14,400	14,400
Rental income	(14,500)	(6,000)	–	–
Gain on disposal of property, plant and equipment	–	(11,438)	–	–

5. STAFF COSTS

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Bonus	92,671	58,380	–	–
Employees' Provident Fund contributions	265,496	151,194	–	–
Salaries, wages and allowances	9,084,056	5,054,970	–	–
Socso contributions	28,950	13,714	–	–
	9,471,173	5,278,258	–	–

NOTES TO THE FINANCIAL STATEMENTS

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6. DIRECTORS' REMUNERATION

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Directors of the Company:				
Executive:				
Bonus	49,000	49,000	–	–
Employees' Provident Fund contributions	45,228	41,634	–	–
Salaries	294,000	273,000	–	–
Socso contributions	820	820	–	–
	389,048	364,454	–	–
Non-Executive:				
Fees	210,000	275,000	90,000	45,000
Total	599,048	639,454	90,000	45,000

The number of directors of the Company whose total remuneration during the year/period fell within the following bands is analysed below:

	Number of Directors	
	2003	2002
Executive directors:		
RM100,001 to RM150,000	–	2
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	1	–
Non-Executive directors:		
Below RM50,000	3	3
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	1	1

7. INTEREST INCOME

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Interest on:				
Advances	–	–	678,233	–
Bank savings	978	–	978	–
Deposits with licensed banks	2,564	2,676	–	–
REPO	–	33,419	–	33,419
	3,542	36,095	679,211	33,419

NOTES TO THE FINANCIAL STATEMENTS
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8. FINANCE COSTS

	Group 2003 (12 months) RM	Group 2002 (8 months) RM	Company 2003 (12 months) RM	Company 2002 (12 months) RM
Interest on:				
Revolving credits	272,687	191,299	–	–
Bankers' acceptances	3,011	–	–	–
Medium Term Yield Notes	678,233	–	678,233	–
Term loan	564,754	1,736,074	–	–
Bank overdrafts	819,484	783,867	–	–
Finance lease	13,491	12,186	–	–
Hire purchase	356,786	217,430	–	–
Letters of credit	39,913	126,121	–	–
Overdue accounts	392,228	74,864	–	–
	3,140,587	3,141,841	678,233	–

9. TAXATION

	Group 2003 (12 months) RM	Group 2002 (8 months) RM	Company 2003 (12 months) RM	Company 2002 (12 months) RM
Tax expense for the year/period:				
Malaysian income tax	1,029,443	1,564,132	260	8,900
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 26)	2,035,939	1,107,364	–	–
(Over)/underprovided in prior years:				
Malaysian income tax	(86,278)	56,970	–	–
	2,979,104	2,728,466	260	8,900

Notes to the Financial Statements
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A reconciliation of income tax expense applicable to profit 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	2003 RM	2002 RM
Profit before taxation	14,323,321	22,724,498
Taxation at Malaysian statutory tax rate		
- on the first RM100,000 at 20%	157,296	–
- on the balance at 28%	5,176,042	6,362,859
Income not subject to tax	(4,796,179)	(3,634,073)
Expenses not deductible for tax purposes	2,940,263	1,997,066
Utilisation of unabsorbed capital allowances	(2,446,582)	(3,159,840)
Utilisation of unabsorbed forest allowances	(1,397)	(1,880)
Deferred tax liabilities recognised during the year/period	2,035,939	1,107,364
(Over)/underprovided in prior years	(86,278)	56,970
Tax expense for the year/period	2,979,104	2,728,466

Company	2003 RM	2002 RM
Profit/(loss) before taxation	4,021,626	(61,934)
Taxation at Malaysian statutory tax rate of 28% (2002 : 28%)	1,126,055	(17,342)
Income not subject to tax	(1,384,909)	–
Expenses not deductible for tax purposes	259,114	26,242
Tax expense for the year	260	8,900

Unabsorbed capital allowances are analysed as follows:

	Group		Company	
	2003 (12 months) RM	2002 (8 months) RM	2003 (12 months) RM	2002 (12 months) RM
Tax savings recognised during the year/period arising from:				
Utilisation of current year capital allowances	1,761,727	1,430,163	–	–
Utilisation of unabsorbed capital allowances brought forward from previous years	684,855	1,729,677	–	–
Utilisation of unabsorbed forest allowances brought forward from previous years	1,397	1,880	–	–
Unabsorbed capital allowances carried forward	–	737,351	–	–
Unabsorbed forest allowances carried forward	1,230,800	450,900	–	–

NOTES TO THE FINANCIAL STATEMENTS
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10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	Group 2003 (12 months) RM	Group 2002 (8 months) RM
Net profit for the year/period	11,344,217	19,996,032
Weighted average number of ordinary shares in issue	85,000,000	85,000,000
Basic earnings per share (sen)	13.35	23.52

The comparative basic earnings per share has been restated to take into account the effect of the change in accounting policy (Note 2(a) and Note 27) on net profit for the year/period.

(b) Diluted

No diluted earnings per share is disclosed as there are no dilutive potential ordinary shares.

11. DIVIDEND

	Amount		Net Dividend per Share	
	2003 RM	2002 RM	2003 Sen	2002 Sen
Final tax exempt dividend of 4 sen per share, paid on 10 March 2003	3,400,000	–	4.00	–

NOTES TO THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land and Buildings* RM	Heavy Equipment, Motor Vehicles and Motor Launches RM	Plant and Machinery RM	Furniture, Fittings and Equipment RM	Camp Infra-structure RM	Construction -in-Progress RM	Total RM
Cost							
At 1 July 2002	24,600,812	23,702,724	30,483,731	1,673,976	4,450,680	10,513	84,922,436
Additions	1,997,054	13,213,463	–	1,040,706	3,088,079	99,315	19,438,617
Reclassification	109,828	–	–	–	–	(109,828)	–
At 30 June 2003	26,707,694	36,916,187	30,483,731	2,714,682	7,538,759	–	104,361,053
Accumulated Depreciation and Impairment Losses							
At 1 July 2002	1,689,153	2,957,786	11,455,796	927,015	59,208	–	17,088,958
Depreciation charge for the year:							
Recognised in income statement (Note 4)	349,166	6,082,550	2,133,863	294,713	706,203	–	9,566,495
At 30 June 2003	2,038,319	9,040,336	13,589,659	1,221,728	765,411	–	26,655,453
Net Book Value							
At 30 June 2003							
At cost	24,669,375	27,875,851	16,894,072	1,492,954	6,773,348	–	77,705,600
At 30 June 2002							
At cost	22,911,659	20,744,938	19,027,935	746,961	4,391,472	10,513	67,833,478
Depreciation charge for 2002:							
Recognised in income statement (Note 4)	325,902	2,454,969	1,839,910	140,585	59,208	–	4,820,574

* *Leasehold land and Buildings*

NOTES TO THE FINANCIAL STATEMENTS
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Group	Leasehold Land RM	Buildings RM	Land Improvement RM	Total RM
Cost				
At 1 July 2002	862,305	17,236,690	6,501,817	24,600,812
Additions	–	95,054	1,902,000	1,997,054
Reclassification	–	109,828	–	109,828
At 30 June 2003	862,305	17,441,572	8,403,817	26,707,694
Accumulated Depreciation and Impairment Losses				
At 1 July 2002	–	1,689,153	–	1,689,153
Depreciation charge for the year	–	349,166	–	349,166
At 30 June 2003	–	2,038,319	–	2,038,319
Net Book Value				
At 30 June 2003				
At cost	862,305	15,403,253	8,403,817	24,669,375
At 30 June 2002				
At cost	862,305	15,547,537	6,501,817	22,911,659
Depreciation charge for 2002	–	325,902	–	325,902

(a) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	2003 RM	2002 RM
Heavy equipment, motor vehicles and motor launches	7,805,752	8,337,262

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM19,438,617 (2002 : RM27,179,401) of which RM1,855,700 (2002 : RM4,367,318) was acquired by means of finance lease arrangements.

(c) The financial effect of non-depreciation of long leasehold land on the financial statements of the Group as mentioned in Note 2(e) is an increase in depreciation charge of RM140,507 (2002 : RM108,935).

(d) All the property, plant and equipment have been pledged as part of the securities for Murabahah Multi-Option Notes facilities of RM60 million (2002 : Nil) as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS
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13. INVESTMENTS IN SUBSIDIARIES

	Company 2003 RM	Company 2002 RM
Unquoted shares, at cost	42,076,738	42,076,738

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held 2003 %	Equity Interest Held 2002 %	Principal Activities
Priceworth Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of processed wood products, distribution of log timber, provision of wood processing services and rental of kiln dry machinery

Subsidiaries of Priceworth Industries Sdn. Bhd.	Country of Incorporation	Equity Interest Held 2003 %	Equity Interest Held 2002 %	Principal Activities
Ligreen Enterprise Sdn. Bhd.	Malaysia	100	100	Log timber trading
Maxland Sdn. Bhd.	Malaysia	100	100	Timber extraction and land development
Cabaran Cerdas Sdn. Bhd.	Malaysia	100	–	Dormant

Acquisition of a subsidiary:

On 6 February 2003, the Group acquired 100% equity interest in Cabaran Cerdas Sdn. Bhd. for a total cash consideration of RM2.

The fair value of the liabilities assumed from the acquisition of the subsidiary is as follows:

	6.2.2003 RM
Net assets acquired:	
Cash in hand	2
Sundry payables	(2,925)
Fair value of total net liabilities	(2,923)
Goodwill arising on consolidation	2,925
Total consideration	2
Net cash outflow arising on acquisition:	
Cash consideration	2
Cash and cash equivalents of subsidiary acquired	(2)
	–

NOTES TO THE FINANCIAL STATEMENTS
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14. OTHER INVESTMENT

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares, at cost	50,000	50,000	–	–

15. INVENTORIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Raw materials	869,947	805,223	–	–
Work-in-progress	3,429,978	2,322,490	–	–
Finished goods	8,649,833	9,102,211	–	–
Consumable goods	2,387,982	735,516	–	–
	15,337,740	12,965,440	–	–

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM104,041,382 (2002 : RM69,656,366).

There were no inventories stated at net realisable value as at 30 June 2003 (2002 : Nil).

16. TRADE RECEIVABLES

Included in trade receivables is an amount of RM10,466,802 (2002 : RM1,839,877) due from a company in which two of the directors of the Company, Lim Nyuk Foh and Chok Syn Vun have interest. This amount is unsecured, interest-free and has no fixed terms of repayment.

The Group's normal trade credit term ranges from 60 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

17. OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Due from a subsidiary	–	–	56,689,357	14,406,475
Advances	3,979,745	5,174,351	–	–
Deposits for supplies	5,286,002	5,816,000	–	–
Other deposits	13,029,461	5,531,860	5,050	5,050
Prepayments	2,955,975	591,048	2,299,072	–
Sundry receivables	14,660,998	2,502,355	–	–
	39,912,181	19,615,614	58,993,479	14,411,525

Deposits for supplies represent advances paid to log suppliers for logs to be purchased.

Included in sundry receivables and deposits for supplies of the Group is an amount of RM13,530,949 (2002 : RM1,526,000) due from companies in which two of the directors of the Company, Lim Nyuk Foh and Chok Syn Vun have interest. This amount is unsecured, interest-free and has no fixed terms of repayment.

Except for an amount of RM44 million (2002 : Nil) which bears interest at rates ranging from 4.00% to 4.88% per annum, the amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayments.

NOTES TO THE FINANCIAL STATEMENTS

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18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash on hand and at banks	6,355,924	4,929,000	65,859	1,582
Deposits with licensed banks	104,160	86,596	–	–
Cash and bank balances	6,460,084	5,015,596	65,859	1,582
Less: Bank overdrafts (Note 19)	–	(5,409,195)	–	–
Cash and cash equivalents	6,460,084	(393,599)	65,859	1,582

Deposits with licensed banks of the Group amounting to RM104,160 (2002 : RM86,596) are pledged for bank guarantees issued to government departments.

The average effective interest rate of deposits, which are renewable yearly, at the balance sheet date was 3.6% (2002 : 3.73%) per annum.

19. BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	–	5,409,195	–	–
Bankers' acceptances	–	579,002	–	–
Revolving credits	–	4,900,000	–	–
Term loan	–	4,529,313	–	–
Hire purchase and finance lease payables (Note 20)	2,416,744	2,350,525	–	–
	2,416,744	17,768,035	–	–
Long Term Borrowings				
Secured:				
Medium Term Yield Notes	44,000,000	–	44,000,000	–
Term loan	–	7,900,000	–	–
Hire purchase and finance lease payables (Note 20)	3,391,792	3,362,123	–	–
	47,391,792	11,262,123	44,000,000	–

NOTES TO THE FINANCIAL STATEMENTS
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	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Total Borrowings				
Secured:				
Bank overdrafts (Note 18)	–	5,409,195	–	–
Bankers' acceptances	–	579,002	–	–
Revolving credits	–	4,900,000	–	–
Medium Term Yield Notes	44,000,000	–	44,000,000	–
Term loan	–	12,429,313	–	–
Hire purchase and finance lease payables (Note 20)	5,808,536	5,712,648	–	–
	49,808,536	29,030,158	44,000,000	–
Maturity of borrowings (excluding hire purchase and finance lease):				
Within one year	–	15,417,510	–	–
More than 1 year and less than 2 years	–	4,740,000	–	–
More than 2 years and less than 5 years	–	3,160,000	–	–
5 years or more	44,000,000	–	44,000,000	–
	44,000,000	23,317,510	44,000,000	–

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

	2003 %	2002 %	2003 %	2002 %
Bank overdrafts	–	7.90	–	–
Bankers' acceptances	–	7.56 - 8.40	–	–
Medium Term Yield Notes	4.00 - 4.88	–	4.00 - 4.88	–
Revolving credits	–	7.56	–	–
Term loan	–	7.56	–	–

The Medium Term Yield Notes of the Company are secured by the following:

i) legal charges over six parcels of leasehold land of the Group; and

ii) a debenture creating fixed and floating charges over all the assets of the Group, both present and future.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

20. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Minimum lease payments:				
Not later than 1 year	2,848,004	2,786,937	–	–
Later than 1 year and not later than 2 years	2,436,056	2,074,251	–	–
Later than 2 years and not later than 5 years	1,220,194	1,590,411	–	–
	6,504,254	6,451,599	–	–
Less: Future finance charges	(695,718)	(738,951)	–	–
Present value of finance lease liabilities	5,808,536	5,712,648	–	–
Present value of finance lease liabilities:				
Not later than 1 year	2,416,744	2,350,525	–	–
Later than 1 year and not later than 2 years	2,213,318	1,848,657	–	–
Later than 2 years and not later than 5 years	1,178,474	1,513,466	–	–
	5,808,536	5,712,648	–	–
Analysed as:				
Due within 12 months	2,416,744	2,350,525	–	–
Due after 12 months	3,391,792	3,362,123	–	–
	5,808,536	5,712,648	–	–

The hire purchase and lease liabilities bore interest at balance sheet date of between 3.9% to 7.25% (2002 : 4.5% to 7.5%) per annum.

21. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 days.

22. OTHER PAYABLES

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Accruals	2,016,239	2,129,168	39,600	43,200
Deposits	141,000	88,000	–	–
Due to a director	50,000	69,000	–	7,500
Sundry payables	1,954,202	1,394,235	103,656	59,062
	4,161,441	3,680,403	143,256	109,762

Included in sundry payables of the Group is an amount of RM97,131 (2002 : Nil) due to companies in which a director of the Company, Lim Nyuk Foh has interest. This amount is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
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23. SHARE CAPITAL

	Number of Ordinary Share of RM0.50 Each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised:				
At 30 June	100,000,000	100,000,000	50,000,000	50,000,000
Issued and fully paid:				
At 1 July	85,000,000	20	42,500,000	10
Issued and paid up during the year	–	84,999,980	–	42,499,990
At 30 June	85,000,000	85,000,000	42,500,000	42,500,000

24. SHARE PREMIUM

At 1 July	14,017,161	–	14,017,161	–
Arising from issue of shares	–	16,333,748	–	16,333,748
Less: Share issue expenses transferred from deferred expenditure	–	(2,316,587)	–	(2,316,587)
At 30 June	14,017,161	14,017,161	14,017,161	14,017,161

25. OTHER RESERVE (NON-DISTRIBUTABLE)

	Group	
	2003 RM	2002 RM
Reserve on consolidation		
At 1 July	5,234,412	–
Acquisition of subsidiaries	–	5,234,412
At 30 June	5,234,412	5,234,412

The reserve on consolidation represents the difference between the acquisition costs and the fair values of the Group's share of the net assets of the subsidiaries acquired at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

26. DEFERRED TAX

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
At 1 July	3,486,300	2,378,936	–	–
Recognised in the income statement (Note 9)	2,035,939	1,107,364	–	–
At 30 June	5,522,239	3,486,300	–	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	(344,780)	(332,857)	–	–
Deferred tax liabilities	5,867,019	3,819,157	–	–
	5,522,239	3,486,300	–	–

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM
At 1 July 2002	3,819,157
Recognised in the income statement	2,047,862
At 30 June 2003	5,867,019

Deferred Tax Assets of the Group:

	Unabsorbed Forest Allowances RM	Unabsorbed Capital Allowances RM	Total RM
At 1 July 2002	(126,255)	(206,602)	(332,857)
Recognised in the income statement	(218,381)	206,458	(11,923)
At 30 June 2003	(344,636)	(144)	(344,780)

The unabsorbed forest and capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose.

NOTES TO THE FINANCIAL STATEMENTS

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27. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENT

(a) Changes in Accounting Policies

During the financial year, the Group and the Company applied four new MASB Standards, which became effective from 1 July 2002, and accordingly modified certain accounting policies. The change in accounting policy which resulted in prior year adjustment is discussed below:

MASB 25 : Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior Year Adjustment

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effect of change in accounting policy is as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Effect on retained profits/ (accumulated losses):				
At 1 July, as previously stated	17,988,252	(75,144)	(145,978)	(75,144)
Effect of adopting MASB 25	1,903,700	(28,936)	–	–
At 1 July, as restated	19,891,952	(104,080)	(145,978)	(75,144)
Effect on net profit/(loss) for the year:				
Net profit/(loss) before change in accounting policy	12,957,113	18,063,396	4,021,366	(70,834)
Effect of adopting MASB 25	(1,612,896)	1,932,636	–	–
Net profit for the year	11,344,217	19,996,032	4,021,366	(70,834)

Comparative amount as at 30 June 2002 has been restated as follow:

Group	Previously stated RM	Adjustment RM	Restated RM
Deferred tax liabilities	5,390,000	(1,903,700)	3,486,300

NOTES TO THE FINANCIAL STATEMENTS
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28. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2003 RM	2002 RM
Purchase of camp infrastructure from Sikap Hajat Sdn. Bhd., a company in which a director, Lim Nyuk Foh has interest	–	4,368,680
Purchase of logs from Teras Selasih Sdn. Bhd., a company in which two of the directors, Lim Nyuk Foh and Chok Syn Vun have interest	49,016,159	24,434,064
Contract fees received from Cergas Kenari Sdn. Bhd., a company in which two of the directors, Lim Nyuk Foh and Chok Syn Vun have interest	(13,812,714)	(7,314,343)
Rental paid to Maxland Enterprise Sdn. Bhd., a company in which a director, Lim Nyuk Foh has interest	60,000	60,000
Sale of property, plant and equipment to Sikap Hajat Sdn. Bhd., a company in which a director, Lim Nyuk Foh has interest	–	(90,000)
Company		
Gross dividend from a subsidiary	(4,946,105)	–
Interest on advances received from a subsidiary	(678,233)	–

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

29. OTHER SIGNIFICANT EVENTS

(a) On 22 January 2003, the Company obtained approval from the Securities Commission to issue Murabahah Multi-Option Notes ("MON") comprising of Murabahah Underwritten Notes ("MUN") and Murabahah Medium Term Yield Notes ("MUR") of up to an aggregate nominal value of RM60 million. The tenure of the facility is up to seven years from the date of the first issue. During the tenure of the facility, the Company may issue MUN of between one to nine months' maturities and MUR with maturities of up to seven years.

On 18 February 2003, the Company entered into a Murabahah Multi-Option Notes Issuance Facility Agreement for the issue of MON with Abrar Discounts Berhad as facility agent and issue agent in relation to the Company's proposed issuance of up to RM60 million nominal value Murabahah Underwritten Notes/Medium Term Yield Notes.

At 30 June 2003, the Company had utilised the proceeds of RM44 million raised from the initial issue of RM60 million MUR under the facility and details of proceeds utilisation are set out in the Additional Compliance Information of the Group's Annual Report.

(b) On 6 February 2003, the Company acquired 2 ordinary shares of RM1 each in Cabaran Cerdas Sdn. Bhd. ("CCSB"), representing 100% equity holding in CCSB, for a cash consideration of RM2.

30. CONTINGENT LIABILITIES

The Company has provided corporate guarantees to a subsidiary as securities for hire purchase financing facilities amounting to RM7,500,000 (2002 : RM5,000,000).

The hire purchase financing facilities utilised as at balance sheet date was RM6,148,750 (2002 : RM4,139,846) respectively.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

31. SEGMENTAL REPORTING

No segmental information has been presented as the Group is operating principally in one industry and within one country.

32. 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 commodity price, interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Commodity Price Risk

The Group's earnings are affected by changes in the prices of its raw material and its manufactured products.

(c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts; the Group had no substantial long term interest-bearing assets as at 30 June 2003.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

(d) Foreign Exchange Risk

The Group operates internationally and is exposed mainly to United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Material foreign exchange transaction exposures are not hedged currently due to the Malaysian Ringgit being pegged to the United States Dollar.

(e) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(f) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

(g) Fair Values

The financial asset which is not carried at fair value on the balance sheet of the Group and of the Company as at the end of the financial year is represented as follows:

	Note	Group Carrying Amount RM	Group Fair Value RM	Company Carrying Amount RM	Company Fair Value RM
Amount due from a subsidiary	17	–	–	56,689,357	*

* *It is not practicable to estimate the fair value of amount due from a subsidiary reliably due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received.*

The nominal/notional amount and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are as follows:

	Note	Group Nominal/ Notional Amount RM	Group Fair Value RM	Company Nominal/ Notional Amount RM	Company Fair Value RM
Contingent liabilities	30	6,148,750	#	6,148,750	#

\# *It is not practicable to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.*

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

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables

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

(ii) Interest-Bearing Borrowings

The carrying values are deemed to equal to fair values, which the Group estimated based on incremental rates of comparable borrowings arrangements.

33. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year/period except that certain comparative amount has been adjusted as a result of change in accounting policy as disclosed in Note 2(a) and Note 27.

LIST OF PROPERTIES

No.	Registered Owner/ Location	Land Area (acres)	Description and Existing Use	Built-up Area (sq. ft.)	Lease Tenure from / to	Approximate Age of Building
	Priceworth Industries Sdn Bhd					
1.	C.L. 075365794 Sungai Seguntor, Sandakan120	15.12	- Generating Sets Room - Kiln Dry - Sawmill & sawroom - Warehouse	3,858 65,000 32,620 121,000	01-01-1979/ 31-12-2077	9 9 9 8
2.	C.L. 075203726 Sungai Seguntor, Sandakan	11.64	Moulding plant main factory	104,840	01-01-1964/ 31-12-2063	9
3.	C.L. 075365785 Sungai Seguntor, Sandakan	15.29	- Impregnation plant - Warehouse - Workshop	4,500 20,000 4,800	01-01-1979/ 21-12-2077	6 8 9
4.	C.L. 075170277 Sungai Seguntor, Sandakan	14.06	Labour quarters	54,000	01-01-1960/ 31-12-2059	9
5.	C.L. 075364948 Sungai Seguntor, Sandakan	17.88	Agricultural land	–	01-01-1979/ 31-12-2077	N/A
6.	C.L. 075170286 Sungai Seguntor, Sandakan	7.03	Labour quarters	12,000	01-01-1961/ 31-12-2060	9
		81.02		**422,618**		
	Maxland Sdn Bhd					
7.	C.L. 075313398 Mile 17, Jalan Labuk, Sandakan	14.24	Agricultural land	–	01-01-1970/ 31-12-2069	N/A
		14.24		**–**		
	TOTAL	**95.26**		**422,618**		

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2003

Authorised share capital	:	**RM50,000,000**
Issued and fully paid shares	:	**RM42,500,000**
Class of shares	:	**Ordinary shares of RM0.50 each**
Voting rights	:	**One vote per ordinary share**
Total no of shareholders	:	**6,260**

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
less than 100	3	0.05	31	0.00
100 to 1,000	1,900	30.35	1,891,769	2.23
1,001 to 10,000	3,592	57.38	15,468,100	18.20
10,001 to 100,000	714	11.41	20,084,900	23.63
100,001 and less than 5%	48	0.76	23,876,200	28.09
5% and above	3	0.05	23,679,000	27.85
Total	**6,260**	**100.00**	**85,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS WITH HOLDINGS OF 5% AND ABOVE AS AT 31 OCTOBER 2003

		No. of Shares Held			
No.	**Names**	**Direct**	**%**	***Deemed Interest**	**%**
1.	Lim Nyuk Foh	–	–	30,679,980	36.09
2.	Ramlee Bin Mohd Shariff	1,610,000	1.89	3,400,000	4.00

Note:

* *Held by authorised nominee companies*

LIST OF DIRECTORS' REGISTERED SHAREHOLDINGS AS AT 31 OCTOBER 2003

		No. of Shares Held			
No.	**Names**	**Direct**	**%**	***Deemed Interest**	**%**
1.	Lim Nyuk Foh	–	–	30,679,980	36.09
2.	Ramlee Bin Mohd Shariff	1,610,000	1.89	3,400,000	4.00
3.	Chok Syn Vun	–	–	962,000	1.13
4.	Tan Sri Sabbaruddin Chik	900,000	1.06	–	–
5.	Kwan Tack Chiong	–	–	–	–
6.	Ooi Jit Huat	–	–	–	–
	Total	**2,510,000**	**2.95**	**35,041,980**	**41.22**

Note:

* *Held by authorised nominee companies.*

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2003

LIST OF THIRTY (30) TOP SHAREHOLDERS AS AT 31 OCTOBER 2003

No.	Name	Shareholdings	%
1.	Southern Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lim Nyuk Foh]	12,000,000	14.12
2.	RC Nominees (Tempatan) Sdn. Bhd. [EON Finance Berhad for Lim Nyuk Foh]	6,179,000	7.27
3.	Southern Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lim Nyuk Foh]	5,500,000	6.47
4.	CIMSEC Nominees (Tempatan) Sdn. Bhd. [Danaharta Urus Sdn. Bhd. for Lim Nyuk Foh]	3,000,000	3.53
5.	BHLB Trustee Berhad [TA Comet Fund]	2,366,700	2.78
6.	Southern Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lim Nyuk Foh]	2,000,000	2.35
7.	HDM Nominees (Tempatan) Sdn. Bhd. [DBS Vickers Secs (S) Pte Ltd for Lim Nyuk Foh]	2,000,000	2.35
8.	RC Nominees (Tempatan) Sdn. Bhd. [EON Finance Berhad for Ramlee Bin Mohd Shariff]	1,900,000	2.24
9.	Mainur Bin Bakar	1,894,000	2.23
10.	Ramlee Bin Mohd Shariff	1,590,000	1.87
11.	Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ramlee Bin Mohd Shariff]	1,000,000	1.18
12.	Tan Sri Sabbaruddin Chik	900,000	1.06
13.	OSK Nominees (Tempatan) Sdn. Bhd. [EON Finance Berhad for Chok Syn Vun]	604,000	0.71
14.	Affin-ACF Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ramlee Bin Mohd Shariff]	500,000	0.59
15.	JF Apex Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ho Chu Chai]	428,300	0.50
16.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chok Syn Vun]	358,000	0.42
17.	Tan Geok Siew	280,000	0.33
18.	OSK Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Loh Lai Foong]	260,000	0.31
19.	Foong Choong Heng	233,100	0.27
20.	Ismail Sabri Bin Yaakob	232,000	0.27

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2003

No.	Name	Shareholdings	%
21.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Parmjit Singh A/L Meva Singh]	225,000	0.26
22.	KAF Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Yee Eng King]	220,000	0.26
23.	Noor Zahidi Bin Omar	176,000	0.21
24.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Tan Geok Siew]	175,000	0.21
25.	Chung Soon Nam	167,000	0.20
26.	Citicorp Nominess (Tempatan) Sdn. Bhd. [Pledged securities account for Chew Chin Tian]	164,000	0.19
27.	Liew Hon Kong	160,000	0.19
28.	Yeoh Kean Hua	155,000	0.18
29.	RC Nominees (Tempatan) Sdn. Bhd. [EON Finance Berhad for Chin Fun Ming]	155,000	0.18
30.	Sierramont Development Sdn. Bhd.	151,000	0.18

PWP

Priceworth Wood Products Berhad (399292-V)

(Incorporated in Malaysia)

PROXY FORM

No. of shares held	

I/We, ...

of ....

being a member of Priceworth Wood Products Berhad hereby appoint ....

of ....

or failing him/her ....

of ....

as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at the Executive Parlour of Sabah Hotel, Sandakan, Sabah on 19 December 2003 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

		For	**Against**
Resolution 1	Adoption of Audited Financial Statements Accounts for the financial year ended 30 June 2003 and the Reports of the Directors and Auditors thereon.		
Resolution 2	To approve the payment of a first and final tax-exempt dividend of 2 sen in respect of the financial year ended 30 June 2003.		
Resolution 3	To approve the payment of Directors' Fees.		
Resolution 4	Re-election of Mr Chok Syn Vun		
Resolution 5	Re-election of Encik Ramlee Bin Mohd. Shariff		
Resolution 6	Re-appointment of Auditors.		
Resolution 7	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/ she thinks fit.

Dated this .... day of 2003

....

Signature:
Shareholder or Common Seal

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*

2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 5, 1st Floor, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P. O. Box 2848, 90732 Sandakan, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

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Affix
Stamp
Here

The Secretary
PRICEWORTH WOOD PRODUCTS BERHAD (399292-V)
Lot 5, 1st Floor, Block No. 4
Bandar Indah, Mile 4, Jalan Utara
P. O. Box 2848
90732 Sandakan
Sabah

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