MS ISO 9001:2000 REG NO. AR 3746

PRICEWORTH WOOD PRODUCTS BERHAD (399292-V)
Head office (Sales & Marketing Department):
1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, 90000 Sandakan.
Postal address:
P.O. Box 2848, 90732 Sandakan, Sabah, Malaysia.
Tel: 089 221 170 / 223 767 / 221 211
Fax: 089 221 213 / 227 823
Website: www.pwpmalaysia.com.my
E-mail: pwpbhd@streamyx.com / maxland@streamyx.com

PRICEWORTH WOOD PRODUCTS BERHAD 399292-V

(Incorporated in Malaysia)

ANNUAL REPORT 2006

Contents

Corporate Information

BOARD OF DIRECTORS

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

Katherine Chung Mei Ling
(MAICSA 7007310)

REGISTERED OFFICE

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4,
Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah
Tel No. : 089 221 170 / 223 767 / 221 211
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Fax No. : 089 221 213 / 227 823
Email : pwpbhd@streamyx.com
pricwor@tm.net.my
maxland@streamyx.com
Website : www.pwpmalaysia.com.my

SHARE REGISTRAR

Symphony Share Registration Services Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03 272 12222
Fax : 03 272 12530

PRINCIPAL BANKERS

Malayan Banking Berhad
48 Jalan Tiga, 90704 Sandakan, Sabah

HSBC Bank Malaysia Berhad
Jalan Pelabuhan/Leboh Tiga
90000 Sandakan, Sabah

AmMerchant Bank Berhad
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan, 50200 Kuala Lumpur

Alliance Merchant Bank Berhad
Level 19, Menara Multi-Purpose
Capital Square, 8 Jalan Munshi Abdullah
50100 Kuala Lumpur

RHB Sakura Merchant Bankers Berhad
Level 11, Tower Three, RHB Centre
426 Jalan Tun Razak
50400 Kuala Lumpur

AUDITORS

Ernst & Young
MPT 4604, Lot 17-28, 3rd Floor,
Block B, Bandaran Baru, Jalan Baru,
W.D.T. 46 91009, Tawau, Sabah

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

STOCK NAME

PWORTH

BURSA SECURITIES STOCK NO.

7123

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Priceworth Wood Products Berhad ("PWP" or "the Company") for the financial year ended 30 June 2006.

Financial Results

During the year under review, the Group recorded revenue of RM494.9 million and profit after taxation of RM21.46 million compared to revenue of RM304.3 million and profit after taxation of RM16.1 million in the previous financial year. The increase in revenue for the current financial year was mainly contributed by the increase in sales price of processed wood products and logs, accompanied with the increase in logging activities. The increase in post-tax profit mainly coincides with the increase of the Group revenue.

The total volume of logs extracted from Concession BW8 for the year ended 30 June 2006 was 389,184.31 m3. The volume extracted from Concession Kuamut for the year ended 30 June 2006 was 69,014.20 m3 while other Concession for the same financial year was 200,514.89 m3.

Corporate Development

The Company had obtained the shareholders' approvals at the Extraordinary General Meeting held on 22 December 2005 in relation to the amendment to the Articles of Association and the establishment of an Employees' Share Option Scheme.

Prospects

The future prospects of the timber industry are mainly dependent on the demand outlook of the international market as well as the performance of the domestic economy.

Positive growth of the domestic economy may well spur the demand for timber and processed wood products. Malaysia is currently experiencing growth and high consumer confidence especially in the building and construction sector and this will provide a positive outlook for the timber industry.

On the international front, the rising sales price and higher demand for the processed wood products from the European market have driven the timber industry into better prospect throughout the year. Despite the de-pegging of the Malaysian Ringgit against US Dollar, there is no substantial impact in the current prices and demand for the timber and wood products.

With the Group's improvement in efficiency and production capacity, the Board is confident the Group's long term prospect in the industry will remain positive. The Board also confident the Group's revenue will be sustainable throughout the next financial year with the easing on the world fuel market price.

On the basis of the above and barring from any unforeseen circumstances, the Board of Directors is optimistic that the Group will continue to achieve a positive result for the next financial year.

Chairman's Statement *cont'd*

Dividend

The Board has recommended for your approval, a first and final tax-exempt dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2006 amounting to RM4.3 million subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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 like to express appreciation to the board members for their contributions and unfailing support during the year.

TAN SRI SABBARUDDIN CHIK
Chairman

Directors' Profile

TAN SRI SABBARUDDIN CHIK

Malaysian, aged 64
Chairman/Independent Non-Executive Director

Tan Sri Sabbaruddin is the Chairman of the Company and has been on the Board since 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 Principal Assistant Secretary in the Prime Minister's Department from 1971 to 1975. In 1975, he was posted to the Socio-Economic Planning Unit as a Director for Planning in the Department and thereafter became the Director of International Trade in the Ministry of Trade and Industry from 1976 to 1979. Between 1980 and 1981, he was the Deputy State Secretary of Selangor and in 1981 he joined Pernas Trading Sdn Bhd as the Senior General Manager. Subsequently Tan Sri was appointed as Deputy Finance Minister from 1982 to 1987 and he was the Cultural, Arts and Tourism Minister from 1987 to 1999. He was also the Member of Parliament for Temerloh from 1982 to 1999.

He is currently an independent director in Eden Enterprises (M) Berhad, which is a public company listed on Second Board of the Bursa Securities.

LIM NYUK FOH

Malaysian, aged 42
Managing Director

Mr Lim founded the PWP Group and was appointed to the Board on 2 November 2001. He holds a Degree in Finance majoring in Investment from the University of Toledo, United States of America. Coming from a family involved in the timber business, he ventured into the trading of timber for the domestic and foreign market in 1989. In 1990 he founded PISB to undertake the sawmilling and timber extraction business. He has more than 15 years of extensive experience in the timber industry.

He has no directorship or major shareholdings in other public companies.

CHOK SYN VUN

Malaysian, aged 36
Executive Director

Mr Chok was appointed to the Board on 2 November 2001 and is also a member of Audit Committee of the Company. 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. During the formative years of the Group with limited number of personnel had provided Mr Chok the opportunity to involve in various aspects of operations, including administrative, finance and human resources management. Through this exposure, he has gained an extensive experience in the timber operations of the Group. He was made an Executive Director of PISB on 17 February 1997 and oversees the administration and financial functions of the PWP Group.

He has no directorship or major shareholdings in other public companies.

Directors' Profile *cont'd*

RAMLEE BIN MOHD SHARIFF

Malaysian, aged 42
Independent Non-Executive Director

Encik Ramlee served as a member of the Board of PWP since 2 November 2001. He is a Fellow of Association of Certified Chartered Accountants. 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 companies.

KWAN TACK CHIONG

Malaysian, aged 43
Independent Non-Executive Director

Mr Kwan was appointed to the Board of PWP on 2 November 2001 and he is the Chairman of the Audit Committee of the Company. He graduated with a Bachelor of Business Administration from the University of Toledo, United States of America. He started his career as a supervisor in Pinayas Wood Products Sdn Bhd in 1989. He joined Trimwood Industrial Sdn Bhd in 1990 as a Manager until 1992. From 1992 until 1993 he was the Marketing Manager of Service Trading Sdn Bhd before serving as the member of the Board of Directors of Priceworth Industries Sdn Bhd from 1994 to 1995. In 1996, he was appointed as director for Matotech (M) Sdn Bhd and has since held the office until today.

He has no other directorship or major shareholdings in other public companies.

OOI JIT HUAT

Malaysian, aged 54
Independent Non-Executive Director

Mr Ooi was appointed to the Board of Directors of PWP on 2 November 2001and is also a member of Audit Committee of the Company.

He started his career at Peat Marwick Mitchell & Co, Kuala Lumpur. He was a supervisor 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. His professional assignments covered flotations exercises, investigations and due diligence reporting and the reverse take-overs of several companies on the Bursa Securities. He is a member of the Malaysian Association of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation. .

He has also served on the Boards of several Malaysian Public Listed companies and currently he is the independent director of Kwantas Corporation Berhad, a company listed on the Main Board of Bursa Securities.

Directors' Profile *cont'd*

OTHER INFORMATION OF DIRECTORS

1. Family Relationship of Directors

None of the Directors have any family relationship with other Directors.

2. Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3. Convictions of Offences

None of the Directors have been convicted of any offence within the past ten (10) years other than traffic offences.

4. Shareholdings

The particulars of the Directors' shareholding are set out on page 65 of this Annual Report.

5. Details of Attendance of Board Meetings held during the financial year ended 30 June 2006

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED	%
Tan Sri Sabbaruddin Chik	8/8	100
Mr Lim Nyuk Foh	8/8	100
Mr Chok Syn Vun	8/8	100
Encik Ramlee Bin Mohd Shariff	8/8	100
Mr Kwan Tack Chiong	8/8	100
Mr Ooi Jit Huat	8/8	100

Statement Of Corporate Governance

The Board of Directors ("the Board") of Priceworth Wood Products Berhad is committed in ensuring that the principles and the best practices of corporate governance are practised in the manner set out in the Malaysian Code on Corporate Governance ("the Code"). The Board recognizes that good corporate governance practice is a continuous process and observes as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The statements below sets out how the Group has applied the Principles of the Code and the extent of compliance with the Best Practices of the good corporate governance as set out in Part 1 and Part 2 of the Code.

BOARD OF DIRECTORS

Board Composition
The Board is comprised of members of different backgrounds, expertise and diverse skill to effectively lead and control the Company. As at the date of this Report, the Board consists of two (2) Executive Directors and four (4) Non-Executive Directors, two (2) of whom are independent. The profile of each Director is presented in this Annual Report on pages 5 to 7.

Board Balance
The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulating the policies, strategic action plans and stewardship of the Company's resources. The Board regularly reviews the Company's business operations identifying risks and ensuring the existence of adequate internal controls and management systems to measure and manage risks and maintains full and effective control over management of the Company.

The Board has also delegated certain responsibilities to Audit Committee, Nomination Committee and Remuneration Committee, all of which operate with the defined terms of reference. All these Board Committees do not have executive power but report to the Board on all matters considered and their recommendations thereon.

Board Meetings
Board Meetings will be held at least four (4) times a year at quarterly intervals with additional meetings convened, whenever necessary.

During the year under review, the Board has met on a total of eight (8) occasions. The attendance record of each individual Director at the meetings are set out on page 7 of this Annual Report. All Directors had attended the full Board meetings.

The Board is aware and acts on matters reserved specifically for the Board's decision to ensure they are in tandem with the direction and objective of the Company. The Board members are provided with the agenda of Board Meeting and the detailed information to enable them to arrive at an informed decision. Besides that, the Board also approves matters through circular resolutions.

Supply of Information
Prior to the Board and Audit Committee 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.

Appointment to the Board
The Board is of the opinion that its current composition and size constitute an effective Board to the Company.

Statement Of Corporate Governance *cont'd*

Re-election of Directors
In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) 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 (3) years.

Directors' Training
All the Directors had attended the Mandatory Accreditation Program (MAP) and the Continuing Education Programme (CEP) as prescribed by the Listing Requirements. Although the mandatory CEP was repealed on 1 January 2005, the Board would have to evaluate and determine the training needs deemed appropriate to further enhance its skills and knowledge to aid in discharging the duties as Directors.

During the Year 2005, none of the Directors had attended any formal training. The Board viewed that the trainings and development programmes attended in Year 2004 were sufficient. However they have been keeping abreast with updates from time to time on relevant laws, regulations and the business environment.

The Board is mindful that the continuous trainings are vital and that they will attend structured trainings in near future to broaden their perspective.

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

Nomination Committee
A Nomination 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.

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 remuneration of the Directors of the PWP Group is as follows:

Directors' Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Fee	-	258
Salaries	732	-
Bonuses & allowance	215	22
Total	**947**	**280**

Statement Of Corporate Governance *cont'd*

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

RM'000	Executive Directors	Non-Executive Directors
Below 50	-	3
50 to 100	-	-
Above 100	2	1
Total	**2**	**4**

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board believes in clear and regular communication with its shareholders and institutional investors. The Annual Report and announcements of financial results on a quarterly basis provides the 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 and Extraordinary General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities. The Executive Directors also meet with institutional investors, fund managers and analysts with the aim of fostering mutual understanding of the Group's objectives.

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 the Annual Report.

Internal Control
The overview of the state of internal controls within the Group is covered under Statement of Internal Control presented on page 11 of this Annual Report.

Relationship with the Auditors
The Company has established a formal and transparent relationship with the auditors in line with the auditors' professional requirements ensuring compliance with the accounting standards in Malaysia. The external 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.

Statement Of Internal Control

INTRODUCTION

Pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to disclose the Group's system internal control system.

GROUP'S INTERNAL CONTROL

Apart from internal audit, the Board has put in place a system which emphasis heavily on balanced monitoring and reviewing on the Group daily operation. The Managing Director and the Executive Director through their day-to-day involvement in the business operations and regular attendance at senior management level meetings, manage and monitor the Group's financial performance, operational effectiveness and efficiency, discuss and resolve significant business issues face by the Group.

The senior management meeting served as a two-way platform for the Board, through the Board members, to communicate and address significant matters in relation to the Group's business and financial affairs and provide update on significant changes in the business and the external environment which result in significant risks.

The Group's detailed organizational 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.

REVIEW PROCESS FOR INTERNAL CONTROL SYSTEM

In view of the size and nature of the Group's operations, it is not cost justifiable for the Group to maintain an in-house function for the review of the Group's internal control system, which forms part of the internal audit function. Through outsourcing internal audit procedures, it will provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems in anticipating potential risk exposures over key business systems and processes and in controlling the proper conduct of business within the Group.

By outsourcing the internal audit function, it will facilitate the Board in reviewing of and evaluation of the adequacy and integrity of the Group's internal control systems. The Audit Committee meets to review, discuss, and direct actions on matters arise in the internal audit report. Internal audits are carried out from time to time based on significant issues that arise during the day-to-day operations of the Group.

The internal auditor adopts a risk-based approach and prepares its audit strategy and plan based on each individual issue that arises in the Group. The audit plan is presented to the Audit Committee for approval annually. The resulting reports from the audits undertaken are reviewed by the Audit Committee and then forwarded to the operational management for attention and necessary corrective actions. The operational management is responsible for ensuring the corrective actions on reported weaknesses are taken within the required time frame.

Statement Of Directors' Responsibility

The Directors are responsible for ensuring the financial statements for each financial year are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and the results and cash flows for the financial year.

The Directors consider that in preparing the annual financial statements, the Company and the Group have

(a) adopted appropriate accounting policies and applied them consistently;
(b) made judgements and estimates that are prudent and reasonable; and
(c) adhered to the applicable approved accounting standards in Malaysia.

The Directors are responsible for ensuring that the Company and the Group maintain proper accounting records that disclose with reasonable accuracy the financial position of the Company and the Group, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

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

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Chairman

Mr Kwan Tack Chiong	*Independent Non-Executive Director*

Members

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

TERMS OF REFERENCE

Composition

The Audit Committee ("the Committee") shall be appointed by the Board of Directors from amongst its members which fulfills the following requirements:

- the Audit Committee shall comprise of no fewer than three (3) members;
- a majority of the Audit Committee shall be independent directors;
- at least one (1) member of the Audit Committee
  - (a) must be a member of Malaysian Institute of Accountants; or
  - (b) must have at least three (3) years working experience and
    - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (ii) 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.

Meetings

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 necessary.

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

The secretary to the Committee shall be the Company Secretary.

Audit Committee Report *cont'd*

Functions

The functions of the Committee should be to review and report to the Board of Directors on matters as follows:

a. the audit plan with the external auditors;

b. the evaluation of the system of internal controls of the Company and the Group with the external auditors;

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

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 program, processes, the results of the internal audit program, 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.

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

Audit Committee Report *cont'd*

Audit Committee Attendance Record

During the financial year under review, four (4) audit committee meetings were held. The Committee attendance record is as follows:

Name of Members	Designation	No. Of Meetings Attended	%
Mr Kwan Tack Chiong	Chairman	4/4	100
Mr Chok Syn Vun	Member	4/4	100
Mr Ooi Jit Huat	Member	4/4	100

Summary Of Activities Of The Audit Committee

The main activities carried out by the Committee during the year were as follows:

- reviewed the external auditors' report in relation to the audit for the year ended 30 June 2006;
- reviewed and recommended related party transactions of the Group to be presented to the Board of Directors of approval;
- reviewed the quarterly and year-to-date unaudited financial results before submission to the Board for consideration and approval;
- discussed and recommended the audited financial statements of the Company and of the Group for the year ended 30 June 2006 to be presented to the Board of Directors for approval;
- reviewed and adopted the internal audit plan and program;
- reviewed and discussed the internal audit reports.;
- reviewed the Committee's Report in respect of the year ended 30 June 2006 and presented the Board of Directors for approval.

Additional Compliance Information

During the financial year under review,

Share Buy-back

The Company bought-back a total of 5,912,400 of its own shares for a total consideration of RM 2,848,181. All shares bought -back are kept as treasury shares. Details of the shares so purchased are as follows:-

Date of purchase	No. of Purchased Shares	Lowest purchase price (RM)	Highest purchase price (RM)	Average purchase price (RM)	Total purchase consideration (RM)
08/09/05	789,300	0.480	0.485	0.485	382,764
12/09/05	808,000	0.490	0.50	0.494	399,135
13/09/05	895,000	0.480	0.480	0.480	429,600
10/10/05	236,800	0.490	0.490	0.490	116,032
28/10/05	414,800	0.435	0.435	0.435	180,438
31/10/05	263,200	0.435	0.435	0.435	114,492
09/11/05	44,400	0.450	0.450	0.450	19,980
14/11/05	28,000	0.435	0.435	0.435	12,180
16/11/05	52,000	0.440	0.440	0.440	22,880
02/12/05	153,000	0.425	0.425	0.425	65,025
05/12/05	261,900	0.430	0.435	0.432	113,187
17/01/06	206,000	0.460	0.465	0.461	95,040
18/01/06	51,000	0.450	0.460	0.455	23,200
19/01/06	50,000	0.455	0.460	0.459	22,925
20/01/06	68,000	0.450	0.465	0.461	31,325
23/01/06	133,500	0.450	0.460	0.455	60,768
23/03/06	454,500	0.500	0.500	0.500	227,250
25/04/06	277,000	0.535	0.535	0.535	148,195
08/05/06	174,000	0.600	0.605	0.603	105,005
14/06/06	552,000	0.505	0.505	0.505	278,760
TOTAL	**5,912,400**				**2,848,181**

Options, Warrants or Convertible Securities

No options, warrants or convertible securities in the Company were issued or exercised.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programs.

Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, or on the Directors or management by the relevant regulatory bodies.

Non-Audit Fees

There is no payment made for non-audit fees by the Company and its subsidiaries to the external auditors.

Additional Compliance Information *cont'd*

Variation In Results
There were no material variance between the audited results for the financial year ended 30 June 2006 and the unaudited results released for the quarter ended 30 June 2006 of the Group.

Profit Guarantee
There were no profit guarantees given by the Company and its subsidiaries.

Material Contracts
There were no material contracts, including contract relating to loan, entered into by the Company and/or its subsidiaries involving Directors and major shareholders interest.

Revaluation Policy on Landed Properties
The Group does not have any revaluation policy on landed properties.

Recurrent Related Party Transactions
At the Company's Extraordinary General Meeting held on 22 December 2005, the shareholders approved the mandate for the Company or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and in the ordinary course of its business.

Aggregate value and type of significant related party transactions are indicated in Note 34 of the Financial Statements outlined in page 59 of this Annual Report. At the forthcoming Annual General Meeting to be held on 8 December 2006, the Company will seek the shareholders' approval for the renewal of the shareholders' mandate on recurrent related party transactions of a revenue or trading nature entered from the date of the forthcoming Annual General Meeting to the next Annual General Meeting.

Financial Statements

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 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 15 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	21,460,334	2,107,190

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.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2005 was as follows:

	RM
In respect of the financial year ended 30 June 2005:	
Final tax exempt dividend of 1.5%, on 138,726,918 ordinary shares, declared on 22 December 2005 and paid on 10 March 2006	2,080,904

SIGNIFICANT EVENTS

(a) On 1 July 2005, the Company completed the acquisition of 51,000 ordinary shares of RM1.00 each representing 51% of the entire issued and paid-up capital of Integral Acres Sdn. Bhd. ("IASB"), a company incorporated in Malaysia, for a total cash consideration of RM51,000 ("the Acquisition"). The Acquisition has resulted in IASB becoming a subsidiary of the Company. The investment in IASB will enable the Group to venture into the property development sector.

(b) On 15 July 2005, the Company announced that it proposes to establish an Employees' Share Option Scheme ("ESOS") for the grant of options to eligible employees and directors of the Company and its subsidiary companies to subscribe for new ordinary shares of RM0.50 each in the Company subject to the terms and conditions of the By-Laws of ESOS.

Subsequently, the Company amended its Articles of Association to facilitate the grant of options to the non-executive directors of the Group pursuant to the Proposed ESOS.

The Board had submitted the application to Bursa Malaysia Securities Berhad in relation to the Proposed ESOS. The said ESOS had yet to be implemented during the financial year.

(c) During the financial year, the Company issued RM40 million nominal value of Commercial Papers.

Directors' Report *cont'd*

(d) Subsequent to year end, the Company issued 10 million ordinary shares of RM0.50 each at an issuance price of RM1.10 per share to settle the balance of the consideration for the acquisition of Cergas Kenari Sdn. Bhd. and Teras Selasih Sdn. Bhd.

The said shares were granted listing and quotation with effect from 25 August 2006.

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 the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

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 8 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 34 to the financial statements.

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 during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
The Company	**1 July 2005**	**Acquired**	**Sold**	**30 June 2006**
Direct Interest:				
Tan Sri Sabbaruddin Chik	1,000,000	-	-	1,000,000
Lim Nyuk Foh	47,789,626	-	-	47,789,626
Chok Syn Vun	4,606,008	-	(702,900)	3,903,108
Kwan Tack Chiong	1,920,000	-	-	1,920,000

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.

Directors' Report *cont'd*

TREASURY SHARES

The shareholders of the Company passed a special resolution at the Extraordinary General Meeting ("EGM") held on 29 July 2005 to authorise the Company to repurchase up to 10% of the issued and paid-up share capital of the Company or up to an amount not exceeding its total retained earnings and share premium reserves at the time of repurchase.

During the financial year, the Company repurchased 5,912,400 of its issued ordinary shares from the open market at an average price of RM0.484 per share. The total consideration paid for the repurchase including transaction costs was RM2,861,159. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30 June 2006, the Company held a total of 5,912,400 of its 143,181,818 issued ordinary shares as treasury shares at a carrying amount of RM2,861,159. Further relevant details are disclosed in Note 29 to the financial statements.

Subsequent to the financial year, the Company repurchased 2,854,500 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.584 per share financed by its internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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 bad 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 the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method 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 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.

Directors' Report *cont'd*

(f) In the opinion of the directors:

(i) no contingent 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.

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
19 October 2006

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

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 10 to 59 are drawn up in accordance with applicable MASB 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 2006 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
19 October 2006

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, KOO JENN MAN, being the financial 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 10 to 59 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 19 October 2006.

Before me: **KOO JENN MAN**

Report Of The Auditors

TO THE MEMBERS OF PRICEWORTH WOOD PRODUCTS BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 10 to 59. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2006 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
1228/03/07 (J)
Partner

Tawau, Sabah
Malaysia

19 October 2006

Income Statements
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Revenue	4	494,939,302	304,326,932	15,168,054	8,243,508
Cost of sales	5	(440,073,696)	(271,541,767)	-	-
Gross profit		54,865,606	32,785,165	15,168,054	8,243,508
Other operating income		8,904,738	1,591,262	-	-
Selling expenses		(12,422,599)	(2,788,268)	-	-
Administrative expenses		(15,588,296)	(10,984,285)	(2,865,182)	(3,944,960)
Profit from operations	6	35,759,449	20,603,874	12,302,872	4,298,548
Interest income	9	358,287	113,296	355,635	88,456
Finance costs	10	(12,680,683)	(3,222,625)	(10,551,317)	(2,089,918)
Profit before taxation		23,437,053	17,494,545	2,107,190	2,297,086
Taxation	11	(2,020,957)	(1,431,729)	-	116,302
Profit after taxation		21,416,096	16,062,816	2,107,190	2,413,388
Minority interest		44,238	-	-	-
Net profit for the year		21,460,334	16,062,816	2,107,190	2,413,388
Earnings per share (sen):					
Basic	12(a)	15.4	13.5		
Net Dividend per ordinary share in respect of the year (sen):	13	1.5	1.5		

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

Balance Sheets
AS AT 30 JUNE 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	14	231,209,522	175,617,269	391,832	318,242
Investments in subsidiaries	15	-	-	131,379,325	128,829,325
Other investment	16	50,000	50,000	-	-
Timber rights	17	54,911,415	74,947,371	-	-
Goodwill on consolidation	18	14,269,876	16,670,879	-	-
		300,440,813	267,285,519	131,771,157	129,147,567
CURRENT ASSETS					
Property development costs	19	5,446,279	3,451,310	-	-
Inventories	20	53,333,820	44,394,441	-	-
Trade receivables	21	40,153,451	29,723,261	-	-
Other receivables	22	51,599,212	61,578,749	152,304,327	101,308,596
Cash and bank balances	23	8,813,958	33,775,084	5,821,601	26,085,784
		159,346,720	172,922,845	158,125,928	127,394,380
CURRENT LIABILITIES					
Borrowings	24	20,575,229	40,807,058	-	3,834,505
Trade payables	26	11,235,287	14,277,990	-	-
Other payables	27	27,360,516	46,754,304	11,378,099	11,348,189
Tax payable		12,703,579	8,956,205	18,972	24,366
		71,874,611	110,795,557	11,397,071	15,207,060
NET CURRENT ASSETS		87,472,109	62,127,288	146,728,857	112,187,320
		387,912,922	329,412,807	278,500,014	241,334,887
FINANCED BY:					
Share capital	28	71,590,909	71,590,909	71,590,909	71,590,909
Share premium		48,926,252	48,926,252	48,926,252	48,926,252
Treasury shares	29	(2,861,159)	-	(2,861,159)	-
Retained profits	30	67,494,210	48,114,780	844,012	817,726
Shareholders' equity		185,150,212	168,631,941	118,500,014	121,334,887
Minority interest		2,405,762	-	-	-
Borrowings	24	171,739,083	128,187,048	160,000,000	120,000,000
Deferred tax liabilities	31	28,617,865	32,593,818	-	-
Non-current liabilities		200,356,948	160,780,866	160,000,000	120,000,000
		387,912,922	329,412,807	278,500,014	241,334,887

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

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2006

		Non-Distributable			Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Retained Profits RM	Total RM
At 1 July 2004		42,500,000	14,017,161	-	34,199,691	90,716,852
Issue of ordinary shares pursuant to acquisition of subsidiaries	28	29,090,909	34,909,091	-	-	64,000,000
Net profit for the year		-	-	-	16,062,816	16,062,816
Dividend paid	13	-	-	-	(2,147,727)	(2,147,727)
At 30 June 2005		71,590,909	48,926,252	-	48,114,780	168,631,941
At 1 July 2005		71,590,909	48,926,252	-	48,114,780	168,631,941
Purchase of treasury shares	29	-	-	(2,861,159)	-	(2,861,159)
Net profit for the year		-	-	-	21,460,334	21,460,334
Dividend paid	13	-	-	-	(2,080,904)	(2,080,904)
At 30 June 2006		71,590,909	48,926,252	(2,861,159)	67,494,210	185,150,212

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

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Share Capital RM	Non-Distributable Share Premium RM	Non-Distributable Treasury Shares RM	Distributable Retained Profits RM	Total RM
At 1 July 2004		42,500,000	14,017,161	-	552,065	57,069,226
Issue of ordinary shares: Acquisition of subsidiaries	28	29,090,909	34,909,091	-	-	64,000,000
Net profit for the year		-	-	-	2,413,388	2,413,388
Dividend paid	13	-	-	-	(2,147,727)	(2,147,727)
At 30 June 2005		71,590,909	48,926,252	-	817,726	121,334,887
At 1 July 2005		71,590,909	48,926,252	-	817,726	121,334,887
Purchase of treasury shares	29	-	-	(2,861,159)	-	(2,861,159)
Net profit for the year		-	-	-	2,107,190	2,107,190
Dividend paid	13	-	-	-	(2,080,904)	(2,080,904)
At 30 June 2006		71,590,909	48,926,252	(2,861,159)	844,012	118,500,014

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

Cash Flow Statements
FOR THE YEAR ENDED 30 JUNE 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	23,437,053	17,494,545	2,107,190	2,297,086
Adjustments for:				
Depreciation of property, plant and equipment	21,533,911	11,307,947	54,932	19,663
Amortisation of timber rights	20,035,956	14,126,702	-	-
Amortisation of goodwill	2,401,003	1,424,388	-	-
Gain on disposal of property, plant and equipment	(613,159)	(6,498)	-	-
Waiver of credit balances	(4,758,679)	-	-	-
Interest income	(358,287)	(113,296)	(355,635)	(88,456)
Interest expense	12,680,683	3,222,625	10,551,317	2,089,918
Operating profit before working capital changes	74,358,481	47,456,413	12,357,804	4,318,211
Increase in property development costs	(1,634,391)	(2,159,999)	-	-
Increase in inventories	(8,939,379)	(1,788,094)	-	-
(Increase)/decrease in receivables	(450,653)	18,144,347	(50,995,731)	(41,848,706)
(Decrease)/increase in payables	(17,677,812)	(44,433,451)	29,910	(73,742)
Cash generated from/(used in) operations	45,656,246	17,219,216	(38,608,017)	(37,604,237)
Income tax paid	(2,249,536)	(278,596)	(5,394)	-
Net cash generated from/(used in) operating activities	43,406,710	16,940,620	(38,613,411)	(37,604,237)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries (Note 15)	49,000	(21,707,453)	(51,000)	(11,752,587)
Additional investment in subsidiaries	-	-	(2,499,000)	-
Purchase of property, plant and equipment (Note 14(a))	(67,718,283)	(38,383,919)	(128,522)	(337,905)
Proceeds from disposal of property, plant and equipment	7,655,780	183,427	-	-
Interest received	358,287	113,296	355,635	88,456
Net cash used in investing activities	(59,655,216)	(59,794,649)	(2,322,887)	(12,002,036)

Cash Flow Statements *cont'd*

FOR THE YEAR ENDED 30 JUNE 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(12,680,683)	(3,222,625)	(10,551,317)	(2,089,918)
Proceeds from issuance of ordinary shares to minority	2,401,000	-	-	-
Proceeds from issuance of Commercial Papers	40,000,000	-	40,000,000	-
Proceeds from issuance of Medium Term Notes	-	120,000,000	-	120,000,000
Repayment of term loan	(16,356,815)	-	-	-
Drawdown of short term revolving credits	30,057,279	-	-	-
Repayment of short term revolving credits	(20,100,222)	-	-	-
Repayment of bankers' acceptances	(10,649,194)	(6,408,000)	-	-
Drawdown of bankers' acceptances	-	5,757,000	-	-
Repayment of hire purchase and lease financing	(7,842,532)	(4,781,333)	-	-
Repayment of Medium Term Notes	-	(44,000,000)	-	(44,000,000)
Acquisition of treasury shares	(2,861,159)	-	(2,861,159)	-
Dividend paid	(2,080,904)	(2,147,727)	(2,080,904)	(2,147,727)
Net cash (used in)/generated from financing activities	(113,230)	65,197,315	24,506,620	71,762,355
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,361,736)	22,343,286	(16,429,678)	22,156,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,987,860	2,644,574	22,251,279	95,197
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 23)	8,626,124	24,987,860	5,821,601	22,251,279

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

Notes To The Financial Statements (30 June 2006)

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 15 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 Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, 90000 Sandakan, Sabah.

The number of employees in the Group and in the Company at the end of the financial year were 2,662 (2005: 1,521) and 7 (2005: 8) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 October 2006.

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 MASB Approved Accounting Standards in Malaysia.

(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 power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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 the subsidiaries are measured at their fair values at the date of acquisition. 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.

Intra-group 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 and exchange differences.

Minority interests in the consolidated balance sheet consist of minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Goodwill

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life, or at the rate equivalent to the volume of timber logs extracted during the financial year as a proportion of the total volume of timber logs extractable over the remaining period from the timber concession area as applicable.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

(d) 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(r).

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

(e) 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(r).

(f) 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(r).

No depreciation is provided on leasehold land with unexpired terms which range from 53 to 72 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 14.

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	10% - 20%
Plant and machinery	7%
Furniture, fittings and equipment	10% - 33 1/3%
Camp infrastructure	15%

Notes To The Financial Statements *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Property, Plant and Equipment, and Depreciation *cont'd*

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

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(g) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(h) Timber Rights

This represents the exclusive rights of two subsidiaries to extract and purchase all commercial timber logs extractable from a designated timber concession area situated at Gunung Rara/Kalabakan Forest Reserve.

Timber rights are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

The timber rights are amortised on the basis of the volume of timber logs extracted during the financial year as a proportion of the total volume of timber logs extractable over the remaining period from the timber concession area.

Notes To The Financial Statements *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using to the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus recognised profit (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(j) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and Cash Equivalents

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

(l) 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.

Notes To The Financial Statements *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Leases *cont'd*

(i) Finance leases *cont'd*

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 in accordance with that for depreciable property, plant and equipment as described in Note 2(f).

(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.

(m) 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.

(n) 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 recognised 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.

Notes To The Financial Statements *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

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

(p) 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) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Dividend income

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

(v) Rental income

Rental income is recognised on an accrual basis in accordance with the terms of rental agreements.

(vi) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(i).

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Foreign Currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such 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 rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006 RM	2005 RM
United States Dollars	3.6751	3.8000
Japanese Yen (100)	3.2057	3.4430

(r) 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.

(s) 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 and 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 recognised directly in 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.

Notes To The Financial Statements *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(s) Financial Instruments *cont'd*

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. 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 borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as an expense in the income statement 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 which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury share are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3. SIGNIFICANT EVENTS

(a) On 1 July 2005, the Company completed the acquisition of 51,000 ordinary shares of RM1.00 each representing 51% of the entire issued and paid-up capital of Integral Acres Sdn. Bhd. ("IASB"), a company incorporated in Malaysia, for a total cash consideration of RM51,000 ("the Acquisition"). The Acquisition has resulted in IASB becoming a subsidiary of the Company. The investment in IASB will enable the Group to venture into the property development sector.

3. SIGNIFICANT EVENTS *cont'd*

(b) On 15 July 2005, the Company announced that it proposes to establish an Employees' Share Option Scheme ("ESOS") for the grant of options to eligible employees and directors of the Company and its subsidiary companies to subscribe for new ordinary shares of RM0.50 each in the Company subject to the terms and conditions of the By-Laws of ESOS.

Subsequently, the Company amended its Articles of Association to facilitate the grant of options to the non-executive directors of the Group pursuant to the Proposed ESOS.

The Board had submitted the application to Bursa Malaysia Securities Berhad in relation to the Proposed ESOS. The said ESOS had yet to be implemented during the financial year.

(c) During the financial year, the Company issued RM40 million nominal value of Commercial Papers.

(d) Subsequent to year end, the Company issued 10 million ordinary shares of RM0.50 each at an issuance price of RM1.10 per share to settle the balance of the consideration for the acquisition of Cergas Kenari Sdn. Bhd. and Teras Selasih Sdn. Bhd.

The said shares were granted listing and quotation with effect from 25 August 2006.

4. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Gross dividend from a subsidiary	-	-	15,168,054	8,243,508
Sale of processed wood products	285,335,252	161,836,136	-	-
Sale of logs	31,075,864	42,624,951	-	-
Contract fee	103,849,295	82,590,852	-	-
Road toll	17,878,251	16,949,831	-	-
Wood processing services	56,800,640	325,162	-	-
	494,939,302	304,326,932	15,168,054	8,243,508

5. COST OF SALES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cost of goods sold	329,179,093	208,711,882	-	-
Cost of services rendered	110,894,603	62,829,885	-	-
	440,073,696	271,541,767	-	-

Notes To The Financial Statements *cont'd*

6. PROFIT FROM OPERATIONS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit from operations is stated after charging/(crediting):				
Staff costs (Note 7)	34,789,672	22,667,499	84,523	90,959
Non-executive directors' remuneration (Note 8)	279,500	264,000	279,500	234,000
Auditors' remuneration				
- Current year	104,600	55,800	20,000	10,000
- Underprovided in prior year	9,000	-	10,000	-
Depreciation of property, plant and equipment (Note 14)	21,533,911	11,307,947	54,932	19,663
Amortisation of timber rights	20,035,956	14,126,702	-	-
Amortisation of goodwill	2,401,003	1,424,388	-	-
Hire of equipment	178,329	-	-	-
Hire of scows	7,905,768	3,399,475	-	-
Management fee paid	21,432	-	-	-
Pangkalan rental	175,530	142,900	-	-
Professional fees charged by an associate of the Company's auditors	300	-	-	-
Realised gain on foreign exchange	(232,768)	-	-	-
Rental of premises	662,748	142,905	128,781	79,905
Rental of equipment	45,270	336,696	-	-
Rental of carpark	2,625	-	-	-
Rental income	(57,000)	(6,000)	-	-
Waiver of credit balance	(4,758,679)	-	-	-
Gain on disposal of property, plant and equipment	(613,159)	(6,498)	-	-
Insurance claim received	(11,491)	(9,257)	-	-

7. STAFF COSTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Employees Provident Fund contributions	1,289,372	572,579	9,655	9,878
Salaries, wages and allowances	33,351,524	22,034,045	73,791	80,053
SOCSO contributions	148,776	60,875	1,077	1,028
	34,789,672	22,667,499	84,523	90,959

Included in staff costs of the Group is executive directors' remuneration amounting to RM946,770 (2005 : RM482,911) as further disclosed in Note 8.

Notes To The Financial Statements *cont'd*

8. DIRECTORS' REMUNERATION

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Directors of the Company:				
Executive:				
Bonus	111,000	70,500	-	-
Employees Provident Fund contributions	101,160	53,318	-	-
Salaries	732,000	358,000	-	-
SOCSO contributions	2,610	1,093	-	-
	946,770	482,911	-	-
Non-Executive:				
Bonus	21,500	-	21,500	-
Fees	258,000	264,000	258,000	234,000
	279,500	264,000	279,500	234,000
Total	1,226,270	746,911	279,500	234,000

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

	Number of Directors 2006	Number of Directors 2005
Executive directors:		
RM150,001 to RM200,000	1	1
RM200,001 to RM250,000	1	1
Non-executive directors:		
Below RM50,000	3	3
RM100,001 to RM150,000	1	1

9. INTEREST INCOME

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Interest income from:				
Bank savings	-	-	-	1,154
Deposits with licensed banks	39,456	19,906	36,804	16,205
Overdue accounts	-	22,293	-	-
Repos	318,831	71,097	318,831	71,097
	358,287	113,296	355,635	88,456

Notes To The Financial Statements *cont'd*

10. FINANCE COSTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest expense on:				
Bankers' acceptances	-	145,098	-	-
Medium Term Notes	10,457,979	1,149,723	10,457,979	1,149,723
Term loan	93,338	766,677	93,338	940,195
Bank overdrafts	-	369,974	-	-
Hire purchase	1,093,050	669,107	-	-
Letters of credit	32,268	4,085	-	-
Overdue accounts	588,244	117,961	-	-
Short term revolving credits	392,972	-	-	-
Short term advance	22,832	-	-	-
	12,680,683	3,222,625	10,551,317	2,089,918
Non-Executive:				
Bonus	21,500	-	21,500	-
Fees	258,000	264,000	258,000	234,000
	279,500	264,000	279,500	234,000
	1,226,270	746,911	279,500	234,000

11. TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Income tax:				
Provision for the year	5,237,777	2,523,004	-	24,355
Under/(over)provided in prior years	759,133	(181,365)	-	(140,657)
	5,996,910	2,341,639	-	(116,302)
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	(3,418,319)	(910,339)	-	-
(Over)/underprovided in prior years	(557,634)	429	-	-
	(3,975,953)	(909,910)	-	-
	2,020,957	1,431,729	-	(116,302)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year.

Notes To The Financial Statements *cont'd*

11. TAXATION *cont'd*

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:

	2006 RM	2005 RM
Group		
Profit before taxation	23,437,053	17,494,545
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	6,562,375	4,898,472
Effect of income subject to tax rate of 20%	(138,984)	(120,204)
Effect of income not subject to tax	(8,405,496)	(5,489,665)
Effect of expenses not deductible for tax purposes	4,601,702	2,324,062
Effect of double deduction of expenses	(1,342,272)	-
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(20,536)	-
Deferred tax assets not recognised in respect of current year's tax losses and other deductible temporary differences	21,099	-
Deferred tax assets not recognised on current year's unabsorbed capital allowances	541,570	-
(Over)/under provision of deferred tax in prior years	(557,634)	429
Under/(over) provision of tax expense in prior years	759,133	(181,365)
Tax expense for the year	2,020,957	1,431,729
Company		
Profit before taxation	2,107,190	2,297,086
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	590,013	643,184
Effect of income not subject to tax	(4,247,055)	(2,308,182)
Effect of expenses not deductible for tax purposes	3,657,042	1,689,353
Overprovision of tax expense in prior years	-	(140,657)
Tax expense for the year	-	(116,302)

Tax savings during the financial year arising from:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of tax losses and unabsorbed capital allowances brought forward	20,536	-	-	-
Utilisation of current year capital allowances	4,651,597	6,088,005	-	-
Utilisation of current year forest allowances	1,333,250	102,172	-	-

Notes To The Financial Statements *cont'd*

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2006	2005
Net profit for the year (RM)	21,460,334	16,062,816
Weighted average number of ordinary shares in issue	139,802,328	118,939,394
Basic earnings per share (sen)	15.4	13.5

(b) Diluted

The Group has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share has not been presented.

13. DIVIDEND

	Amount		Net Dividend per Ordinary Share	
	2006 RM	2005 RM	2006 Sen	2005 Sen
Final				
Tax exempt dividend of 1.5%, on 143,181,818 ordinary shares, declared on 15 February 2005 and paid on 9 March 2005	-	2,147,727	-	1.5
Tax exempt dividend of 1.5%, on 138,726,918 ordinary shares, declared on 22 December 2005 and paid on 10 March 2006	2,080,904	-	1.5	-
	2,080,904	2,147,727	1.5	1.5

Notes To The Financial Statements *cont'd*

14. PROPERTY, PLANT AND EQUIPMENT

	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	Capital Work-In-Progress RM	Total RM
Group							
Cost							
At 1 July 2005	67,242,635	82,007,317	51,341,082	5,166,987	17,616,038	2,046,561	225,420,620
Additions	1,113,443	29,123,608	35,938,310	973,619	1,382,818	15,997,565	84,529,363
Disposals	-	(1,437,520)	(10,386,282)	(16,399)	-	-	(11,840,201)
Reclassification	10,920,782	(3,889,240)	9,202,601	(1)	-	(16,234,142)	-
At 30 June 2006	79,276,860	105,804,165	86,095,711	6,124,206	18,998,856	1,809,984	298,109,782
Accumulated depreciation							
At 1 July 2005	2,848,453	23,088,177	17,983,704	2,336,346	3,546,671	-	49,803,351
Depreciation charge for the year:	1,513,481	9,717,740	6,968,719	934,214	2,760,335	-	21,894,489
Recognised in income statement (Note 6)	1,513,481	9,366,865	6,968,719	924,511	2,760,335	-	21,533,911
Capitalised in property development costs (Note 19)	-	350,875	-	9,703	-	-	360,578
Disposals	-	(1,251,152)	(3,544,503)	(1,925)	-	-	(4,797,580)
Reclassification	34	(3,824,250)	3,824,216	-	-	-	-
At 30 June 2006	4,361,968	27,730,515	25,232,136	3,268,635	6,307,006	-	66,900,260
Net Book Value							
At 30 June 2006	74,914,892	78,073,650	60,863,575	2,855,571	12,691,850	1,809,984	231,209,522
At 30 June 2005	64,394,182	58,919,140	33,357,378	2,830,641	14,069,367	2,046,561	175,617,269
Depreciation charge for 2005							
Recognised in income statement (Note 6)	440,700	6,324,870	2,255,057	688,420	1,598,900	-	11,307,947
Capitalised in property development costs (Note 19)	-	68,208	-	9,657	-	-	77,865
	440,700	6,393,078	2,255,057	698,077	1,598,900	-	11,385,812

Notes To The Financial Statements *cont'd*

14. PROPERTY, PLANT AND EQUIPMENT *cont'd*

* Analysis of Leasehold Land and Buildings:

	Leasehold Land RM	Buildings RM	Total RM
Group			
Cost			
At 1 July 2005	34,878,821	32,363,814	67,242,635
Additions	473,480	639,963	1,113,443
Reclassification	-	10,920,782	10,920,782
At 30 June 2006	35,352,301	43,924,559	79,276,860
Accumulated Depreciation			
At 1 July 2005	-	2,848,453	2,848,453
Depreciation charge for the year	-	1,513,481	1,513,481
Reclassification	-	34	34
At 30 June 2006	-	4,361,968	4,361,968
Net Book Value			
At 30 June 2006	35,352,301	39,562,591	74,914,892
At 30 June 2005	34,878,821	29,515,361	64,394,182
Depreciation charge for 2005	-	440,700	440,700

	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Capital Work-in-Progress RM	Total RM
Company				
Cost				
At 1 July 2005	129,927	207,978	-	337,905
Additions	-	-	128,522	128,522
At 30 June 2006	129,927	207,978	128,522	466,427
Accumulated Depreciation				
At 1 July 2005	-	19,663	-	19,663
Depreciation charge for the year (Note 6)	25,985	28,947	-	54,932
At 30 June 2006	25,985	48,610	-	74,595
Net Book Value				
At 30 June 2006	103,942	159,368	128,522	391,832
At 30 June 2005	129,927	188,315	-	318,242
Depreciation charge for 2005 (Note 6)	-	19,663	-	19,663

14. PROPERTY, PLANT AND EQUIPMENT *cont'd*

(a) During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM84,529,363 (2005: RM49,052,819) of which RM16,811,080 (2005: RM10,668,900) was acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2006	2005
	RM	RM
Tractors and heavy equipment	21,039,773	15,405,737
Motor vehicles and dump trucks	14,386,832	4,619,620
	35,426,605	20,025,357

(b) The financial effect of non-depreciation of long leasehold land on the financial statements of the Group as mentioned in Note 2(f) is an increase in depreciation charge of RM365,541 (2005: RM144,900).

(c) All the property, plant and equipment of the Group have been pledged as part of the securities for Commercial Papers/ Medium Term Notes Programme of RM160 million (2005: RM120 million) as disclosed in Note 24.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	RM	RM
Unquoted shares at cost:		
At beginning of year	128,829,325	42,076,738
Acquisition of subsidiaries	51,000	86,752,587
Additional investment in subsidiaries	2,499,000	-
At end of year	131,379,325	128,829,325

Notes To The Financial Statements *cont'd*

15. INVESTMENTS IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%) 2006	2005	Principal Activities
Priceworth Industries Sdn. Bhd.*	Malaysia	100	100	Manufacture and sale of processed wood products, trading of logs and provision of wood processing services
Teras Selasih Sdn. Bhd.	Malaysia	100	100	Log timber trading
Cergas Kenari Sdn. Bhd.	Malaysia	100	100	Timber extraction
Sinora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of plywood and sawn timber
Innora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of moulded wood products
Integral Acres Sdn. Bhd.	Malaysia	51	-	Property development
*** Subsidiaries of Priceworth Industries Sdn. Bhd.**				
Ligreen Enterprise Sdn. Bhd.	Malaysia	100	100	Log trading
Maxland Sdn. Bhd.	Malaysia	100	100	Timber extraction and land development
Cabaran Cerdas Sdn. Bhd.	Malaysia	100	100	Dormant

Notes To The Financial Statements *cont'd*

15. INVESTMENTS IN SUBSIDIARIES *cont'd*

Acquisition of Subsidiaries

On 1 July 2005, the Group acquired 51% equity interest in Integral Acres Sdn. Bhd., which is incorporated in Malaysia, for a total cash consideration of RM51,000.

During the last financial year, the Group acquired 100% equity interest in Teras Selasih Sdn. Bhd., 100% equity interest in Cergas Kenari Sdn Bhd., 100% equity interest in Sinora Sdn. Bhd. and 100% equity interest in Innora Sdn. Bhd., all of which are incorporated in Malaysia, for a total consideration of RM86,752,587 consisting of cash of RM11,752,587, the issue of 58,181,818 new ordinary shares of RM0.50 each of the Company at an issue price of RM1.10 each and a deferred consideration ordinary shares of 10 million to be issued to Lim Nyuk Foh at an issue price of RM1.10 each.

The acquisitions had the following effect on the Group's financial results for the year:

	Group	
	2006 **RM**	**2005** **RM**
Revenue	-	148,749,920
Cost of sales	-	(161,653,371)
Gross loss	-	(12,903,451)
Other operating income	-	58,196
Administrative expenses	(90,282)	(1,737,572)
Loss from operations*	(90,282)	(14,582,827)
Interest income	-	22,293
Finance costs	-	(369,677)
Loss before taxation	(90,282)	(14,930,211)
Taxation	-	3,848,943
Loss after taxation	(90,282)	(11,081,268)
Minority interest	44,238	-
Net loss for the year	(46,044)	(11,081,268)
* Loss from operations is stated after charging:		
Amortisation of timber rights	-	14,126,702
Amortisation of goodwill	-	1,424,388

Notes To The Financial Statements *cont'd*

15. INVESTMENTS IN SUBSIDIARIES *cont'd*

Acquisition of Subsidiaries *cont'd*

The acquisitions had the following effect on the financial position of the Group as at the end of the year:

	Group	
	2006 RM	2005 RM
Property development costs	1,845,218	-
Property, plant and equipment	-	53,482,568
Timber rights	-	74,947,371
Goodwill on consolidation	-	21,905,291
Inventories	-	24,444,260
Trade and other receivables	12,821,040	35,834,941
Cash and bank balances	104,832	3,446,129
Trade and other payables	(9,865,026)	(80,567,025)
Borrowings	-	(31,958,728)
Tax payable	-	(898,745)
Deferred tax liabilities	-	(24,964,743)
Minority interests	(2,403,971)	-
Group's share of net assets	2,502,093	75,671,319

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	Group	
	2006 RM	2005 RM
Property, plant and equipment	-	53,481,144
Timber rights	-	89,074,073
Inventories	-	24,460,593
Trade and other receivables	-	49,767,304
Cash and bank balances	100,000	(9,954,866)
Trade and other payables	-	(85,808,814)
Borrowings	-	(27,657,009)
Tax payable	-	(1,020,210)
Deferred tax liabilities	-	(28,919,307)
Fair value of total net assets	100,00	63,422,908
Less:		
Minority interests	(49,000)	-
Goodwill on consolidation	-	23,329,679
Cost of acquisition	51,000	86,752,587

Notes To The Financial Statements *cont'd*

15. INVESTMENTS IN SUBSIDIARIES *cont'd*

Acquisition of Subsidiaries *cont'd*

The acquisitions had the following effect on the financial position of the Group as at the end of the year:

	Group	
	2006 RM	2005 RM
Purchase consideration satisfied by:		
Cash	51,000	10,519,000
Ordinary shares issued at fair value	-	64,000,000
Further issuance of ordinary shares of 10 million	-	11,000,000
Total purchase consideration	51,000	85,519,000
Costs attributable to the acquisition, paid in cash	-	1,233,587
Total cost of acquisition	51,000	86,752,587
Cash outflow arising in acquisition:		
Purchase consideration satisfied by cash	51,000	10,519,000
Costs attributable to the acquisition, paid in cash	-	1,233,587
Total cash outflow of the Company	51,000	11,752,587
Cash and cash equivalents of subsidiaries acquired	(100,000)	9,954,866
Net cash (inflow)/outflow of the Group	(49,000)	21,707,453

16. OTHER INVESTMENT

Unquoted shares at cost	50,000	50,000

17. TIMBER RIGHTS

At beginning of year	74,947,371	89,074,073
Less:		
Accumulated amortisation recognised in income statement	(20,035,956)	(14,126,702)
At end of year	54,911,415	74,947,371

This represents the exclusive rights of two subsidiaries to extract and purchase all commercial timber logs extractable from a designated timber concession area situated at Gunung Rara/Kalabakan Forest Reserve.

Notes To The Financial Statements *cont'd*

18. GOODWILL ON CONSOLIDATION/(NEGATIVE GOODWILL)

	Goodwill RM	Negative Goodwill RM	Total RM
At beginning of year	21,905,291	(5,234,412)	16,670,879
Less:			
Accumulated amortisation recognised in income statement	(2,401,003)	-	(2,401,003)
At end of year	19,504,288	(5,234,412)	14,269,876

19. PROPERTY DEVELOPMENT COSTS

	Group	
	2006 RM	2006 RM
Property development costs:		
At beginning of year	3,451,310	1,213,446
Costs incurred during the year	1,994,969	2,237,864
At end of year	5,446,279	3,451,310
Included in property development costs incurred during the financial year are:		
Depreciation of property, plant and equipment (Note 14)	360,578	77,865

20. INVENTORIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cost				
Log contract work-in-progress	6,696,009	5,495,264	-	-
Raw materials	5,000,332	4,851,951	-	-
Work-in-progress	3,618,855	5,236,267	-	-
Finished goods	24,643,096	19,648,871	-	-
Consumable goods	5,640,179	2,740,719	-	-
Production supplies	7,735,349	6,421,369	-	-
	53,333,820	44,394,441	-	-

There were no inventories stated at net realisable value at 30 June 2006 (2005: Nil).

21. TRADE RECEIVABLES

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

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

22. OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Due from subsidiaries	-	-	149,740,439	98,271,529
Deposits for log supplies	20,811,330	20,811,330	-	-
Other deposits	2,644,608	5,199,523	40,993	82,163
Prepayments	5,065,335	5,814,145	2,521,368	2,953,602
Sundry receivables	23,077,939	29,753,751	1,527	1,302
	51,599,212	61,578,749	152,304,327	101,308,596

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Deposits for log supplies represent deposits paid to log suppliers for logs to be delivered later.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash on hand and at banks	3,188,828	28,994,730	324,522	21,430,829
Deposits with licensed banks	5,625,130	4,780,354	5,497,079	4,654,955
Cash and bank balances	8,813,958	33,775,084	5,821,601	26,085,784
Less:				
Bank overdrafts (Note 24)	(187,834)	(8,787,224)	-	(3,834,505)
Cash and cash equivalents	8,626,124	24,987,860	5,821,601	22,251,279

Deposits with licensed banks of the Group amounting to RM40,216 (2005: RM29,000) are pledged as securities for bank guarantees issued to government departments.

The average effective interest rate of deposits, which are renewable yearly, at the balance sheet date was 3.4% (2005: 3.4%) per annum.

Notes To The Financial Statements *cont'd*

24. BORROWINGS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Short Term Borrowings				
Secured:				
Hire purchase and finance lease payables (Note 25)	10,430,338	5,922,465	-	-
Short term revolving credits	9,957,057	-	-	-
Term loan	-	15,448,175	-	-
	20,387,395	21,370,640	-	-
Unsecured:				
Bank overdrafts	187,834	8,787,224	-	3,834,505
Bankers' acceptances	-	10,649,194	-	-
	187,834	19,436,418	-	3,834,505
	20,575,229	40,807,058	-	3,834,505
Long Term Borrowings				
Secured:				
Medium Term Notes	120,000,000	120,000,000	120,000,000	120,000,000
Commercial Papers	40,000,000	-	40,000,000	-
Term loan	-	908,640	-	-
Hire purchase and finance lease payables (Note 25)	11,739,083	7,278,408	-	-
	171,739,083	128,187,048	160,000,000	120,000,000
Total Borrowings				
Bank overdrafts (Note 23)	187,834	8,787,224	-	3,834,505
Bankers' acceptances	-	10,649,194	-	-
Medium Term Notes	120,000,000	120,000,000	120,000,000	120,000,000
Commercial Papers	40,000,000	-	40,000,000	-
Short term revolving credits	9,957,057	-	-	-
Term loan	-	16,356,815	-	-
Hire purchase and finance lease payables (Note 25)	22,169,421	13,200,873	-	-
	192,314,312	168,994,106	160,000,000	123,834,505
Maturity of borrowings (excluding hire purchase and finance lease):				
Within one year	10,144,891	34,884,593	-	3,834,505
More than 1 year and less than 2 years	35,000,000	25,908,640	35,000,000	25,000,000
More than 2 years and less than 5 years	100,000,000	70,000,000	100,000,000	70,000,000
5 years or more	25,000,000	25,000,000	25,000,000	25,000,000
	170,144,891	155,793,233	160,000,000	123,834,505

24. BORROWINGS *cont'd*

(a) The range of effective interest rates at the balance sheet date for borrowings, excluding hire purchase and finance lease payables, were as follows:

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
Bank overdrafts	-	7.00-7.75	-	7.75
Bankers' acceptances	-	3.20-4.00	-	-
Medium Term Notes	7.00-8.50	7.00-8.50	7.00-8.50	7.00-8.50
Commercial Papers	3.50	-	-	-
Short term revolving credits	4.50	-	-	-
Term loan	-	8.00	-	-

The Medium Term Notes of the Company are secured by a debenture creating fixed and floating charges over all the property, plant and equipment of the Group, both present and future.

The short term revolving credits of a subsidiary is secured by a corporate guarantee for RM10,000,000 issued by the Company.

(b) Medium Term Notes ("MTN")

The MTN of RM120,000,000 was drawdown in May 2005.

(c) Commercial Paper ("CP")

On 8 July 2005, the Company issued RM40,000,000 nominal value of Commercial Papers. The proceeds of this issuance have been utilised to fully repay the term loan and/or overdraft facilities of a subsidiary and to part finance the acquisition of certain assets of the subsidiaries.

25. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	11,893,248	6,807,210	-	-
Later than 1 year and not later than 2 years	8,852,779	5,590,832	-	-
Later than 2 years and not later than 5 years	4,060,951	2,527,005	-	-
	24,806,978	14,925,047	-	-
Less:				
Future finance charges	(2,637,557)	(1,724,174)	-	-
Present value of finance lease liabilities	22,169,421	13,200,873	-	-
Present value of finance lease liabilities:				
Not later than 1 year	10,430,338	5,922,465	-	-
Later than 1 year and not later than 2 years	7,990,985	4,961,331	-	-
Later than 2 years and not later than 5 years	3,748,098	2,317,077	-	-
	22,169,421	13,200,873	-	-

Notes To The Financial Statements *cont'd*

25. HIRE PURCHASE AND FINANCE LEASE PAYABLES *cont'd*

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Analysed as:				
Due within 12 months (Note 24)	10,430,338	5,922,465	-	-
Due after 12 months (Note 24)	11,739,083	7,278,408	-	-
	22,169,421	13,200,873	-	-

The hire purchase and lease liabilities bore an average effective interest rate at the balance sheet date at 4.93% (2005: 5.09%) per annum.

26. TRADE PAYABLES

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

27. OTHER PAYABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Accruals	3,174,440	2,212,281	20,000	10,000
Deposits	392,000	170,000	-	-
Outstanding purchase consideration	11,000,000	11,000,000	11,000,000	11,000,000
Sundry payables	12,794,076	33,372,023	358,099	338,189
	27,360,516	46,754,304	11,378,099	11,348,189

The outstanding purchase consideration represents the balance of the purchase consideration for the acquisition of Cergas Kenari Sdn. Bhd. and Teras Selasih Sdn. Bhd..

Included in sundry payables of the Group is an amount of RM3,063 (2005: RM40,093) due to a company 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.

28. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each 2006	Number of Ordinary Shares of RM0.50 Each 2005	Amount 2006 RM	Amount 2005 RM
Authorised				
At beginning of year	200,000,000	100,000,000	100,000,000	50,000,000
Created during the year	-	100,000,000	-	50,000,000
	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid				
At beginning of year	143,181,818	85,000,000	71,590,909	42,500,000
Issued in connection with acquisition of subsidiaries		58,181,818		29,090,909
At end of year	143,181,818	143,181,818	71,509,909	71,590,909

Notes To The Financial Statements *cont'd*

29. TREASURY SHARES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Treasury shares	2,861,159	-	2,861,159	-

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company passed a special resolution at the Extraordinary General Meeting ("EGM") held on 29 July 2005 to authorise the Company to repurchase up to 10% of the issued and paid-up share capital of the Company or up to an amount not exceeding its total retained earnings and share premium reserves at the time of repurchase.

During the financial year, the Company repurchased 5,912,400 of its issued ordinary shares from the open market at an average price of RM0.484 per share. The total consideration paid for the repurchase including transaction costs was RM2,861,159. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30 June 2006, the Company held a total of 5,912,400 of its 143,181,818 issued ordinary shares as treasury shares at a carrying amount of RM2,861,159. As at 30 June 2006. Such treasury shares are held as treasury shares by the Company. As at 30 June 2006, the number of outstanding ordinary shares in issue and fully paid is therefore 137,269,418 (2005: 143,181,818) ordinary shares of RM0.50 each.

Subsequent to the financial year, the Company repurchased 2,854,500 ordinary shares of its ordinary shares from the open market at an average price of RM0.584 per share financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

30. RETAINED PROFITS

As at 30 June 2006, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank payment of dividends amounting to RM86,355 (2005: RM86,355) out of its retained profits. If the balance of the retained profits of RM757,657 (2005: RM731,371) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM294,644 (2005: RM284,000).

31. DEFERRED TAX

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
At beginning of year	32,593,818	4,584,421	-	-
Recognised in income statement (Note 11)	(3,975,953)	(909,910)	-	-
Acquisition of subsidiaries (Note 15)	-	28,919,307	-	-
At end of year	28,617,865	32,593,818	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(6,439,524)	(743,179)	-	-
Deferred tax liabilities	35,057,389	33,336,997	-	-
	28,617,865	32,593,818	-	-

Notes To The Financial Statements *cont'd*

31. DEFERRED TAX *cont'd*

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

Deferred Tax Liabilities of the Group:

	Surplus on Revaluation of Building RM	Timber Rights RM	Property, Plant and Equipment RM	Total RM
At 1 July 2005	-	20,985,264	12,351,733	33,336,997
Recognised in income statement	756,724	(5,610,068)	6,573,736	1,720,392
At 30 June 2006	756,724	15,375,196	18,925,469	35,057,389
At 1 July 2004	-	24,940,740	(19,711,245)	5,229,495
Recognised in income statement	-	(3,955,476)	3,143,671	(811,805)
Acquisition of subsidiaries	-	-	28,919,307	28,919,307
At 30 June 2005	-	20,985,264	12,351,733	33,336,997

Deferred Tax Assets of the Group:

	Unabsorbed Forest Allowances RM	Unabsorbed Capital Allowances RM	Property, Plant and Equipment RM	Total RM
At 1 July 2005	(743,035)	(144)	-	(743,179)
Recognised in income statement	743,035	(6,422,171)	(17,209)	(5,696,345)
At 30 June 2006	-	(6,422,315)	(17,209)	(6,439,524)
At 1 July 2004	(644,930)	(144)	-	(645,074)
Recognised in income statement	(98,105)	-	-	(98,105)
At 30 June 2005	(743,035)	(144)	-	(743,179)

The availability of unutilised tax losses, unabsorbed forest and capital allowances for offsetting against future taxable profits of the Company are subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) and Schedule 3, Paragraphs 75A and 75B of Income Tax Act, 1967.

32. COMMITMENTS

	2006 RM	2005 RM
Capital expenditure		
Approved and contracted for:		
Plant and equipment	-	19,606,896

Notes To The Financial Statements *cont'd*

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees to a subsidiary as securities for hire purchase financing facilities amounting to RM38,300,000 (2005: RM25,000,000).

The hire purchase financing facilities utilised as at balance sheet date was RM28,806,977 (2005: RM13,186,146).

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2006		2005	
Group	**Amount of Transactions RM**	**Outstanding Amount RM**	**Amount of Transactions RM**	**Outstanding Amount RM**
Transactions with companies in which one of the directors, Lim Nyuk Foh has interest:				
Mujur Bakat Sdn. Bhd.				
Purchase of logs	7,988,678	-	-	-
Sale of logs	88,504,728	-	28,203,183	4,163,241
Maxland Enterprise Sdn. Bhd.	105,579	-	74,400	113,988
Company				
Transactions with a subsidiary:				
Priceworth Industries Sdn. Bhd.				
Gross dividend received	15,168,054	22,055,055	8,243,508	92,947,804

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.

35. SEGMENTAL REPORTING

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

36. 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.

Notes To The Financial Statements *cont'd*

36. FINANCIAL INSTRUMENTS *cont'd*

(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 debt; the Group had no substantial long term interest-bearing assets as at 30 June 2006.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group 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 the United States Dollars and Japanese Yen. 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.

The unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets Held in Non-Functional Currency		
	Japanese Yen RM	United States Dollars RM	Total RM
At 30 June 2006:			
Ringgit Malaysia	-	-	-
At 30 June 2005:			
Ringgit Malaysia	3,567,474	161,260	3,728,734

(e) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall 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 at 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 balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Notes To The Financial Statements *cont'd*

36. FINANCIAL INSTRUMENTS *cont'd*

(f) Credit Risk

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

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

(g) Fair Values

The carrying amounts of financial assets of the Company at the balance sheet date approximated their fair values except for the following:

		Group		Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 30 June 2006:					
Amounts due from subsidiaries	22	-	-	149,740,439	*
At 30 June 2005:					
Amounts due from subsidiaries	22	-	-	98,271,529	*
Financial Liabilities					
At 30 June 2006:					
Amount due to a related party	27	3,063	*	-	-
At 30 June 2005:					
Amount due to a related party	27	40,093	*	-	-

* It is not practicable to estimate the fair values of amounts due from/(to) related parties and subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

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:

36. FINANCIAL INSTRUMENTS *(Cont'd)*

	Note	Group Nominal/ Notional Amount RM	Group Net Fair Value RM	Company Nominal/ Notional Amount RM	Company Net Fair Value RM
At 30 June 2006:					
Contingent liabilities	33	28,806,977	#	28,806,977	#
At 30 June 2005:					
Contingent liabilities	33	13,186,146	#	13,186,146	#

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

(g) Fair Values cont'd

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 and Short Term Borrowings

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

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

List Of Properties

No.	Location	Description and Existing Use	Land Area (acres)	Built-up Area (sq. ft.)	Lease Tenure from / to	Approximate Age of Building (Years)	Net Book Value (RM'000)
	PRICEWORTH INDUSTRIES SDN BHD						
1.	CL 075365794 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	- Generating Sets Room	15.12	3,858	01-01-1979/ 31-12-2077	12	4,739
		- Kiln Dry		65,000		12	
		- Sawmill & Sawroom		32,620		12	
		- Warehouse		121,000		11	
2.	CL 075203726 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Moulding Plant Main Factory	11.64	104,840	01-01-1964/ 31-12-2063	12	8,174
3.	CL 075365785 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	- Impregnation Plant	15.29	4,500	01-01-1979/ 21-12-2077	9	4,496
		- Warehouse		20,000		11	
		- Workshop		4,800		12	
4.	CL 075170277 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	14.06	54,000	01-01-1960/ 31-12-2059	12	2,954
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	1,124
6.	CL 075170286 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	7.03	12,000	01-01-1961/ 31-12-2060	12	2,320
	MAXLAND SDN BHD						
7.	CL 075313398 Mile 17, Labuk Road, Sandakan	Agriculture Land	14.24	-	01-01-1970/ 31-12-2069	N/A	150

List Of Properties *cont'd*

No.	Location	Description and Existing Use	Land Area (acres)	Built-up Area (sq. ft.)	Lease Tenure from / to	Approximate Age of Building (Years)	Net Book Value (RM'000)
	SINORA SDN BHD						
8.	CL 075376153Mile 6.5 Batu Sapi, Sandakan	- Plywood Main Factory	38.28	103,950	01-01-1980/ 31-12-2078	26	21,466
		- 2nd Plywood Factory		37,446		13	
		- Warehouse		3,228		18	
		- Boiler House		507		26	
		- Workshop		1,226		26	
		- Main sawmill + Office		25,500		26	
		- Main Office		10,734		26	
		- Canteen		6,642		26	
		- Moulding Factory		4,828		16	
		- Moulding Warehouse		84,872		16	
		- Kiln Drying Building		17,743		16	
9.	CL 075472338Mile 6.5 Batu Sapi, South-West of Sandakan	Log Pond	80.46	-	01-01-1994/ 31-12-2053	N/A	2,414

Analysis Of Shareholdings
AS AT 31 OCTOBER 2006

Authorised share capital	-	RM100,000,000
Issued and fully paid shares	-	RM 76,590,909
Treasury shares	-	8,766,900 ordinary shares of RM0.50 each
Class of shares	-	Ordinary shares of RM0.50 each
Voting rights	-	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

No. of Holders	Holdings	Total Holdings	%
4	less than 100	58	0.00
1,195	100 to 1,000	1,124,369	0.73
3,313	1,001 to 10,000	15,671,037	10.23
991	10,001 to 100,000	29,116,708	19.01
121	100,001 to less than 5% of issued shares	42,714,100	27.89
3	5% and above of issued shares	64,555,546	42.14
5,627	Total	153,181,818	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	No. of Shares Held Direct	%*	Deemed Interest	%
Lim Nyuk Foh	57,789,626	40.02	-	-

Note:
The % shareholding as recorded in the Register of Substantial Shareholders as at 31 October 2006 is adjusted by excluding 8,766,900 treasury shares from the total paid-up share capital.

DIRECTORS' SHAREHOLDINGS

Name of Director	No. of Shares Held Direct	%	Deemed Interest	%
Tan Sri Sabbaruddin Chik	1,000,000	0.65	-	-
Lim Nyuk Foh	57,789,626	37.73	-	-
Chok Syn Vun	3,392,108	2.21	-	-
Ramlee Bin Mohd Shariff	-	-	-	-
Kwan Tack Chiong	1,380,000	0.90	-	-
Ooi Jit Huat			-	-

Analysis Of Shareholdings *cont'd*
AS AT 31 OCTOBER 2006

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB for Lim Nyuk Foh]	44,738,600	29.41
2.	Lim Nyuk Foh	11,050,046	7.26
3.	Innosabah Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Priceworth Wood Products Berhad	7,694,400	5.06
4.	HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for River Estates Incorporated	2,000,000	1.31
5.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Nyuk Foh	2,000,000	1.31
6.	OSK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiew Boon Chin	1,885,900	1.24
7.	BHLB Trustee Berhad TA Comet Fund	1,463,900	0.96
8.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwan Tack Chiung	1,380,000	0.91
9.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Syn Vun	1,264,000	0.83
10.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Yin Lan	1,180,000	0.78
11.	Lee See Jin	1,028,900	0.68
12.	Tan Sri Sabbaruddin Chik	1,000,000	0.66
13.	OSK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Syn Vun	952,000	0.63
14.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiew Boon Chin	895,800	0.59
15.	Mainur Bin Bakar	894,000	0.59
16.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Syn Vun	861,500	0.57
17.	RHB Capital Nominees (Tempatan) Sdn Bhd Leng Hooi	791,000	0.52
18.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Syn Vun	734,700	0.48
19.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiew Boon Chin	729,000	0.48
20.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiew Boon Chin	718,000	0.47

Analysis Of Shareholdings *cont'd*

AS AT 31 OCTOBER 2006

LIST OF 30 LARGEST SHAREHOLDERS *cont'd*

No.	Name	No. of Shares	%
21.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwan Lin Chee	669,900	0.44
22.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee See Kwan	600,000	0.39
23.	RC Nominees (Tempatan) Sdn Bhd Kalayarasu A/L Subramaniam	569,000	0.37
24.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Yap Lim Sen	531,800	0.35
25.	RHB Capital Nominees (Tempatan) Sdn Bhd Chong Vun Kon	499,000	0.33
26.	RHB Capital Nominees (Tempatan) Sdn Bhd Sin Huan Kwang	477,200	0.31
27.	Cimsec Nominees (Asing) Sdn Bhd Exempt An for CIMB-GK Securities Pte Ltd	467,500	0.31
28.	Choo Yut Yong @ Choo Yit Yin	442,500	0.29
29.	Chin Fun Ming	421,400	0.28
30.	Leong Chee Wooi	400,000	0.26

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be convened and held at Executive Parlour of Sabah Hotel, Sandakan, Sabah on Friday, 8 December 2006 at 9.00 a.m. to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Reports of the Directors and Auditors thereon.

2. To declare a first and final tax-exempt dividend of 3 sen per ordinary share in respect of the financial year ended 30 June 2006. **Resolution 1**

3. To approve the payment of Directors' Fees in respect of the financial year ended 30 June 2006. **Resolution 2**

4. To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association and being eligible, offer themselves for relection:

   (a) Mr Chok Syn Vun **Resolution 3**
   (b) Encik Ramlee Bin Mohd Shariff **Resolution 4**

5. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 5**

6. As Special Business:

   ORDINARY RESOLUTION
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 6**

   "THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant statutory or regulatory authorities, where such approvals are necessary, 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, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company 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. **ORDINARY RESOLUTION**
   Authority to issue shares pursuant to the Company's Employees' Share Option Scheme **Resolution 7**

   "THAT pursuant to the Company's Employees' Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 22 December 2005, the Directors of the Company be and are hereby authorised in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme.

8. 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

Notice Of Annual General Meeting *cont'd*

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final tax-exempt dividend of 3 sen per ordinary share in respect of the financial year ended 30 June 2006, if so approved at the Tenth Annual General Meeting of the Company, will be payable on 6 March 2007 to Depositors whose names appear in the Record of Depositors at the close of business on 15 February 2007.

A Depositor shall qualify for entitlement only in respect of:

a. shares transferred to the Depositor's Securities Account before 4.00 p.m. on 15 February 2007, in respect of transfers; and

b. shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KATHERINE CHUNG MEI LING
(MAICSA 7007310)
Company Secretary

Sandakan
16 November 2006

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 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 48 hours before the time set for holding the meeting or any adjournment thereof.*

5. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

   (i) *Ordinary Resolution (Resolution 6)*
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   The Ordinary Resolution if passed, will renew the powers given to the Directors at the last Annual General Meeting, the authority to issue shares 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.

   (ii) *Ordinary Resolution (Resolution 7)*
   Authority to issue shares pursuant to the Company's Employees' Share Option Scheme

   The Ordinary Resolution if passed, will enable the Directors from the date of the general meeting to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Scheme. 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.

Notice Of Annual General Meeting *cont'd*

STATEMENT ACCOMPANYING THE NOTICE OF TENTH ANNUAL GENERAL MEETING

1. Directors standing for re-election at the Tenth Annual General Meeting of the Company pursuant to Article 86 of the Company's Articles of Association

   (a) Mr Chok Syn Vun
   (b) Encik Ramlee Bin Mohd Shariff

2. Details of attendance of Directors at Board Meetings

   There were eight (8) Board of Directors' Meetings held during the financial year ended 30 June 2006. The details of attendance of Directors are set out in the Directors' Profile appearing on page 7 of the Annual Report.

3. Place, date and time of the Tenth Annual General Meeting

   Place : Executive Parlour of Sabah Hotel, Sandakan, Sabah
   Date : 8 December 2006
   Time : 9.00 a.m.

4. Profile of Directors who are standing for re-election

   Details of the Directors who are standing for re-election are set out in the Directors' Profile appearing on page 5 to 7 of the Annual Report.

PRICEWORTH WOOD PRODUCTS BERHAD
(Company No.:399292-V)

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 Tenth Annual General Meeting of the Company to be held at Executive Parlour of Sabah Hotel, Mile 1, Jalan Utara, 90000 Sandakan, Sabah on 8 December 2006 at 9.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

No.	Resolutions	For	Against
Resolution 1	Approval of the first and final tax-exempt dividend		
Resolution 2	Approval of Directors' Fees		
Resolution 3	Re-election of Mr Chok Syn Vun as Director		
Resolution 4	Re-election of Encik Ramlee Bin Mohd Shariff as Director		
Resolution 5	Re-appointment of Auditors		
Resolution 6	Approval to issue shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 7	Approval to issue shares pursuant to the Company's Employees' Share Option Scheme		

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 2006

....
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 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 48 hours before the time set for holding the meeting or any adjournment thereof.*

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX
STAMP

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

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