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

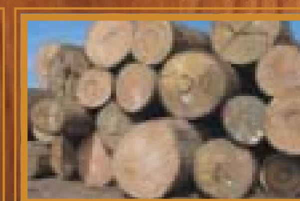
1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah, Malaysia.
(Head Office) Tel: 089-221170 / 2237767 / 221211   Fax: 089-221213 / 227823
E-mail: pwpbhd@streamyx.com / maxland@streamyx.com

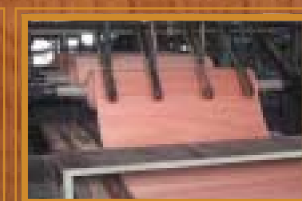
Annual Report 2008

Priceworth Wood Products Berhad (399292-V)

Priceworth Wood Products Berhad (399292-V)

(Incorporated in Malaysia)



Annual Report 2008

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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 221170/223767/221211
Fax No. : 089 221213/227823

HEAD OFFICE

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4,
Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah
Tel No. : 089 221170/223767/221211
Fax No. : 089 221213/227823
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 : 03-27212222
Fax : 03-27212530

PRINCIPAL BANKERS

Malayan Banking Berhad
48 Jalan Tiga, 90704 Sandakan, Sabah

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

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

RHB Investment Bank Berhad
Level 12, 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

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Company will be convened and held at The Executive Parlour of Sabah Hotel, Sandakan, Sabah on Thursday, 4 December 2008 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 2008 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' Fees in respect of the financial year ended 30 June 2008. **Resolution 1**

3. 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) Tan Sri Sabbaruddin Chik **Resolution 2**
   (b) Mr Lim Nyuk Foh **Resolution 3**

4. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 4**

   As Special Business:

5. **ORDINARY RESOLUTION NO. 1** **Resolution 5**
   - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   "**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."

6. **ORDINARY RESOLUTION NO. 2** **Resolution 6**
   - Authority to issue shares pursuant to the Company's Employees' Share Option Scheme

   "**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."

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

BY ORDER OF THE BOARD

KATHERINE CHUNG MEI LING
(MAICSA 7007310)
Company Secretary

Sandakan

12 November 2008

Notice of **Annual General Meeting** (Cont'd)

Notes:

1. A member of the Company entitled to attend and vote at the meeting shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

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

3. Where a Member is an authorised nominee as defined under the Security Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. If the appointor is a corporation, this form must be executed under its seal or under the hand of its attorney.

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

6. EXPLANATORY NOTE ON SPECIAL BUSINESS

(i) Ordinary Resolution (Resolution 5)
- 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 6)
- 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.

STATEMENT ACCOMPANYING THE NOTICE OF TWELFTH ANNUAL GENERAL MEETING

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

(a) Tan Sri Sabbaruddin Chik
(b) Mr Lim Nyuk Foh

2 Profile of Directors who are standing for re-election

Details of the Directors who are standing for re-election are set out in the Profile of Directors appearing on page 11 of the Annual Report.

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 2008.

Financial Results

During the year under review, the Group recorded revenue of RM564.88 million and profit after taxation of RM29.38 million compared to revenue of RM549.12 million and profit after taxation of RM26.55 million in the previous financial year. The increase in revenue for the current financial year was mainly contributed by the increase in sales volume of processed wood products in the first half of the financial year, accompanied with the increase in logging activities through out the whole financial year. 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 2008 was 268,549.56 m3. The volume extracted from Concession Kuamut for the year ended 30 June 2008 was 530,531.50 m3 while other Concession for the same financial year was 85,138.10 m3.

Corporate Development

On 16 July 2007, a subsidiary of the Company, Priceworth Industries Sdn. Bhd. acquired additional 8% equity interest in Rimbunan Gagah Sdn. Bhd., for a total cash consideration of RM20,000.

Prospects

Global economic growth is expected to be moderate in 2008 and challenging in 2009 in the light of the financial crisis started in the US and reverberated through Europe and many other countries. The impact of the financial crisis is bound to have some effect on consumer and industrial demand for commodities including timber.

In view of the volatile market environment, new timber importing countries has been sourced during the financial year such as the Middle East region, India and Europe in addition to our traditional market such as Japan, Korea and China. In addition, the Group is continuing to enhance productivity and cost controlling in this challenging environment.

However, there were international positive developments of timber industry. In April 2008, Russia had increased its export tax on logs to 25% and will be further increased to 80% in January 2009. With this move, prices of hardwoods are anticipated to rise as a likely effect of reduction in Rusia's softwood supplies. In addition, continuous strict enforcement on logging and forest conservation in the Asia-Pacific region should constraint raw material supply. The Group looks favourably on these factors with the advantage of secure and constant timber logs supply.

In respond to this, the Group had acquired new fleet of logging equipments during the year which enhance efficiency and productivity. With stringent monitoring of logging equipment and experienced operational teams, the Group will continue to achieve timely delivery of logs for downstream processing and ensuring good forest management.

Our plywood division will continue to expand its growth and widen the market shares. With the introduction of high technology plywood making machineries during the year, the division will further strengthen its competitive advantage in term of recovery rate, operational efficiency and quality. The division will continue focusing on high value added products such as the floorbase panel and film faced plywood.

The Board remains confident in the long term prospects of the timber industry and viability of the Group's business and expect satisfactory financial results for the next financial year ending 30 June 2009.

Acknowledgement

On behalf of the Board, I wish to convey our appreciation to the management and staff for their diligence, dedication, loyalty and contribution 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 unwavering support during the year.

Tan Sri Sabbaruddin Chik
Chairman

Corporate **Social Responsibility**

The Board recognizes the importance of playing its role as a socially responsible corporate citizen on the workplace, community, environment and marketplace. The good corporate governance through practising accountability, honesty, transparency coupled with effective adoption of corporate social responsibility will ensure sustainability in the competitive corporate world and positive influence on the Group's business strategy and performance in the short-term and long-term. The Corporate Social Responsibility accentuated by PWP Group is broadly divided into four (4) focal areas as follows:

1. The Workplace

PWP Group places an importance to its human capital as the most valuable asset. The Group has conducted various in-house training programme which are job-related in nature for the required skills, knowledge and experience. PWP also provides a safe and healthy conducive working condition for its employees and factory workers. Preventive actions and risk mitigation measures such as fire drills, factory safety site briefings are conducted from time to time. The Board believes in continuous learning and human capital development will produce effective performance, high commitment in all levels of employees and ultimately contributes an added value to Group as a whole.

2. The Community

As a caring corporate citizen, the Group contributed funds to Malua Wildlife Habitat Conservation Bank during the financial year under review. The Group plays its role actively in creating employment and job opportunities for fresh graduates which help the government in reducing the unemployment.

3. The Environment

The Group identifies the importance in preserving environment and has taken efforts on waste recycle by converting the leftover core to activated carbon for the use in water filtration system. PWP reuses its wood waste and combined with resin turn into composite material suitable for use disposables in construction, temporary flooring and packing material.

4. The Marketplace

At the marketplace, PWP Group operates in tandem with its vision through sound business practices, good corporate governance and effective management with the aim to enhance the stakeholders' value.

As a socially responsible corporate citizen, the Group's efforts are evident in its Quality Management System certificates accorded such as the MS ISO 9001:2000 Certificate issued by SIRIM QAS International Sdn Bhd., an independent Malaysian certification, inspection and testing body compliance with internationally recognized standards.

Directors' **Profile**

Tan Sri Sabbaruddin Chik

Malaysian, aged 66
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.

Tan Sri Sabbaruddin is also a director of Eden Inc. Berhad.

Lim Nyuk Foh

Malaysian, aged 44
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 16 years of extensive experience in the timber industry.

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

Chok Syn Vun

Malaysian, aged 38
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 44
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 45
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 56
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 Institute of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation. .

Mr Ooi is also a director of Kwantas Corporation Berhad.

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 68 to 70 of this Annual Report.

5. Details of Attendance of Board Meetings held during the financial year ended 30 June 2008

Name of Directors	No. of Meetings Attended	%
Tan Sri Sabbaruddin Chik	4/4	100
Mr Lim Nyuk Foh	4/4	100
Mr Chok Syn Vun	4/4	100
Encik Ramlee Bin Mohd Shariff	4/4	100
Mr Kwan Tack Chiong	4/4	100
Mr Ooi Jit Huat	4/4	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.

Save for the requirement relating to the composition of Audit Committee to be complied with by 31 January 2009, the Board considered that the Company has complied with the Code.

The statements described the application on 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 7 to 9.

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.

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 four (4) occasions. The attendance record of each individual Director at the meetings are set out on page 9 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.

Statement Of **Corporate Governance** (Cont'd)

Appointment to the Board

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

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 financial year save for Mr Ooi Jit Huat who had attended seminars on topics relating to audit and tax, the other Directors have not attended any formal training. However they have been keeping abreast with updates from time to time on relevant laws, regulations and the business environment in which the Group operates.

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

Board Committee

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.

1. Audit Committee

The Board adopted the revised Terms of Reference of the Audit Committee to be in line with the revised Code which came into effect on 1 October 2007 and the Listing Requirements of Bursa Securities. Notwithstanding the requirement of all Audit Committee Members are of non-executive directors, the Board agreed that the compliance on composition of the Audit Committee is to be fulfilled latest by 31 January 2009 as allowed by Bursa Securities.

The detail of the Audit Committee is set out in Audit Committee Report on pages 15 to 16.

2. Nomination Committee

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

i. Tan Sri Sabbaruddin Chik (Chairman)
ii. Kwan Tack Chiong
iii. Ooi Jit Huat

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

Statement Of **Corporate Governance** (Cont'd)

3. Remuneration Committee

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

i. Kwan Tack Chiong (Chairman)
ii. Lim Nyuk Foh
iii. 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.

Directors' Remuneration

The determination of the remuneration packages of Directors is a matter for the Board as a whole and individual is abstained from deliberation and voting on decision in respect of own remuneration. The Directors' remuneration are disclosed in categories under Note 9 of the Financial Statements on pages 44 to 45 of the Annual Report.

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 on Internal Control presented on page 13 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 Financial Reporting 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 Financial Reporting 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

1. COMPOSITION

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

1.1.1 the Audit Committee shall comprise of no fewer than three (3) members;

1.1.2 all the Audit Committee must be non-executive directors, with a majority of them being independent directors;

1.1.3 at least one (1) member of the Audit Committee
(a) must be a member of Malaysian Institute of Accountants; or
(b) if he is not a member of Malaysia Institute of Accountants, he must have at least 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;
(c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

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

1.3 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.

1.4 The Board of Directors shall review the term of office of the Committee members at least once every three (3) years.

2. MEETINGS

Meetings of the Committee shall be held not less than four (4) times in a financial year. A quorum for meeting shall be two (2) members and the majority of members present must be Independent Non-Executive Directors. The external auditors may request a meeting to consider matters within the scope and responsibilities of the Audit Committee.

In addition to the Committee Members, the meetings will be attended by representative of the department in the Company and external auditors, whenever deemed necessary.

The secretary to the Committee shall be the Company Secretary.

3. 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;

Audit Committee **Report** (Cont'd)

3. FUNCTIONS (Cont'd)

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. to review the internal audit function,
   - the adequacy of the scope, functions, competency and resources and the necessary authority to carry out the function;
   - internal audit program, processes, the results of the internal audit program, processes or investigation undertaken, and ensure appropriate action is taken on the recommendations of the internal audit function;
   - approve any appointment or termination of senior staff members of the function and provide resigning staff member an opportunity to submit his reasons for resigning.

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 adjustment arising from audit and unusual events;
   (iii) the going concern assumption; and
   (iv) 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.

4. 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

5. 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 their audit and internal control recommendations in respect of control weaknesses noted in the course of their audit ;
- 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 and recommended to the Board of Directors' for approval;
- reviewed the audited financial statements of the Company and of the Group for the Board of Directors' for approval;
- reviewed and adopted the internal audit plan and program; and
- reviewed the internal audit reports.

Additional **Compliance Information**

During the financial year under review:

(a) Share Buy-Back

The Company bought back a total of RM6,289,763.00 of its own shares from the open market for a total consideration of RM4,784,200.00 All shares bought back are kept as treasury shares. Details of the shares so purchased are as following:

Date of purchase	No. of Purchase Shares	Lowest purchase price (RM)	Highest purchase price (RM)	Average purchase price (RM)	Total purchased consideration (RM)
18-07-2007	500,000	1.310	1.340	1.330	665,000.00
19-07-2007	173,800	1.270	1.280	1.275	221,726.00
20-07-2007	3,103,300	1.290	1.480	1.391	4,318,051.00
23-07-2007	150,000	1.490	1.510	1.503	225,500.00
07-08-2007	100,000	1.060	1.060	1.060	106,000.00
10-08-2007	50,300	1.080	1.090	1.090	54,824.00
15-08-2007	706,800	0.975	1.000	0.988	698,662.00
Total	**4,784,200**				**6,289,763.00**

(b) Options, Warrants or Convertible Securities
No options, warrants or convertible securities in the Company were issued or exercised during the financial year.

(c) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme
The Company did not sponsor any ADR or GDR programs during the financial year.

(d) 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.

(e) Non-Audit Fees
There is no payment made for non-audit fees by the Company and its subsidiaries to the external auditors.

(f) Variation in Results
There were no material variance between the audited results for the financial year ended 30 June 2008 and the unaudited results released for the quarter ended 30 June 2008 of the Group.

(g) Profit Guarantee
There were no profit guarantees given by the Company and its subsidiary.

(h) Material Contracts
There were no material contracts, including contract relating to loan, entered into by the Company and/or its subsidiary involving Directors and major shareholders that are still subsisting at the end of the financial year or since the end of the previous financial year.

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

(j) Recurrent Related Party Transactions
At the Company's Extraordinary General Meeting held on 13 December 2007, 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 31 of the Financial Statements outlined in page 62 of this Annual Report. At the forthcoming Annual General Meeting to be held on 4 December 2008, 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 2008.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacture and sale of plywood and sawn timber, moulded and other processed wood products, trading of logs, provision of wood processing services, timber extraction and property development.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	29,382,683	4,035,453
Attributable to:		
Equity holders of the Company	29,079,286	4,035,453
Minority interests	303,397	-
	29,382,683	4,035,453

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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 2007 was as follows:

	RM
In respect of the financial year ended 30 June 2007	
First and final tax exempt dividend of 3%, on 137,863,718 ordinary shares, declared on 20 November 2007 and paid on 10 March 2008	4,135,912

Significant event

On 16 July 2007, a subsidiary of the Company, Priceworth Industries Sdn. Bhd. acquired additional 8% equity interest in Rimbunan Gagah Sdn. Bhd., for a total cash consideration of RM20,000.

Directors' report (Cont'd)

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.

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 or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) 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 31 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
The Company	**1 July 2007**	**Acquired**	**Sold**	**30 June 2008**
Direct Interest:				
Tan Sri Sabbaruddin Chik	1,010,000	-	(400,000)	610,000
Lim Nyuk Foh	59,188,626	2,981,000	(490,000)	61,679,626
Chok Syn Vun	952,408	420,000	-	1,372,408
Kwan Tack Chiong	1,380,000	-	-	1,380,000

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.

Treasury shares

During the financial year, the Company repurchased 4,784,200 of its issued ordinary shares from the open market at an average price of RM1.23 per share. The total consideration paid for the repurchase including transaction costs was RM6,317,361. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30 June 2008, the Company held a total of 15,318,100 of its 153,181,818 issued ordinary shares as treasury shares at a carrying amount of RM12,590,168. Further relevant details are disclosed in Note 23 to the financial statements.

Directors' report (Cont'd)

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.

(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

Statement by directors / Statutory declaration

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 24 to 65 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of their financial performance and cash flows 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

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 24 to 65 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

Koo Jenn Man

Before me,

Report of the Auditors

to the members of Priceworth Wood Products Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Priceworth Wood Products Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 65.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

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

(b) We are satisfied that the accounts 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.

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Pang Pak Lok
1228/03/09(J)
Chartered Accountant

Tawau, Sabah
Malaysia

Income statements

For the year ended 30 June 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Revenue	3	564,881,761	549,124,064	17,146,496	19,124,938
Cost of sales	4	(489,402,016)	(475,812,643)	-	-
Gross profit		75,479,745	73,311,421	17,146,496	19,124,938
Other income	5	10,481,678	6,687,080	359,970	193,907
Administrative expenses		(19,857,793)	(24,126,452)	(2,208,657)	(2,158,982)
Selling expenses		(21,591,703)	(20,972,254)	-	-
Operating profit		44,511,927	34,899,795	15,297,809	17,159,863
Finance costs	6	(16,552,348)	(16,170,243)	(11,262,356)	(12,733,707)
Profit before tax	7	27,959,579	18,729,552	4,035,453	4,426,156
Income tax	10	1,423,104	7,823,749	-	18,972
Profit for the year		29,382,683	26,553,301	4,035,453	4,445,128
Attributable to:					
Equity holders of the Company		29,079,286	26,302,497	4,035,453	4,445,128
Minority interests		303,397	250,804	-	-
		29,382,683	26,553,301	4,035,453	4,445,128
Earnings per share attributable to Equity holders of the Company (sen):					
Basic	11	21.04	18.39		
Diluted	11	-	-		

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

Balance sheets

as at 30 June 2008

	Note	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Assets					
Non-current assets					
Property, plant and equipment	13	413,100,831	324,323,204	7,544,831	877,148
Biological assets	14	395,795	-	-	-
Prepaid land lease payments	15	34,584,244	34,973,662	-	-
Intangible assets	16	14,571,851	29,645,223	-	-
Investments in subsidiaries	17	-	-	141,379,325	141,379,325
Other investment	18	50,000	50,000	-	-
Deferred tax assets	28	254,481	24,882	-	-
		462,957,202	389,016,971	148,924,156	142,256,473
Current assets					
Property development costs	19	43,114,502	14,201,070	-	-
Inventories	20	67,535,566	76,703,982	-	-
Trade and other receivables	21	77,313,880	84,684,621	99,646,866	141,103,008
Cash and bank balances	22	18,543,137	17,198,593	4,195,498	6,452,897
		206,507,085	192,788,266	103,842,364	147,555,905
Total assets		669,464,287	581,805,237	252,766,520	289,812,378
Equity and liabilities					
Equity attributable to equity holders of the company					
Share capital	23	76,590,909	76,590,909	76,590,909	76,590,909
Share premium	23	54,926,252	54,926,252	54,926,252	54,926,252
Treasury shares	23	(12,590,168)	(6,272,807)	(12,590,168)	(6,272,807)
Retained earnings	24	119,642,045	94,698,671	856,233	956,692
		238,569,038	219,943,025	119,783,226	126,201,046
Minority interests		3,134,771	2,902,981	-	-
Total equity		241,703,809	222,846,006	119,783,226	126,201,046

Balance sheets (Cont'd)

	Note	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Non-current liabilities					
Borrowings	25	181,763,957	180,235,926	90,000,000	125,000,000
Deferred tax liabilities	28	15,879,300	18,208,638	-	-
		197,643,257	198,444,564	90,000,000	125,000,000
Current liabilities					
Borrowings	25	89,112,606	69,769,722	35,047,934	35,021,351
Trade and other payables	27	127,797,581	77,864,390	7,935,360	3,589,981
Tax payable		13,207,034	12,880,555	-	-
		230,117,221	160,514,667	42,983,294	38,611,332
Total liabilities		427,760,478	358,959,231	132,983,294	163,611,332
Total equity and liabilities		669,464,287	581,805,237	252,766,520	289,812,378

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

Consolidated statement of changes in equity For the year ended 30 June 2008

	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM
		|----------Attributable to equity holders of the Company----------|						
		|--Non-distributable--|			Distributable			
At 1 July 2006		71,590,909	48,926,252	(2,861,159)	67,494,210	185,150,212	2,405,762	187,555,974
Effects of adopting FRS 3		-	-	-	5,234,412	5,234,412	-	5,234,412
Issue of ordinary shares pursuant to acquisition of subsidiaries		5,000,000	6,000,000	-	-	11,000,000	-	11,000,000
Minority interest on subsidiary acquired		-	-	-	-	-	246,415	246,415
Purchase of treasury shares	23	-	-	(3,411,648)	-	(3,411,648)	-	(3,411,648)
Profit for the year		-	-	-	26,302,497	26,302,497	250,804	26,553,301
Dividend paid	12	-	-	-	(4,332,448)	(4,332,448)	-	(4,332,448)
At 30 June 2007		76,590,909	54,926,252	(6,272,807)	94,698,671	219,943,025	2,902,981	222,846,006
At 1 July 2007		76,590,909	54,926,252	(6,272,807)	94,698,671	219,943,025	2,902,981	222,846,006
Minority interest on subsidiary acquired		-	-	-	-	-	(71,607)	(71,607)
Purchase of treasury shares	23	-	-	(6,317,361)	-	(6,317,361)	-	(6,317,361)
Profit for the year		-	-	-	29,079,286	29,079,286	303,397	29,382,683
Dividend paid	12	-	-	-	(4,135,912)	(4,135,912)	-	(4,135,912)
At 30 June 2008		76,590,909	54,926,252	(12,590,168)	119,642,045	238,569,038	3,134,771	241,703,809

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

Company statement of changes in equity For the year ended 30 June 2008

	Note	Share capital RM	|--Non-distributable--| Share premium RM	Treasury shares RM	Distributable Retained earnings RM	Total RM
At 1 July 2006		71,590,909	48,926,252	(2,861,159)	844,012	118,500,014
Profit for the year		-	-	-	4,445,128	4,445,128
Issue of ordinary shares:						
Acquisition of subsidiaries		5,000,000	6,000,000	-	-	11,000,000
Purchase of treasury shares	23	-	-	(3,411,648)	-	(3,411,648)
Dividend paid	12	-	-	-	(4,332,448)	(4,332,448)
At 30 June 2007		76,590,909	54,926,252	(6,272,807)	956,692	126,201,046
At 1 July 2007		76,590,909	54,926,252	(6,272,807)	956,692	126,201,046
Profit for the year		-	-	-	4,035,453	4,035,453
Purchase of treasury shares	23	-	-	(6,317,361)	-	(6,317,361)
Dividend paid	12	-	-	-	(4,135,912)	(4,135,912)
At 30 June 2008		76,590,909	54,926,252	(12,590,168)	856,233	119,783,226

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

Cash flow statements

For the year ended 30 June 2008

	Note	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Cash flows from operating activities					
Profit before tax		27,959,579	18,729,552	4,035,453	4,426,156
Adjustments for:					
Depreciation of property, plant and equipment	7	36,778,813	24,143,860	102,682	77,134
Amortisation of prepaid land lease payments	7	389,418	378,639	-	-
Amortisation of timber rights	7	13,779,543	41,131,872	-	-
Impairment of goodwill	7	1,293,829	3,862,076	-	-
Property, plant and equipment written-off	5	394,852	9	-	-
(Gain)/loss on disposal of property, plant and equipment	5	(382,410)	(1,327,838)	-	949
Negative goodwill recognised	5	(51,607)	-	-	-
Interest income	5	(392,967)	(198,865)	(359,970)	(193,907)
Interest expense	6	16,552,348	16,170,243	11,262,356	12,733,707
Operating profit before working capital changes		96,321,398	102,889,548	15,040,521	17,044,039
Increase in property development costs		(28,913,432)	(8,246,721)	-	-
Decrease/(increase) in inventories		9,168,416	(20,536,794)	-	-
Decrease in receivables		7,370,741	7,287,189	41,456,142	11,201,319
Increase/(decrease) in payables		49,933,191	32,081,913	4,345,379	(7,788,118)
Cash generated from operations		133,880,314	113,475,135	60,842,042	20,457,240
Interest paid		(16,552,348)	(16,170,243)	(11,262,356)	(12,733,707)
Income tax paid		(809,354)	(2,433,384)	-	-
Net cash generated from operating activities		116,518,612	94,871,508	49,579,686	7,723,533

Cash flow statements

For the year ended 30 June 2008 (Cont'd)

	Note	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Cash flows from investing activities					
Acquisition of subsidiaries		-	138,686	-	-
Additional investment in subsidiary		(20,000)	-	-	(10,000,000)
Purchase of property, plant and equipment	13(a)	(83,777,584)	(77,652,054)	(6,770,365)	(653,399)
Payment for forest planting expenditure	14	(395,795)	-	-	-
Proceeds from disposal of property, plant and equipment		965,382	4,044,379	-	90,000
Interest received		392,967	198,865	359,970	193,907
Net cash used in investing activities		(82,835,030)	(73,270,124)	(6,410,395)	(10,369,492)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		-	11,000,000	-	11,000,000
Proceeds from issuance of ordinary shares to minority		-	245,888	-	-
Repayment of Commercial Papers		(10,000,000)	-	(10,000,000)	-
Repayment of Medium Term Notes		(25,000,000)	-	(25,000,000)	
Proceeds from term loan		38,616,629	-	-	-
Drawdown of short term revolving credits		16,049,444	29,562,902	-	-
Repayment of short term revolving credits		(18,037,444)	(29,579,959)	-	-
Repayment of hire purchase and lease financing		(23,540,977)	(16,635,001)	-	-
Acquisition of treasury shares	23	(6,317,361)	(3,411,648)	(6,317,361)	(3,411,648)
Dividend paid	12	(4,135,912)	(4,332,448)	(4,135,912)	(4,332,448)
Net cash (used in)/generated form financing activities		(32,365,621)	(13,150,266)	(45,453,273)	3,255,904
Net increase/(decrease) in cash and cash equivalents		1,317,961	8,451,118	(2,283,982)	609,945
Cash and cash equivalents at beginning of year		17,177,242	8,726,124	6,431,546	5,821,601
Cash and cash equivalents at end of year	22	18,495,203	17,177,242	4,147,564	6,431,546

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

Notes to the financial statements
30 June 2008

1. Corporate information

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 principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 October 2008.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs, amendments to FRS and IC Interpretations which are mandatory for financial periods beginning on or after 1 October 2006, as described fully in Note 2.3.

The financial statements of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(a) Subsidiaries and basis of consolidation (Cont'd)

(ii) Basis of consolidation (Cont'd)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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, considered to have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

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.

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(c) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of 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%

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Biological assets

Forest planting expenditure

All direct and related expenses incurred on the development of the Company's Sustainable Forest Management Project under a Sustainable Forest Management Licence Agreement with the State Government of Sabah is stated at cost and capitalised as biological assets. The expenditure will be amortised upon commencement of log extraction on the basis of the volume of logs extracted during the financial year as a proportion of the estimated volume available.

(e) 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.

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(e) Property development costs (Cont'd)

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.

(f) 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.

(g) Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period.

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(g) Impairment of non-financial assets (Cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(h) 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 costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

(i) 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.

(i) 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.

(ii) Other non-current investment

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.

(iii) Trade receivables

Trade 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.

(iv) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(i) Financial instruments (Cont'd)

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) 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 profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(j) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases – the Group as lessee

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. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the differences between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss 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 2.2(c).

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(j) Leases (Cont'd)

(iii) Operating leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) 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. 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 as income or an expense and included in the profit or loss for the period, 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 the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(n) 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. 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 contributions plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(o) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sales of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(p) Revenue recognition (Cont'd)

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(f).

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

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

(v) Revenue from services

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

(vi) Rental income

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

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 July 2007, the Group and the Company adopted the following FRSs, amendments to FRS and IC Interpretations as follows:

FRS 6:	Exploration for and evaluation of mineral resources
FRS 107:	Cash flow statements
FRS 111:	Construction contracts
FRS 112:	Income taxes
FRS 117:	Leases
FRS 118:	Revenue
FRS 120:	Accounting for government grants and disclosure of government assistance
FRS 121:	The effect of changes in foreign exchange rates
FRS 124:	Related party disclosures
FRS 134:	Interim financial reporting
FRS 137:	Provisions, contingent liabilities and contingent assets
Amendment to FRS 119_{2004}:	Employee benefits – actuarial gains and losses, group plans and disclosures
Amendment to FRS 121:	The effects of changes in foreign exchange rates – net investment in a foreign operation
IC Interpretation 1:	Changes in existing decommissioning, restoration and similar liabilities
IC Interpretation 2:	Members' shares in co-operative entities and similar instruments
IC Interpretation 5:	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IC Interpretation 6:	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
IC Interpretation 7:	Applying the restatement approach under FRS 1292004 –financial reporting in hyperinflationary economies
IC Interpretation 8:	Scope of FRS 2

Notes to the financial statements

30 June 2008 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd)

The adoption of the revised FRS 124 give rise to additional disclosures but does not result in significant changes in accounting policies of the Group and of the Company. Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS amendments to FRS and IC Interpretations above do not have any other significant impact on the financial statements of the Group and of the Company:

(a) FRS 112: Income Taxes

Prior to 1 July 2007, unused investment tax allowances and reinvestment allowances were not accounted for as a deferred tax asset. The adoption of revised FRS 112 has resulted in a change in accounting policy relating to the recognition of deferred tax asset on unused investment tax allowances and reinvestment allowances.

Under revised FRS 112 entities with unused investment tax allowances or reinvestment allowances will have to account for such items as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unused investment tax allowances and reinvestment allowances can be utilised.

The change in accounting policy has no material effect to the financial statements of the Group and the Company.

(b) FRS 117: Leases

Leasehold land held for own use

Prior to 1 July 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The effects on the balance sheet as at 30 June 2008 are also set out below:

Group	**2008 RM**
Decrease property, plant and equipment	(34,584,244)
Increase prepaid land lease payments	34,584,244

There were no effects on the consolidated income statement for the year ended 30 June 2008 and the Company's separate financial statements.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as such, certain comparative has been restated.

2. Significant accounting policies (Cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd)

(b) FRS 117: Leases (Cont'd)

Leasehold land held for own use (Cont'd)

	Previously stated RM	(Decrease)/ increase FRS 117 RM	Restated RM
Group			
Property, plant and equipment	359,296,866	(34,973,662)	324,323,204
Prepaid land lease payments	-	34,973,662	34,973,662

(c) Initial direct costs

Prior to 1 July 2007, the Group, as a lessor in operating lease arrangements, had recognised initial direct costs incurred in negotiating and arranging leases as an expense in the profit or loss in the period in which they were incurred. The revised FRS 117 requires such costs to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. According to the revised FRS 117, this change in accounting policy should be applied retrospectively. In general, the Group does not incur significant initial direct costs on negotiating and arranging leases and as a result, this change in accounting policy did not materially affect the financial statements of the Group and the Company.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, FRS 139: Financial Instruments and Measurement (effective for financial periods beginning on or after 1 January 2010), was issued but not yet effective and have not been applied by the Group and the Company.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS139.

2.5 Significant accounting estimates and judgements

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 30 June 2008 was RM14,571,851 (2007:RM15,865,680). Further details are disclosed in Note 16.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM63,856,592 (2007: RM43,752,877) and the unrecognised tax losses and capital allowances of the Group was RM45,637,561 (2007: RM96,505,664).

Notes to the financial statements
30 June 2008 (Cont'd)

3. Revenue

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Gross dividend from a subsidiary	-	-	17,146,496	19,124,938
Sale of processed wood products	282,722,414	388,902,040	-	-
Sale of logs	150,607,057	109,586,097	-	-
Contract fees	120,985,567	39,249,552	-	-
Road tolls	10,566,723	11,386,375	-	-
	564,881,761	549,124,064	17,146,496	19,124,938

4. Cost of sales

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cost of goods sold	359,128,010	398,793,738	-	-
Cost of services rendered	130,274,006	77,018,905	-	-
	489,402,016	475,812,643	-	-

5. Other income

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Interest income from:				
Deposits with licensed banks	353,718	8,243	324,547	3,285
Repos	35,423	190,622	35,423	190,622
Overdue accounts	3,826	-	-	-
	392,967	198,865	359,970	193,907
Gain on disposal of property, plant and equipment	382,410	1,328,787	-	-
Gain on foreign exchange	11,898	102,810	-	-
Gate pass income	636,915	587,575	-	-
Handling charges	1,228	1,513,391	-	-
Hiring income	-	72,000	-	-
Insurance claim received	663,474	466,105	-	-
Rental income	4,149,424	672,564	-	-
Aircraft rental income	630,614	-	-	-
Miscellaneous income	2,832,175	731,693	-	-
Road marking income	-	500,000	-	-
Sale of scrapped iron	329,224	366,000	-	-
Sale of sawn dust	399,742	147,290	-	-
Negative goodwill recognised	51,607	-	-	-
	10,481,678	6,687,080	359,970	193,907

6. Finance costs

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Interest expense on:				
Medium Term Notes	9,053,603	10,548,391	9,053,603	10,548,391
Commercial Papers	2,208,753	2,185,316	2,208,753	2,185,316
Hire purchase	4,294,732	2,641,683	-	-
Letters of credit	109,228	55,682	-	-
Overdue accounts	625,793	299,364	-	-
Short term revolving credits	260,239	439,807	-	-
	16,552,348	16,170,243	11,262,356	12,733,707

7. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Employee benefits expense (Note 8)	51,629,814	46,505,052	82,728	86,196
Non-executive directors' remuneration (Note 9)	290,250	301,000	290,250	301,000
Auditors' remuneration:				
Statutory audits:				
- Current year	122,300	118,700	25,000	25,000
- Under/(over)provided in prior years	5,000	6,500	-	(2,000)
Other services	56,300	19,500	9,000	9,000
Administration fees	12,612	-	-	-
Amortisation of timber rights (Note 16)	13,779,543	41,131,872	-	-
Impairment of intangible assets (Note 16):				
- included in administrative expenses	1,293,829	3,862,076	-	-
Depreciation of property, plant and equipment (Note 13)	36,778,813	24,143,860	102,682	77,134
Amortisation of prepaid land lease payments (Note 15)	389,418	378,639	-	-
Hire of equipment	2,443,822	10,328,349	-	-
Management fee paid	-	29,376	-	-
Property, plant and equipment written-off	394,852	9	-	-
Rental of pangkalan	92,000	133,211	-	-
Rental of premises	514,376	295,307	123,019	112,017
Loss on disposal of property, plant and equipment	-	949	-	949

Notes to the financial statements
30 June 2008 (Cont'd)

8. Employee benefits expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Salaries, wages and allowances	49,683,215	44,726,355	72,084	74,725
Social security contributions	931,798	988,347	1,144	1,119
Contributions to defined contribution plan	1,054,390	808,383	9,500	10,352
Other benefits	-	41,350	-	-
	51,669,403	46,564,435	82,728	86,196
Less: Capitalised in property development costs	(39,589)	(59,383)	-	-
	51,629,814	46,505,052	82,728	86,196

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM848,078 (2007: RM883,120) as further disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Executive directors' remuneration (Note 8):				
Salaries	732,000	732,000	-	-
Other emoluments	116,078	151,120	-	-
	848,078	883,120	-	-
Non-executive directors' remuneration (Note 7):				
Fees	258,000	258,000	258,000	258,000
Other emoluments	32,250	43,000	32,250	43,000
	290,250	301,000	290,250	301,000
Total directors' remuneration	1,138,328	1,184,120	290,250	301,000
Estimated money value of benefits-in-kind	-	41,350	-	-
Total directors' remuneration including benefits-in-kind	1,138,328	1,225,470	290,250	301,000

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	
	2008	2007
Executive directors:		
RM250,001 to RM300,000	1	1
RM550,001 to RM600,000	1	1
Non-executive directors:		
Below RM50,000	3	3
RM100,001 to RM150,000	1	1

Notes to the financial statements
30 June 2008 (Cont'd)

9. Directors' remuneration (Cont'd)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Executive:				
Salaries	732,000	732,000	-	-
Bonus	50,000	80,000	-	-
Defined contribution plan	65,458	70,500	-	-
Social security contribution	620	620	-	-
Other benefits	-	41,350	-	-
	848,078	924,470	-	-
Non-executive:				
Salaries	258,000	258,000	258,000	258,000
Bonus	32,250	43,000	32,250	43,000
	290,250	301,000	290,250	301,000
	1,138,328	1,225,470	290,250	301,000

10. Income tax expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Current income tax:				
Provision for the year	341,278	3,052,487	-	-
Under/(over)provision in prior years	794,555	(442,127)	-	(18,972)
	1,135,833	2,610,360	-	(18,972)
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	(3,077,309)	(9,837,235)	-	-
Relating to changes in tax rates	(579,663)	(665,006)	-	-
Underprovision in prior years	1,098,035	68,132	-	-
	(2,558,937)	(10,434,109)	-	-
	(1,423,104)	(7,823,749)	-	(18,972)

Current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

Notes to the financial statements
30 June 2008 (Cont'd)

10. Income tax expense (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:

	2008 RM	2007 RM
Group		
Profit before tax	27,959,579	18,729,552
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	7,269,491	5,056,980
Effect of changes in tax rates	(579,663)	(665,006)
Effect of income subject to tax rate of 20% *	(43,964)	(89,737)
Effect of income not subject to tax	(196,342)	(4,637,427)
Effect of expenses not deductible for tax purposes	4,234,934	5,345,198
Effect of utilisation of previously unrecognised tax losses and unabsorbed reinvestment allowances	(14,059,585)	(10,800,995)
Effect of utilisation of previously unrecognised unutilised reinvestment allowances	-	(3,234,655)
Deferred tax assets not recognised in respect of current year's tax losses	59,435	1,009,941
Deferred tax assets not recognised on current year's unabsorbed capital allowances	-	565,947
Underprovision of deferred tax in prior years	1,098,035	68,132
Under/(over)provision of tax expense in prior years	794,555	(442,127)
	(1,423,104)	(7,823,749)

* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 of the chargeable income of certain subsidiary companies is 20% as these companies are small and medium scale company.

	2008 RM	2007 RM
Company		
Profit before tax	4,035,453	4,426,156
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	1,049,218	1,195,062
Effect of income not subject to tax	(4,458,089)	(5,163,733)
Effect of expenses not deductible for tax purposes	3,408,871	3,968,671
Overprovision of tax expense in prior years	-	(18,972)
	-	(18,972)

Tax savings during the financial year arising from:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Utilisation of tax losses	36,671,646	41,093,637	-	-
Utilisation of unabsorbed reinvestment allowance brought forward	-	534,655	-	-
Utilisation of current year forest allowances	-	834,207	-	-

Notes to the financial statements

30 June 2008 (Cont'd)

11. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2008	**2007**
Profit for the year (RM)	29,079,286	26,302,497
Weighted average number of ordinary shares in issue	138,182,056	143,060,678
Basic earnings per share (sen)	21.04	18.39

(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.

12. Dividend

	Dividends in respect of year		**Dividends recognised in year**	
	2007	**2006**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Recognised during the year:				
Final tax exempt dividend for 2007: 3% on 137,863,718 ordinary shares (3 sen per ordinary share)	4,135,912	-	4,135,912	-
Final tax exempt dividend for 2006: 3% on 144,414,933 ordinary shares (3 sen per ordinary share)	-	4,332,448	-	4,332,448
	4,135,912	4,332,448	4,135,912	4,332,448

13. Property, plant and equipment

Group	**Buildings**	**Heavy equipment, motor vehicles and motor launches**	**Plant and machinery**	**Furniture, fittings and equipment**	**Aircraft**	**Camp infrastructure**	**Capital work-in-progress**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 30 June 2008								
Cost								
At 1 July 2007	48,550,348	162,568,615	95,430,192	7,099,389	-	28,234,355	67,454,758	409,337,657
Additions	5,712,175	26,267,851	37,547,083	795,929	14,465,830	1,582,790	40,162,606	126,534,264
Disposals	-	(862,938)	-	(42,487)	-	(203,763)	-	(1,109,188)
Write-off	-	(457,925)	-	-	-	-	-	(457,925)
Reclassifications	51,736,395	6,228	38,565,569	(6,228)	-	-	(90,301,964)	-
At 30 June 2008	105,998,918	187,521,831	171,542,844	7,846,603	14,465,830	29,613,382	17,315,400	534,304,808

Notes to the financial statements

30 June 2008 (Cont'd)

13. Property, plant and equipment (Cont's)

Group	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Camp infrastructure RM	Capital work-in-progress RM	Total RM
Accumulated depreciation								
At 1 July 2007	4,772,186	37,912,601	28,717,817	4,274,737	-	9,337,112	-	85,014,453
Depreciation charge for the year (Note 7)	1,791,538	18,544,963	10,152,036	980,712	1,398,098	3,911,466	-	36,778,813
Disposals	-	(475,090)	-	(18,626)	-	(32,500)	-	(526,216)
Write-off	-	(63,073)	-	-	-	-	-	(63,073)
Reclassifications	-	691	-	(691)	-	-	-	-
At 30 June 2008	6,563,724	55,920,092	38,869,853	5,236,132	1,398,098	13,216,078	-	121,203,977
Net carrying amount								
At 30 June 2008	99,435,194	131,601,739	132,672,991	2,610,471	13,067,732	16,397,304	17,315,400	413,100,831

Group	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
At 30 June 2007							
Cost							
At 1 July 2006	43,924,559	105,804,165	86,095,711	6,124,206	18,998,856	1,809,984	262,757,481
Additions	2,269,682	56,975,289	10,257,039	904,199	9,235,499	72,520,223	152,161,931
Disposals	(1,563,405)	(2,790,375)	(4,395,797)	(7,000)	-	(497,710)	(9,254,287)
Reclassifications	3,360,284	-	3,411,447	4,554	-	(6,776,285)	-
Acquisition of subsidiaries	559,228	2,579,536	61,792	73,430	-	398,546	3,672,532
At 30 June 2007	48,550,348	162,568,615	95,430,192	7,099,389	28,234,355	67,454,758	409,337,657
Accumulated depreciation							
At 1 July 2006	4,361,968	27,730,515	25,232,136	3,268,635	6,307,006	-	66,900,260
Depreciation charge for the year:	1,218,121	11,889,489	7,503,105	1,011,109	3,030,106	-	24,651,930
Recognised in income statement (Note 7)	1,218,121	11,391,122	7,503,105	1,001,406	3,030,106	-	24,143,860
Capitalised in property development costs (Note 17)	-	498,367	-	9,703	-	-	508,070
Disposals	(807,903)	(1,707,403)	(4,015,432)	(6,999)	-	-	(6,537,737)
Reclassifications	-	-	(1,992)	1,992	-	-	-
At 30 June 2007	4,772,186	37,912,601	28,717,817	4,274,737	9,337,112	-	85,014,453
Net carrying amount							
At 30 June 2007	43,778,162	124,656,014	66,712,375	2,824,652	18,897,243	67,454,758	324,323,204

Notes to the financial statements

30 June 2008 (Cont'd)

13. Property, plant and equipment (Cont'd)

Company	Motor vehicles RM	Furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
At 30 June 2008				
Cost				
At 1 July 2007	348,600	234,742	406,557	989,899
Addition	-	-	6,770,365	6,770,365
At 30 June 2008	348,600	234,742	7,176,922	7,760,264
Accumulated depreciation				
At 1 July 2007	34,860	77,891	-	112,751
Depreciation charge for the year (Note 7)	69,720	32,962	-	102,682
At 30 June 2008	104,580	110,853	-	215,433
Net carrying amount				
At 30 June 2008	244,020	123,889	7,176,922	7,544,831
At 30 June 2007				
Cost				
At 1 July 2006	129,927	207,978	128,522	466,427
Additions	348,600	26,764	278,035	653,399
Disposal	(129,927)	-	-	(129,927)
At 30 June 2007	348,600	234,742	406,557	989,899
Accumulated depreciation				
At 1 July 2006	25,985	48,610	-	74,595
Depreciation charge for the year (Note 7)	47,853	29,281	-	77,134
Disposal	(38,978)	-	-	(38,978)
At 30 June 2007	34,860	77,891	-	112,751
Net carrying amount				
At 30 June 2007	313,740	156,851	406,557	877,148

Notes to the financial statements

30 June 2008 (Cont'd)

13. Property, plant and equipment (Cont'd)

(a) During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM126,534,264 (2007: RM152,161,931) of which RM42,756,680 (2007: RM74,509,877) was acquired by means of finance lease arrangements. Net carrying amount of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2008	**2007**
	RM	**RM**
Tractors and heavy equipment	110,288,373	53,412,557
Motor vehicles and dump trucks	21,492,288	21,705,144
Plant and machinery	463,550	-
Aircraft	11,655,000	-
	143,899,211	75,117,701

(b) 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 (2007: RM160 million) as disclosed in Note 25.

14. Biological assets

	Forest planting expenditure RM
Group	
Cost	
At 1 July 2007	-
Additions	395,795
At 30 June 2008	395,795

The forest plantation development expenditure is in respect of a 50 years concession for 979 hectares of timber land under Forest Management Unit at Pinangah Forest Reserve.

15. Prepaid land lease payments

	Group	
	2008	**2007**
	RM	**RM**
Long term leasehold land		
At beginning of year	34,973,662	35,352,301
Amortisation for the year (Note 7)	(389,418)	(378,639)
At end of year	34,584,244	34,973,662

Leasehold land of the Group have been pledged as part of the securities for Commercial Papers/Medium Term Notes Programme of RM160 million (2007: RM160 million) as disclosed in Note 25.

Notes to the financial statements
30 June 2008 (Cont'd)

16. Intangible assets

Group	Goodwill RM	Negative goodwill RM	Timber rights RM	Total RM
Cost				
At 1 July 2006	23,329,679	(5,234,412)	107,614,000	125,709,267
Effects of adopting FRS 3	(3,825,391)	5,234,412	-	1,409,021
Acquisition of subsidiaries	223,468	-	-	223,468
At 30 June 2007 and 1 July 2007	19,727,756	-	107,614,000	127,341,756
Additional investment in subsidiary	-	(51,607)	-	(51,607)
Recognised in income statement (Note 5)	-	51,607	-	51,607
At 30 June 2008	19,727,756	-	107,614,000	127,341,756
Accumulated amortisation and impairment				
At 1 July 2006	3,825,391	-	52,702,585	56,527,976
Effects of adopting FRS 3	(3,825,391)	-	-	(3,825,391)
Amortisation (Note 7)	-	-	41,131,872	41,131,872
Impairment loss recognised in income statement (Note 7)	3,862,076	-	-	3,862,076
At 30 June 2007 and 1 July 2007	3,862,076	-	93,834,457	97,696,533
Amortisation (Note 7)	-	-	13,779,543	13,779,543
Impairment loss recognised in income statement (Note 7)	1,293,829	-	-	1,293,829
At 30 June 2008	5,155,905	-	107,614,000	112,769,905
Net carrying amount				
At 30 June 2007	15,865,680	-	13,779,543	29,645,223
At 30 June 2008	14,571,851	-	-	14,571,851

Impairment test for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's CGU which is the timber operation.

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the growth rates stated below. The key assumptions used for value-in-use calculations are:

	Growth Rate 2008 %	Growth Rate 2007 %	Discount Rate 2008 %	Discount Rate 2007 %
Timber operation	5.6	5.6	8.0	8.0

Notes to the financial statements

30 June 2008 (Cont'd)

16. Intangible assets (Cont'd)

Key assumptions used in value-in-use calculations (Cont'd)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Growth rate
The weighted average growth rates used are consistent with the long-term average growth rate for the industry.

(ii) Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the industry.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the timber operation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts, save as discussed below:

Sales and logs/timber supply assumptions

The management recognises that any significant changes in the market selling price for its timber products and logs/timber supply can have a significant impact on the sales and logs/timber supply assumptions made in the projections.

17. Investments in subsidiaries

	Company 2008 RM	Company 2007 RM
Unquoted shares at cost:		
At beginning of year	141,379,325	131,379,325
Additional investment in subsidiaries	-	10,000,000
At end of year	141,379,325	141,379,325

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2008 %	Proportion of ownership interest 2007 %
Held by the Company:				
Priceworth Industries Sdn. Bhd.*	Malaysia	Manufacture and sale of processed wood products, trading of logs and provision of wood processing services	100	100
Teras Selasih Sdn. Bhd.	Malaysia	Log timber trading	100	100
Cergas Kenari Sdn. Bhd.	Malaysia	Timber extraction	100	100

Notes to the financial statements

30 June 2008 (Cont'd)

17. Investments in subsidiaries (Cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2008 %	2007 %
Held by the Company:				
Sinora Sdn. Bhd.	Malaysia	Manufacture and sale of plywood and sawn timber and trading of logs	100	100
Innora Sdn. Bhd.	Malaysia	Manufacture and sale of moulded wood products and trading of logs	100	100
Integral Acres Sdn. Bhd.**	Malaysia	Property development	51	51
*** Held through Priceworth Industries Sdn. Bhd.**				
Ligreen Enterprise Sdn. Bhd.	Malaysia	Logs trading	100	100
Maxland Sdn. Bhd.	Malaysia	Timber extraction and land development	100	100
Cabaran Cerdas Sdn. Bhd.	Malaysia	Dormant	100	100
Rimbunan Gagah Sdn. Bhd.	Malaysia	Manufacture and sale of processed wood products	64.5	56.5
**** Held through Integral Acres Sdn. Bhd.**				
Integral Acres Construction Sdn. Bhd.	Malaysia	Construction contracts	100	100

During the financial year, the Group subscribed for an additional 8% equity interest in Rimbunan Gagah Sdn. Bhd. for a total cash consideration of RM20,000.

18. Other investment

	Group 2008 RM	2007 RM
Unquoted shares, at cost	50,000	50,000

Notes to the financial statements

30 June 2008 (Cont'd)

19. Property development costs

Group	Leasehold land RM	Development costs RM	Total RM
At 30 June 2008			
Cumulative property development costs			
At 1 July 2007	1,000,000	13,201,070	14,201,070
Costs incurred during the year	-	28,913,432	28,913,432
Property development costs at 30 June 2008	1,000,000	42,114,502	43,114,502
At 30 June 2007			
Cumulative property development costs			
At 1 July 2006	-	5,446,279	5,446,279
Transferred to inventories (Note 20)	-	(6,640,527)	(6,640,527)
Costs incurred during the year	1,000,000	14,395,318	15,395,318
Property development costs at 30 June 2007	1,000,000	13,201,070	14,201,070

	Group 2008 RM	Group 2007 RM
Included in property development costs incurred were:		
Depreciation of property, plant and equipment (Note 13)	-	508,070

20. Inventories

	Group 2008 RM	Group 2007 RM
Cost		
Log contract work-in-progress	8,625,808	7,038,225
Raw materials	5,005,819	13,052,553
Work-in-progress	1,830,414	2,936,711
Finished goods	37,961,739	28,791,038
Consumable goods	7,419,516	9,068,290
Production supplies	6,692,260	9,176,638
Transferred from property development cost (Note 19):		
Construction in process	-	6,640,527
	67,535,566	76,703,982

There were no inventories stated at net realisable value at 30 June 2008 (2007: Nil).

Notes to the financial statements

30 June 2008 (Cont'd)

21. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables				
Third parties	35,912,190	49,143,256	-	-
Other receivables				
Due from subsidiaries	-	-	97,946,807	138,621,355
Deposits for acquisition of machineries	4,200,000	3,427,500	-	-
Deposits for log supplies	9,951,940	-	-	-
Other deposits	2,133,642	2,562,650	41,633	390,993
Prepayments	9,939,688	15,313,756	1,656,899	2,089,133
Sundry receivables	15,176,420	14,237,459	1,527	1,527
	41,401,690	35,541,365	99,646,866	141,103,008
	77,313,880	84,684,621	99,646,866	141,103,008

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Company's normal trade credit terms range 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 exposure to a single debtor or to groups of debtors.

(b) Deposits for log supplies

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

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 31.

Notes to the financial statements
30 June 2008 (Cont'd)

22. Cash and cash equivalents

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash on hand and at banks	14,407,271	10,720,140	205,498	207,454
Deposits with licensed banks	4,135,866	6,478,453	3,990,000	6,245,443
Cash and bank balances	18,543,137	17,198,593	4,195,498	6,452,897
Less: Bank overdrafts (Note 25)	(47,934)	(21,351)	(47,934)	(21,351)
Cash and cash equivalents	18,495,203	17,177,242	4,147,564	6,431,546

Included in deposits with licensed banks of the Group amounting to RM29,000 (2007: RM40,216) are pledged to the bankers to secure bank guarantees granted to the government departments and hence, are not available for general use.

Other information on financial risks of cash and cash equivalents are disclosed in Note 32.

23. Share capital, share premium and treasury shares

	Number of ordinary shares of RM 0.50 each: Share capital (issued and fully paid)	Number of ordinary shares of RM 0.50 each: Treasury shares	Amount: Share capital (issued and fully paid) RM	Amount: Share premium RM	Amount: Total share capital and share premium RM	Amount: Treasury shares RM
At 1 July 2006	143,181,818	(5,912,400)	71,590,909	48,926,252	120,517,161	(2,861,159)
Ordinary shares issued during the year: Acquisition of subsidiaries	10,000,000	-	5,000,000	6,000,000	11,000,000	-
Transaction costs	-	-	-	-	-	(14,820)
Purchase of treasury shares	-	(4,621,500)	-	-	-	(3,396,828)
At 30 June 2007 and 1 July 2007	153,181,818	(10,533,900)	76,590,909	54,926,252	131,517,161	(6,272,807)
Transaction costs	-	-	-	-	-	(27,598)
Purchase of treasury shares	-	(4,784,200)	-	-	-	(6,289,763)
At 30 June 2008	153,181,818	(15,318,100)	76,590,909	54,926,252	131,517,161	(12,590,168)

23. Share capital, share premium and treasury shares (Cont'd)

	Number of ordinary shares of RM0.50 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised share capital				
At 1 July and 30 June	200,000,000	200,000,000	100,000,000	100,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Treasury shares

This amount relates to the acquisition cost of treasury shares.

During the financial year, the Company repurchased 4,784,200 of its issued ordinary shares from the open market at an average price of RM1.23 per share. The total consideration paid for the repurchase was RM6,317,361, comprising of consideration paid amounting to RM6,289,763 and transaction costs of RM27,598. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 153,181,818 (2007: 153,181,818) issued and fully paid ordinary shares as at 30 June 2008, 15,318,100 (2007: 10,533,900) are held as treasury shares by the Company. As at 30 June 2008, the number of outstanding ordinary shares in issue after the setoff is therefore 137,863,718 (2007: 142,647,918) ordinary shares of RM0.50 each.

24. Retained earnings

As at 30 June 2008, the Company has tax exempt profits available for distribution of approximately RM49,470,032 (2007: RM36,459,448), subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2008, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

25. Borrowings

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings				
Secured:				
Medium Term Notes	25,000,000	25,000,000	25,000,000	25,000,000
Commercial Papers	10,000,000	10,000,000	10,000,000	10,000,000
Short term revolving credits	7,952,000	9,940,000	-	-
Term loan	10,200,000	-	-	-
Hire purchase liabilities and finance lease (Note 26)	35,912,672	24,808,371	-	-
	89,064,672	69,748,371	35,000,000	35,000,000

Notes to the financial statements

30 June 2008 (Cont'd)

25. Borrowings (Cont'd)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Short term borrowings (Cont'd)				
Unsecured:				
Bank overdrafts (Note 22)	47,934	21,351	47,934	21,351
	89,112,606	69,769,722	35,047,934	35,021,351
Long term borrowings				
Secured:				
Medium Term Notes	70,000,000	95,000,000	70,000,000	95,000,000
Commercial Papers	20,000,000	30,000,000	20,000,000	30,000,000
Term loan	28,416,629	-	-	-
Hire purchase liabilities and finance lease (Note 26)	63,347,328	55,235,926	-	-
	181,763,957	180,235,926	90,000,000	125,000,000
Total borrowings				
Bank overdrafts (Note 22)	47,934	21,351	47,934	21,351
Medium Term Notes	95,000,000	120,000,000	95,000,000	120,000,000
Commercial Papers	30,000,000	40,000,000	30,000,000	40,000,000
Short term revolving credits	7,952,000	9,940,000	-	-
Term loan	38,616,629	-	-	-
Hire purchase and finance lease liabilities (Note 26)	99,260,000	80,044,297	-	-
	270,876,563	250,005,648	125,047,934	160,021,351

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

The short term revolving credits is secured by a corporate guarantee by the Company.

The term loan is secured by the following:

(a) First legal charge over the leasehold land owned by a director of the Company;
(b) First legal charge over the leasehold land owned by third parties;
(c) A charge over the shares of the company held by a director of the Company;
(d) Corporate guarantee by a third party; and
(e) Joint and several guarantee by the directors of the Company.

Other information on financial risks of borrowings is disclosed in Note 32.

Notes to the financial statements

30 June 2008 (Cont'd)

26. Hire purchase and finance lease liabilities

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Future minimum lease payments:				
Not later than 1 year	43,290,902	30,551,153	-	-
Later than 1 year and not later than 2 years	34,552,747	27,365,909	-	-
Later than 2 years and not later than 5 years	43,047,395	40,322,968	-	-
Later than 5 years	-	1,599,760	-	-
Total future minimum lease payments	120,891,044	99,839,790	-	-
Less: Future finance charges	(21,631,044)	(19,795,493)	-	-
Present value of finance lease liabilities (Note 25)	99,260,000	80,044,297	-	-
Analysis present value of finance lease liabilities:				
Not later than 1 year	35,912,672	24,808,371	-	-
Later than 1 year and not later than 2 years	30,011,447	22,595,759	-	-
Later than 2 years and not later than 5 years	33,335,881	31,640,343	-	-
Later than 5 years	-	999,824	-	-
	99,260,000	80,044,297	-	-
Less: Amount due within 12 months (Note 25)	(35,912,672)	(24,808,371)	-	-
Amount due after 12 months (Note 25)	63,347,328	55,235,926	-	-

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 32.

27. Trade and other payables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Current				
Trade payables				
Third parties	60,960,174	45,785,954	-	-
Other payables				
Accruals	7,899,933	7,223,185	1,072,411	1,315,972
Deposits	891,678	616,507	-	-
Sundry payables	58,045,796	24,238,744	6,862,949	2,274,009
	66,837,407	32,078,436	7,935,360	3,589,981
	127,797,581	77,864,390	7,935,360	3,589,981

Notes to the financial statements
30 June 2008 (Cont'd)

27. Trade and other payables (Cont'd)

Trade payables

The payables are non-interest bearing and the normal trade credit terms granted to the Group range from 60 days to 90 days.

Other information on financial risks of payables is disclosed in Note 32.

28. Deferred tax

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of year	18,183,756	28,617,865	-	-
Recognised in income statement (Note 10)	(2,558,937)	(10,434,109)	-	-
At end of year	15,624,819	18,183,756	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(254,481)	(24,882)	-	-
Deferred tax liabilities	15,879,300	18,208,638	-	-
	15,624,819	18,183,756	-	-

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:

	Timber rights RM	Property, plant and equipment RM	Prepaid land lease payments RM	Total RM
At 1 July 2007	3,858,272	22,257,381	3,443,851	29,559,504
Recognised in income statement	(3,858,272)	6,067,499	(179,764)	2,029,463
At 30 June 2008	-	28,324,880	3,264,087	31,588,967
At 1 July 2006	15,375,196	16,054,796	3,627,397	35,057,389
Recognised in income statement	(11,516,924)	6,202,585	(183,546)	(5,497,885)
At 30 June 2007	3,858,272	22,257,381	3,443,851	29,559,504

28. Deferred tax (Cont'd)

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM	Property, plant and equipment RM	Total RM
At 1 July 2007	(11,375,748)	-	(11,375,748)
Recognised in income statement	(4,588,400)	-	(4,588,400)
At 30 June 2008	(15,964,148)	-	(15,964,148)
At 1 July 2006	(6,422,315)	(17,209)	(6,439,524)
Recognised in income statement	(4,953,433)	17,209	(4,936,224)
At 30 June 2007	(11,375,748)	-	(11,375,748)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2008 RM	Group 2007 RM
Unabsorbed reinvestment allowances	11,980,202	11,980,202
Unutilised tax losses	33,217,307	80,622,439
Unabsorbed capital allowances	-	3,462,630
Other deductible temporary differences	440,052	440,393
	45,637,561	96,505,664

The availability of unutilised tax losses and unabsorbed allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guideline issued by the tax authority.

29. Capital commitments

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Capital expenditure				
Approved and contracted for:				
Plant and equipment	17,403,750	8,140,382	-	-
Land	-	539,000	-	-
Sawmill factory	-	810,000	-	-
Construction of buildings	13,800,000	5,000,000	13,800,000	5,000,000
	31,203,750	14,489,382	13,800,000	5,000,000

Notes to the financial statements

30 June 2008 (Cont'd)

30. Contingent liabilities

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unsecured:				
Corporate guarantees given to banks for hire purchase financing facilities granted to a subsidiary	-	-	119,000,000	75,200,000

31. Related party disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2008		2007	
	Amount of transactions	Outstanding amount	Amount of transactions	Outstanding amount
Group	RM	RM	RM	RM
Transactions with companies in which one of the directors, Lim Nyuk Foh has interest:				
Mujur Bakat Sdn. Bhd.				
Purchase of logs	6,085,145	-	47,514,906	-
Sale of logs	-	-	60,062,694	-
Maxland Enterprise Sdn. Bhd.				
Rental of premises	97,200	-	117,772	-
Layang Layang Udara Sdn. Bhd.				
Administration fees	12,612	-	-	-
Hire of equipment	254,422	-	-	-

The directors consider that the purchase of logs and rental paid were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances. There were no outstanding balances with these related parties as at 30 June 2008.

(b) Compensation of key management personnel

The remuneration of directors, who are also the members of key management during the year was as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short-term employee benefits	1,072,250	1,113,000	290,250	301,000
Post-employment benefits:				
Defined contribution plan	65,458	70,500	-	-
Social security contribution	620	620	-	-
Other benefits	-	41,350	-	-
	1,138,328	1,225,470	290,250	301,000

32. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its commodity price risk, interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly place in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR	Within 1 Year	1–2 Years	2–5 Years	Total
		%	RM	RM	RM	RM
At 30 June 2008						
Group						
Fixed rate						
Medium term notes	25	7.9	(25,000,000)	(25,000,000)	(45,000,000)	(95,000,000)
Commercial papers	25	5.5	(10,000,000)	(10,000,000)	(10,000,000)	(30,000,000)
Hire purchase and finance lease liabilities	26	5.5	(35,912,672)	(30,011,447)	(33,335,881)	(99,260,000)
Floating rate						
Deposits with licensed banks	22	3.5	4,135,866	-	-	4,135,866
Short term revolving credits	25	5.2	(7,952,000)	-	-	(7,952,000)
Term loan	25	9.3	(10,200,000)	(20,400,000)	(8,016,629)	(38,616,629)
Company						
Fixed rate						
Medium term notes	25	7.9	(25,000,000)	(25,000,000)	(45,000,000)	(95,000,000)
Commercial papers	25	5.5	(10,000,000)	(10,000,000)	(10,000,000)	(30,000,000)
Floating rate						
Deposits with licensed banks	22	3.4	3,990,000	-	-	3,990,000

32. Financial instruments (Cont'd)

(c) Interest rate risk (Cont'd)

	Note	WAEIR %	Within 1 Year RM	1–2 Years RM	2–5 Years RM	More Than 5 Years RM	Total RM
At 30 June 2007							
Group							
Fixed rate							
Medium term notes	25	7.9	(25,000,000)	(25,000,000)	(70,000,000)	-	(120,000,000)
Commercial papers	25	5.5	(10,000,000)	(10,000,000)	(20,000,000)	-	(40,000,000)
Hire purchase and finance lease liabilities	26	5.2	(24,808,371)	(22,595,759)	(31,640,343)	(999,824)	(80,044,297)
Floating rate							
Deposits with licensed banks	22	3.1	6,478,453	-	-	-	6,478,453
Short term revolving credits	25	4.4	(9,940,000)	-	-	-	(9,940,000)
Company							
Fixed rate							
Medium term notes	25	7.9	(25,000,000)	(25,000,000)	(70,000,000)	-	(120,000,000)
Commercial papers	25	5.5	(10,000,000)	(10,000,000)	(20,000,000)	-	(40,000,000)
Floating rate							
Deposits with licensed banks	22	3.1	6,245,443	-	-	-	6,245,443

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced monthly. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily the United States Dollars and Japanese Yen. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are not hedged.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

32. Financial instruments (Cont'd)

(d) Foreign currency risk (Cont'd)

Functional currencies of Group companies	Net financial assets/(liabilities) held in non-functional currency		
	United States Dollars RM	Japanese Yen RM	Total RM
At 30 June 2008			
Ringgit Malaysia	3,884,326	(23,394,378)	(19,510,052)
At 30 June 2007			
Ringgit Malaysia	6,883,577	1,059,639	7,943,216

(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.

(f) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

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 assets.

(g) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximately their fair values.

33. Significant event

On 16 July 2007, a subsidiary of the Company, Priceworth Industries Sdn. Bhd. acquired additional 8% equity interest in Rimbunan Gagah Sdn. Bhd., for a total cash consideration of RM20,000.

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 - Kiln Dry - Sawmill & Sawroom - Warehouse	15.12	3,858 65,000 32,620 121,000	01-01-1979/ 31-12-2077	13 13 13 12	7,661
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	13	8,082
3.	CL 075365785 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	- Impregnation Plant - Warehouse - Workshop	15.29	4,500 20,000 4,800	01-01-1979/ 21-12-2077	10 12 13	4,545
4.	CL 075170277 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	14.06	54,000	01-01-1960/ 31-12-2059	13	2,560
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	1,958
6.	CL 075170286 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	7.03	12,000	01-01-1961/ 31-12-2060	13	1,860
7.	CL 085318485 Kolapis, District of Labuk & Sugut Beluran	- Sawmill Factory - Labour Quarters - Office Building - Workshop - Genset Room - Store & Saw-Doctor Room	49.00	100,359 3,754 1,068 1,236 2,089	30-12-1986/ 31-12-2084	15 15 15 15 15	1,322

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)
	Maxland Sdn Bhd						
8.	CL 075313398 Mile 17, Labuk Road, Sandakan	Agriculture Land	14.24	-	01-01-1970/ 31-12-2069	N/A	148
	Sinora Sdn Bhd						
9.	CL 075376153 Mile 6.5 Batu Sapi, Sandakan	- Plywood Main Factory	38.28	103,950	01-01-1980/ 31-12-2078	27	38,996
		- 2nd Plywood Factory		37,446		14	
		- Warehouse		3,228		19	
		- Boiler House		507		27	
		- Workshop		1,226		27	
		- Main sawmill + Office		25,500		27	
		- Main Office		10,734		27	
		- Canteen		6,642		27	
		- Moulding Factory		4,828		17	
		- Moulding Warehouse		84,872		17	
		- Kiln Drying Building		17,743		17	
10.	CL 075472338 Mile 6.5 Batu Sapi, South-West of Sandakan	Log Pond	80.46	-	01-01-1994/ 31-12-2053	N/A	2,381
	Rimbunan Gagah Sdn Bhd						
11.	CL 085319820 Off Mile 78, Labuk Sugut Telupid – Sandakan Road	- Sawmill/ Timber Storage Factory	38.45	121,426	01-01-1982/ 31-12-2080	16	838
		- 2 storey dwelling house		4,064		16	
		- Office Building		1,368		16	
		- 2 storey Labour Quarters with Kitchen, Dining & Canteen		5,758		16	
		- 4 Blocks Labour Quarters		4,116		16	
		- Sawdoctoring House		3,025		16	
		- Generator House & Store		1,025		16	

SHAREHOLDERS' INFORMATION

As at 16 October 2008

Authorised share capital	:	RM100,000,000
Issued and fully paid shares	:	RM 76,590,909
Treasury shares	:	15,318,100 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	%
6	less than 100	105	0.00
896	100 to 1,000	833,069	0.54
2,274	1,001 to 10,000	10,585,590	6.91
762	10,001 to 100,000	22,679,500	14.81
93	100,001 to less than 5% of issued shares	41,513,408	27.10
5	5% and above of issued shares	77,570,146	50.64
4,036	Total	153,181,818	100.00

SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name of Shareholder	Direct	%	Deemed Interest	%
Lim Nyuk Foh	64,253,026	46.61	-	-

Note: The % shareholding is adjusted by excluding 15,318,100 treasury shares from the total paid-up share capital.

DIRECTORS' SHAREHOLDINGS

	No. of Shares Held			
Name of Director	Direct	%	Deemed Interest	%
Tan Sri Sabbaruddin Chik	610,000	0.44	-	-
Lim Nyuk Foh	64,253,026	46.61	-	-
Chok Syn Vun	1,372,408	1.00	-	-
Ramlee Bin Mohd Shariff	-	-	-	-
Kwan Tack Chiong	1,380,000	1.00	-	-
Ooi Jit Huat	-	-	-	-

Note: The % shareholding is adjusted by excluding 15,318,100 treasury shares from the total paid-up share capital.

SHAREHOLDERS' INFORMATION

As at 16 October 2008 (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB Bank for Lim Nyuk Foh]	31,012,000	22.49
2.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	19,000,000	13.78
3.	OSK Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	12,240,046	8.88
4.	Continental Premium Sdn Bhd	4,000,000	2.90
5.	Citigroup Nominees (Asing) Sdn Bhd [GSCO for Truffle Hound Global Value LLC]	3,500,000	2.54
6.	Zulkifli Bin Hussain	2,110,000	1.53
7.	HDM Nominees (Asing) Sdn Bhd [DBS Vickers Secs (S) Ltd for River Estates Incorporation]	2,000,000	1.45
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	2,000,000	1.45
9.	Chiew Boon Chin	1,527,200	1.11
10.	Mohd Zakhir Siddiqy Bin Sidek	1,469,200	1.07
11.	Kwan Tack Chiong	1,380,000	1.00
12.	Excelrun Sdn Bhd	1,360,000	0.99
13.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Credit Suisse]	1,111,000	0.80
14.	OSK Nominees (Tempatan) Sdn Bhd [Pledged securities account for Sau Yek Hong]	1,067,600	0.77
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chok Syn Vun]	960,908	0.70
16.	Zulkifli Bin Hussain	810,000	0.59
17.	Yeoh Kean Hua	770,000	0.56
18.	OSK Nominees (Asing) Sdn Bhd [Exempt AN (BP) for OSK Asia Securities Limited]	739,100	0.54
19.	Tan Sri Sabbaruddin Chik	610,000	0.44
20.	Lim Nyuk Chong @ Lim Nyuk Siong	520,000	0.38
21.	Chang Hee Foon	500,000	0.36

SHAREHOLDERS' INFORMATION

As at 16 October 2008 (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS (Cont'd)

No.	Name	No. of Shares	%
22.	Ang Lai Hee	442,000	0.32
23.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chok Syn Vun]	411,500	0.30
24.	Shoptra Jaya (M) Sdn Bhd	400,000	0.29
25.	Chia Beng Tat	398,000	0.29
25.	OSK Nominees (Tempatan) Sdn Bhd [Pledged securities account for Tan Swee Kuan]	346,000	0.25
26.	Teng Swee Lan @ Fong Swee Lan	338,200	0.24
27.	Lo Su Phin	330,000	0.24
28.	Chong Liouk	318,000	0.23
29.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Wee Siew Ling]	301,800	0.22
30.	HSBC Nominees (Asing) Sdn Bhd [HPBN for Yew Vui Heung]	300,000	0.22

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 Twelfth Annual General Meeting of the Company to be held at The Executive Parlour of Sabah Hotel, Mile 1, Jalan Utara, 90000 Sandakan, Sabah on Thursday, 4 December 2008 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 Directors' Fees		
Resolution 2	Re-election of Tan Sri Sabbaruddin Chik as Director		
Resolution 3	Re-election of Mr Lim Nyuk Foh as Director		
Resolution 4	Re-appointment of Auditors		
Resolution 5	Approval to allot shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 6	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 ……………………………… 2008

…………………………………………..
Signature:
Shareholder or Common Seal

Notes:

1. *A member of the Company entitled to attend and vote at the meeting shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*

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

3. *Where a Member is an authorised nominee as defined under the Security Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *If the appointor is a corporation, this form must be executed under its seal or under the hand of its attorney.*

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

6. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

   (i) *Ordinary Resolution (Resolution 5)*
   - 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 6)*
   - 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.

Then fold here

Affix
stamp

The Company Secretary

PRICEWORTH WOOD PRODUCTS BERHAD
1st Floor, Lot 5, Block No. 4
Bandar Indah, Mile 4, Jalan Utara
P. O. Box 2848
90732 Sandakan
Sabah

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