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
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Annual Report 2010 **Priceworth Wood Products Berhad** (399292-V)

Priceworth Wood Products Berhad (399292-V)

(Incorporated in Malaysia)

Annual Report

2010

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Corporate Information

BOARD OF DIRECTORS

Tan Sri Sabbaruddin Chik	*(Chairman)*
Lim Nyuk Foh	*(Managing Director)*
Chok Syn Vun	*(Executive Director)*
Datuk Chee Hong Leong	*(Independent 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 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 03-7841 8000
Fax No. : 03-7841 8150 / 8151

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

RHB Bank Berhad

AUDITORS

Ernst & Young
16th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan
Sabah

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

STOCK NAME

PWORTH

BURSA SECURITIES STOCK NO.

7123

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be convened and held at the Executive Parlour of Sabah Hotel, Sandakan, Sabah on Friday, 17 December 2010 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 2010 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 2010. **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 re-election:

   (i) Mr Kwan Tack Chiong; **Resolution 2**
   (ii) Mr Ooi Jit Huat. **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**

5. **ORDINARY RESOLUTION**
   - Proposed renewal of authority for the Company to purchase its own shares representing up to 10% of its issued and paid-up share capital

   "**THAT** subject always to compliance with the Companies Act, 1965 ("the Act"), the Articles of Association of the Company, the Listing Requirements of Bursa Securities Malaysia Berhad ("Bursa Securities") or any other regulatory authorities and all other applicable rules, regulations, guidelines or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up ordinary share capital as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

   (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the total issued and paid-up ordinary share capital of the Company at any point in time of the said purchase(s);

   (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings and share premium of the Company at the time of the said purchase(s); and

   (c) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and shall continue to be in force until:

      (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
      (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
      (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

      whichever is earlier;

Resolution 5

Resolution 6

Resolution 7

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

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:

(aa) cancel all the shares so purchased; and/or
(bb) retain the shares so purchased in treasury for distribution as dividend to the shareholders or resell on the market of Bursa Securities; and/or
(cc) retain part thereof as treasury shares and cancel the remainder;

and in any other manner as prescribed by the Act, rules and regulations made pursuant to the Act and the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT authority be and is hereby given to the Directors of the Company and/or anyone of them to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors in their discretion deem fit and expedient to give effect to the aforesaid purchase(s) contemplated and/or authorised by this Ordinary Resolution."

6. 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

25 November 2010

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***

Ordinary Resolution (Resolution 5)
- *Proposed renewal of authority for the Company to purchase its own shares representing up to 10% of its issued and paid-up share capital*

  The Ordinary Resolution, if passed, will empower the Directors to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

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

STATEMENT ACCOMPANYING THE NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

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

(a) Mr Kwan Tack Chiong; and
(b) Mr Ooi Jit Huat.

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 8 and 10 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 Group") for the financial year ended 30 June 2010 (FY2010).

Financial Results

For the financial year ended 30 June 2010, the Group recorded total gross revenue of RM446.08 million and profit after taxation of RM2.53 million which is lower compared to revenue of RM457.28 million and profit after taxation of RM6.58 million in the preceding financial year.

The lower revenue was mainly attributable to the weak global demand and the strengthening of the Ringgit Malaysia against the US Dollar, particularly in the second half of the financial year under review. Timber exports were hit hard by the financial crisis and prices for wood based products also remained sluggish throughout FY2010 as a result of increased competition from the other timber producing countries.

Prospects

As we progress into the second half of 2010, leading economic data and indicators suggest that the world economy is moving towards recovery although the pace of global recovery is expected to be gradual and uneven.

As the concerted efforts by various governments via fiscal stimulus packages bear fruit, we have seen gradual recovery in demand for timber products, especially in the Asia Pacific region. The continuous timber consumption for infrastructure development and construction activities, coupled with the restocking of inventories in leading export markets are strong indications of that demand will remain firm. The Group is confident of the long term prospect of the timber industry as the market for timber products remains intact.

While the near term outlook appears to be positive, considerable uncertainties remain given the risks associated with growing market anxiety over the possibility of sovereign debt default in Europe, signs of uncertainties in the US economic recovery and concerns over excessive asset price inflation in emerging markets in Asia. While challenges lie ahead as we enter FY2011, the Group as exhibit enduring strength and will continue to closely monitor market developments, assess the risks in all operational and financial matters, and implement measures to mitigate any possible negative impact. We will continue to execute our strategy and grow the business to provide substantial returns for shareholders over the long term.

Acknowledgement

On behalf of the Board, I wish to thank our valued shareholders, customers, business associates, the regulatory authorities and financiers for their loyalty and continued support.

I would like to extend my appreciation to my fellow Board members for their invaluable advice and contributions. My specials thanks go out to our employees and managers of the Group for their tremendous commitment throughout these tough economic times.

I look forward to your continued support as we progress ahead to achieve greater growth and success.

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 68
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 46
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 40
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.

Datuk Chee Hong Leong

Malaysian, aged 46
Independent Non-Executive Director

Datuk Chee joined the Board on 10 February 2009. He graduated with a Bachelor of Engineering (Computer) in 1987 and a Master of Business Administration in 1989 both from McMaster University, Hamilton, Ontario, Canada. He began his career in 1990 coordinating the development in corporate and annual strategic plants for Leisure Holidays Group of Companies. In 1992, he ventured into various businesses which involved designing and building individual bungalows for landowners at various housing projects in the Klang Valley as well as building and operating a 100,000 sq. ft. Information Technology Incubation Centre in University Putra Malaysia. Subsequently, he joined Tanco Resort Berhad form 1998-2002 where he held various positions from General Manager to Executive Director/ Chief Operating Officer. Currently, he manages a software house that focuses on Customer Relationship Management and Membership Services.

He also sits on the boards of SY Resources Sdn Bhd, Energreen Corporation Berhad and Mithril Berhad, all listed on Bursa Securities and Speedtoyz Berhad, a public company.

Directors' **Profile**
(Cont'd)

Kwan Tack Chiong

Malaysian, aged 47
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 59
Independent Non-Executive Director

Mr Ooi was appointed to the Board of Directors of PWP on 2 November 2001 and 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, a listed company.

Directors' Profile
(Cont'd)

OTHER INFORMATION OF DIRECTORS

1. Family Relationship of Directors

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

2. Conflict of Interest

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

3. Convictions of Offences

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

4. Shareholdings

The particulars of the Directors' shareholding are set out on page 68 to 69 of this Annual Report.

5. Details of Attendance of Board Meetings held during the financial year ended 30 June 2010

Name of Directors	No. of Meetings Attended	%
Tan Sri Sabbaruddin Chik	6/6	100
Datuk Chee Hong Leong	6/6	100
Mr Lim Nyuk Foh	6/6	100
Mr Chok Syn Vun	6/6	100
Mr Kwan Tack Chiong	6/6	100
Mr Ooi Jit Huat	5/6	83

Statement Of **Corporate Governance**

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

The statements described the application on the Principles of the Code (revised 2007) 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, there are six (6) Directors that consists of two (2) Executive Directors and four (4) Independent Non-Executive Directors. The profile of each Director is presented in this Annual Report on pages [ ] to [ ].

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 six (6) occasions. All Directors' attended more than half in number of board meetings held during the financial year. The attendance record of each individual Director at the meetings are set out on page 10 of this Annual Report.

The Board acts on matters which require its decision to ensure the right direction and within the objective of the Company. The Board is provided with the agenda of board meeting and the detailed information to enable them to deliberate in the meeting and hence make decision. Besides that, the Board also approves matters through circular resolutions.

Supply of Information

The chairman of the board or committee meetings will ensures that due notice of meetings and the relevant information papers on the business of the meeting, including financial-related information of the Group are timely distributed to the Directors or committee members. The Directors are given total access to additional information and clarification in furtherance to the discharge of their duties. The Directors are also updated with the operations, development and performance of the Group.

The Directors are unhindered to the advice and services of the company secretary. The Board is permitted to draw external profession advice as and when deemed appropriate.

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.

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

Directors' Training

All the Directors had attended the Mandatory Accreditation Programme and Continuing Education Programme ("CEP") stipulated by Bursa Securities. Although the mandatory CEP was repealed on 1 January 2005, the Board holds the view on continuous training is vital in broadening their perspectives to aid them in discharging their duties and responsibilities more effectively. The Board evaluates and determines on the training needs deemed appropriate to keep abreast with updates from time to time on new statutory and regulatory requirements and the business environment.

During the financial year, all Directors attended one (1) in-house training programme as shown below:

Director	Title of Training	Duration (Days)
Tan Sri Sabbaruddin Chik	Role of Board of Directors and Decision Making	½
Datuk Chee Hong Leong	Role of Board of Directors and Decision Making	½
Mr Lim Nyuk Foh	Role of Board of Directors and Decision Making	½
Mr Chok Syn Vun	Role of Board of Directors and Decision Making	½
Mr Kwan Tack Chiong	Role of Board of Directors and Decision Making	½
Mr Ooi Jit Huat	Role of Board of Directors and Decision Making	½

The Directors were regularly updated on the regulatory requirements, industry developments, changes in laws and accounting standards from the management, auditors and company secretary.

Board Committee

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

1. Audit Committee

The composition of the Audit Committee and its terms of reference of the Audit Committee are presented in pages 16 to 18 of this Annual Report.

2. Nomination Committee

A Nomination Committee is represented by the following members:

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

The Nomination Committee had one (1) meeting during the financial year. The Committee is responsible for making recommendations to the Board on re-election of retiring directors and any appointments, including those of subsidiary companies having considered the required mix of skills and experience and assessment of the Board.

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

3. Remuneration Committee

The Remuneration Committee is made up of the following members:

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

The Committee is responsible in reviewing and recommending to the Board on the remuneration packages and benefits for Executive Directors and if necessary, the Committee is empowered sought for the prevailing market practices to determine the remuneration packages of directors. The directors' fees for the Non-Executive Directors are recommended by the Board and to be approved by the shareholders at the Annual General Meeting. Individual director is not allowed to participate in discussion of his own remuneration.

The Remuneration Committee held one (1) meeting during the financial year to carry out its function as stated within the terms of reference.

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 Board, in its opinion of the band disclosure on the directors' remuneration as allowed by the Listing Requirements is acceptable and appropriate. The band disclosure of on directors' remuneration can be seen in Note 9 of the audited financial statements on pages 44 to 45. The Board also believes that the aspect of transparency and accountability are not compromised as far as corporate governance is concerned.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board believes in clear and regular communication with its shareholders and institutional investors. The Annual Report, announcements through Bursa Link on financial results on a quarterly and other disclosures provide an avenue to disseminate information to the shareholders with an overview of the Group's performance and its business activities. The shareholders and general public can access to the Company's website at www.pwpmalaysia.com.my to retrieve information on the Group.

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.

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 14 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. One of the many functions of the Audit Committee especially with regard to the external auditors is highlighted in the Audit Committee Report on page 16 to 17 of this Annual Report.

Statement Of **Internal Control**

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements, the Board hereby presents the Group's Statement of 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.

In view of the present size of the Group's operations, an in-house internal audit function has been set up during the year to take over from the outsourced internal audit function to continue with review of the Group's internal control system. Through 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.

The internal audit function 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.

Having reviewed on the Group's major business risk and appropriate control system, the Board is satisfied with the Group's internal control system for the financial year under review.

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

Tan Sri Sabbaruddin Chik	Independent Non-Executive Director
Mr Ooi Jit Huat	Independent Non-Executive Director

The Audit Committee is governed by the terms of reference as follows:

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. Objectives

The objectives of the Audit Committee are as follows:

2.1 provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities, particularly in relation to the accounting and management controls and financial reporting of the Company and the Group; and

2.2 provide greater emphasis to audit functions performed by internal and external auditors by serving as a focal point of communication between Board of Directors, the external auditor, the internal auditor and the management by means of a forum for discussion that is independent of the management.

3. Authority Of The Audit Committee

The Audit Committee shall have the authority to:

3.1 investigate any matter within its terms of reference;

3.2 have the resources which are reasonable required to enable to perform its duties;

3.3 have full and unrestricted access to any information pertaining to the Company and the Group;

3.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

Audit Committee Report
(Cont'd)

3. Authority Of The Audit Committee (Cont'd)

3.5 obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise where necessary; and

3.6 convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

3.7 report promptly to the Bursa Securities on any matters reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

4. Functions

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

4.1 the nomination, appointment and re-appointment of external auditors and any questions of resignation and dismissal;

4.2 the external auditors' audit plan, the nature and scope of audit, the evaluation of the system of internal controls of the Company and the Group, the external auditors' management letter and management's response;

4.3 the external auditors' audit report, areas of concern arising from the audit and any other matters the external auditors may wish to discuss;

4.4 the extent of co-operation and assistance given by the employees to the external auditors;

4.5 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;
- review any appraisal or assessment of performance of members 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.

4.6 the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policy changes;
- significant adjustment arising from audit and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

4.7 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;

4.8 such other duties and responsibilities as may be prescribed by the Board of Directors from time to time;

5. Meetings and Reporting Procedures

5.1 A quorum for the meeting of Audit Committee shall be two (2) members which the majority of members present must be independent directors.

5.2 In the absence of the Committee Chairman, the remaining members present shall elect one (1) of their number to chair the meeting.

5.3 The Audit Committee shall meet not less than four (4) times in a financial year. The finance director, the head of internal audit and a representative of external auditors should normally attend the meeting of Audit Committee. The Committee may invite other Board members or any person to be in attendance to assist in its deliberation.

5.4 The Audit Committee should meet with the external auditors at least twice a year. The Chairman shall also convene a meeting if requested by external auditors to consider any matter within the scope and responsibilities of Audit Committee.

5.5 The Company Secretary or his/her nominee shall be the Secretary of the Audit Committee. The Chairman shall appoint the Secretary in his/her absence.

5.6 The Secretary shall circulate the minutes of the Committee's meeting to the all the Board of Directors.

Audit Committee Report
(Cont'd)

6. AUDIT COMMITTEE ATTENDANCE RECORD

During the financial year under review, six (6) audit committee meetings were held. Other Board members and senior management staff attended the meetings upon invitation of the Committee. The internal auditor and external auditors were also present during deliberations where their input and advice were sought.

The Committee members' attendance record was as follows:

Name of Members	Designation	No. of Meetings Attended	%
Mr Kwan Tack Chiong	Chairman	6/6	100
Tan Sri Sabbaruddin Chik	Member	6/6	100
Mr Ooi Jit Huat	Member	5/6	83

7. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee discharged its duties as follows:

- reviewed the Audit Plan with the external auditors;
- discussed and recommended the audited financial statements of the Company and of the Group for the Board of Directors' approval;
- reviewed the external auditors' report in relation to the audit for the year ended 30 June 2010;
- recommended the re-appointment of external auditors.
- reviewed, discussed and recommended the unaudited quarterly results of the Group to be presented to the Board of Directors for approval;
- reviewed and approved the Internal Audit Plan;
- reviewed and discussed the internal auditors' reports.
- reviewed the Statement of Internal Control and the Audit Committee Report in respect of the financial year ended 30 June 2010 and presented to the Board of Directors' approval.
- reviewed related party transactions entered into by the Group.

INTERNAL AUDIT ACTIVITIES

The Company's in-house internal audit function reports directly to the Audit Committee. Its role is to assist the Audit Committee in monitoring risks with independent review. The internal auditor carries out independent systematic assessment on adequacy of the internal control system to provide objective feedback and reports the Audit Committee to ensure compliance with the systems and standard operating procedures in the Group.

The internal auditor had adopted a risk-based approach towards the planning and conduct of audits that are consistent with the Group's established framework in designing, implementing and monitoring of its internal control systems.

The activities carried out by the internal auditor during the financial year ended 30 June 2010 are as follows:-

- conducted internal audit reviews according to the approved internal audit plan and presented the results of the audit reviews to the Audit Committee at the quarterly meetings; and

- followed up on the implementation of audit recommendations and management action plans, and reported to the Audit Committee the status of their implementation at the quarterly meetings of the Audit Committee.

The total cost incurred for the Group's internal audit function amounted to approximately RM120,000.00.

Additional Compliance Information

During the financial year:

(a) Share Buy-Back

The Company bought-back 1,000 of its own shares from the open market for a total consideration of RM445.00 and retained them as treasury shares. Details of the shares so purchased are as follows:

Date of purchase	No. of purchased Shares (RM)	Lowest purchase price (RM)	Highest purchase price (RM)	Average purchase price	Total purchase consideration (RM)
30-06-2010	1,000	0.445	0.445	0.455	455.00

As at the financial year end, the balance of the shares so purchased and held as treasury shares stood at 12,561,832 ordinary shares. None of them were resold or cancelled.

(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 2010 and the unaudited results released for the quarter ended 30 June 2010 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) Utilisation of Proceeds from Corporate Exercise

No corporate exercise involving fund raising was carried out during the year under review.

(j) Revaluation Policy on Landed Properties

The Group does not have any revaluation policy on landed properties.

(k) Recurrent Related Party Transactions

The related party transactions are disclosed in Note 31 of the Financial Statements pages 61 to 62 of this Annual Report. The Board of Directors anticipated that such transactions will be below the threshold of reporting for the next financial year. As such there is no disclosure to be made pursuant to Paragraph 10.09(2)(b) and Section 3.1.5 of Practice Note 12 of the Main Marketing Listing Requirements Bursa Malaysia Securities Berhad.

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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 2010.

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 and timber extraction.

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	2,525,757	2,186,238
Attributable to:		
Equity holders of the Company	2,446,321	2,186,238
Minority interests	79,436	-
	2,525,757	2,186,238

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

On 17 December 2009, a total of 2,756,270 treasury shares were distributed to the shareholders based on the shareholdings as at 30 June 2009 as share dividend on the basis of one treasury share for every fifty existing ordinary shares of RM0.50 each held in the Company.

Significant events

(i) On 7 January 2010 the Company entered into a sale and purchase agreement with Rickoh Holdings Sdn. Bhd. for the disposal of a 9-storey office block and car parking bays for a total cash consideration of RM20,000,000. The disposal was completed during the year.

(ii) On 28 April 2010, the Company entered into a conditional sale of shares agreement with Rasih Bin Tiblani and Hayati Binti Laada for the disposal of its entire equity interest in a wholly-owned subsidiary, Ligreen Enterprise Sdn. Bhd. for a total cash consideration of RM500,000. The disposal has been completed on 26 October 2010 upon fulfilment of the conditions precedent.

(iii) On 27 April 2010, the Company acquired 100% equity interest in Maju Sinar Network Sdn. Bhd. for a purchase consideration of RM25,000,000, which was satisfied entirely by the issuance of 33,096,300 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.65 each.

Subsequent event

On 18 August 2010, the Group through its wholly-owned subsidiary company, Maxland Sdn. Bhd., subscribed for 100 ordinary shares in Ligreen (PNG) Limited, a Company incorporated in Papau New Guinea, for a total cash consideration of PGK100 (approximately RM118), resulting in the latter becoming a wholly-owned subsidiary of the Group.

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
Kwan Tack Chiong
Ooi Jit Huat
Datuk Chee Hong Leong
Ramlee Bin Mohd. Shariff (Retired on 17 December 2009)

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 2009**	**Share dividend**	**Acquired**	**Sold**	**30 June 2010**
Direct Interest:					
Tan Sri Sabbaruddin Chik	610,000	12,200	-	-	622,200
Lim Nyuk Foh	64,454,326	1,044,285	-	(12,240,000)	53,258,611
Chok Syn Vun	1,372,408	27,448	-	-	1,399,856
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.

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from 76,590,909 to 93,139,059 by way of the issuance of 33,096,300 ordinary shares of RM0.50 each at an issue price of RM0.65 per share as settlement of the purchase consideration for the acquisition of Maju Sinar Network Sdn. Bhd. The ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Treasury shares

As at 30 June 2010, the Company held a total of 12,561,830 of its 186,278,118 issued ordinary shares as treasury shares at a carrying amount of RM10,324,101. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Further relevant details are disclosed in Note 23(b) 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 on 28 October 2010.

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 27 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 Company as at 30 June 2010 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 October 2010.

LIM NYUK FOH

CHOK SYN VUN

Sandakan, Malaysia

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 27 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
28 October 2010

KOO JENN MAN

Before me -

SALBIAH BINTI HJ. SULAIMAN
Commissioner for Oaths
S 069

Independent auditors' report 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 2010 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 27 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 2010 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 have been properly kept in accordance with the provisions of the Act.

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

(c) The auditors' reports on the financial statements 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

Yong Voon Kar
1769/04/12(J/PH)
Chartered Accountant

Sandakan, Malaysia
28 October 2010

Income statements
For the year ended 30 June 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	3	446,082,982	457,278,882	13,849,093	14,838,314
Cost of sales	4	(386,576,520)	(378,544,684)	-	-
Gross profit		59,506,462	78,734,198	13,849,093	14,838,314
Other income	5	13,324,848	7,783,803	2,014,171	400,882
Other operating expenses		(50,408)	(608,350)	-	-
Administrative expenses		(24,427,674)	(21,829,674)	(2,252,945)	(3,421,012)
Selling expenses		(23,883,420)	(33,589,752)	-	-
Operating profit		24,469,808	30,490,225	13,610,319	11,818,184
Finance costs	6	(21,266,506)	(23,345,640)	(11,424,081)	(11,189,710)
Profit before tax	7	3,203,302	7,144,585	2,186,238	628,474
Income tax	10	(677,545)	(48,073)	-	-
Profit for the year from continuing operations		2,525,757	7,096,512	2,186,238	628,474
Discontinued operation					
Loss for the year from discontinued operation	11	-	(510,533)	-	-
Profit for the year		2,525,757	6,585,979	2,186,238	628,474
Attributable to:					
Equity holders of the Company		2,446,321	6,612,701	2,186,238	628,474
Minority interests		79,436	(26,722)	-	-
		2,525,757	6,585,979	2,186,238	628,474
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit from continuing operations	12	1.68	5.17		
Basic, for loss from discontinued operation	12	-	(0.38)		
Basic, for profit for the year	12	1.68	4.79		
Diluted, for profit from continuing operations	12	1.68	5.17		
Diluted, for loss from discontinued operation	12	-	(0.38)		
Diluted, for profit for the year	12	1.68	4.79		

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

Balance sheets
as at 30 June 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Assets					
Non-current assets					
Property, plant and equipment	14	385,056,338	432,431,652	855,904	12,238,586
Biological assets	15	3,652,283	1,423,612	-	-
Prepaid land lease payments	16	34,159,872	34,194,826	-	-
Intangible assets	17	44,648,071	14,488,948	-	-
Investments in subsidiaries	18	-	-	160,341,920	138,829,325
Other investment	19	-	50,000	-	-
		467,516,564	482,589,038	161,197,824	151,067,911
Current assets					
Inventories	20	68,783,404	67,624,820	-	-
Trade and other receivables	21	75,903,157	70,923,737	138,992,122	134,362,764
Cash and bank balances	22	12,921,915	16,964,524	5,607,550	11,594,134
		157,608,476	155,513,081	144,599,672	145,956,898
Assets of disposal group/non-current assets classified as held for sale	11	-	61,541,128	-	2,550,000
		157,608,476	217,054,209	144,599,672	148,506,898
Total assets		625,125,040	699,643,247	305,797,496	299,574,809
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	93,139,059	76,590,909	93,139,059	76,590,909
Share premium	23	59,890,697	54,926,252	59,890,697	54,926,252
Treasury shares	23	(10,324,101)	(12,590,168)	(10,324,101)	(12,590,168)
Retained earnings	24	126,435,000	126,254,746	1,404,878	1,484,707
		269,140,655	245,181,739	144,110,533	120,411,700
Minority interests		800,696	3,108,049	-	-
Total equity		269,941,351	248,289,788	144,110,533	120,411,700

Balance sheets
as at 30 June 2010 (Cont'd)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Non-current liabilities					
Borrowings	25	204,888,553	239,329,817	147,651,429	160,841,456
Other payables	27	-	3,727,962	-	-
Deferred tax	28	24,042,823	15,812,024	-	-
		228,931,376	258,869,803	147,651,429	160,841,456
Current liabilities					
Borrowings	25	43,398,285	53,261,374	13,174,512	11,025,069
Trade and other payables	27	79,488,345	76,267,263	861,022	7,296,584
Tax payable		3,365,683	11,176,467	-	-
		126,252,313	140,705,104	14,035,534	18,321,653
Liabilities directly associated with assets classified as held for sale	11	-	51,778,552	-	-
		126,252,313	192,483,656	14,035,534	18,231,653
Total liabilities		355,183,689	451,353,459	161,686,963	179,163,109
Total equity and liabilities		625,125,040	699,643,247	305,797,496	299,574,809

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

Consolidated statement of changes in equity

For the year ended 30 June 2010

	Note	Share capital (Note 23) RM	Share premium (Note 23) RM	Treasury shares (Note 23) RM	Retained earnings (Note 24) RM	Total RM	Minority interests RM	Total equity RM
		|-----------Attributable to equity holders of the Company------------|						
			|-----Non-distributable----|		Distributable			
At 1 July 2008		76,590,909	54,926,252	(12,590,168)	119,642,045	238,569,038	3,134,771	241,703,809
Profit for the year		-	-	-	6,612,701	6,612,701	(26,722)	6,585,979
At 30 June 2009		76,590,909	54,926,252	(12,590,168)	126,254,746	245,181,739	3,108,049	248,289,788
At 1 July 2009		76,590,909	54,926,252	(12,590,168)	126,254,746	245,181,739	3,108,049	248,289,788
Profit for the year		-	-	-	2,446,321	2,446,321	79,436	2,525,757
Dividend	13	-	-	2,266,067	(2,266,067)	-	-	-
Issue of ordinary shares		16,548,150	4,964,445	-	-	21,512,595	-	21,512,595
Minority interest of subsidiary disposed	18(b)	-	-	-	-	-	(2,386,789)	(2,386,789)
At 30 June 2010		93,139,059	59,890,697	(10,324,101)	126,435,000	269,140,655	800,696	269,941,351

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

Company statement of changes in equity

For the year ended 30 June 2010

	Note	Share capital (Note 23) RM	Share premium (Note 23) RM	Treasury shares (Note 23) RM	Retained earnings (Note 24) RM	Total RM
		|-----Non-distributable		----|	Distributable	
At 1 July 2008		76,590,909	54,926,252	(12,590,168)	856,233	119,783,226
Profit for the year		-	-	-	628,474	628,474
At 30 June 2009		76,590,909	54,926,252	(12,590,168)	1,484,707	120,411,700
At 1 July 2009		76,590,909	54,926,252	(12,590,168)	1,484,707	120,411,700
Profit for the year		-	-	-	2,186,238	2,186,238
Issue of ordinary shares	23	16,548,150	4,964,445	-	-	21,512,595
Dividend	13	-	-	2,266,067	(2,266,067)	-
At 30 June 2010		93,139,059	59,890,697	(10,324,101)	1,404,878	144,110,533

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

Cash flow statements
For the year ended 30 June 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash flows from operating activities					
Profit/(loss) before tax from:					
Continuing operation		3,203,302	7,144,585	2,186,238	628,474
Discontinued operation	11	-	(129,832)	-	-
Gain on disposal of investment in a subsidiary company		(1,560,751)	-	(950,000)	-
Adjustments for:					
Depreciation of property, plant and equipment	7	43,606,578	42,555,115	102,682	102,682
Amortisation of prepaid land lease payments	7	387,037	389,418	-	-
Amortisation of timber rights	7	73,100	-	-	-
Investment written off		50,000	-	-	-
Property, plant and equipment scrapped	7	-	196,001	-	-
Gain on disposal of property, plant and equipment	5	(4,585,257)	(392,843)	(1,064,171)	-
Negative goodwill recognised	5	(419,365)	-	-	-
Interest income	5	(12,501)	(404,654)	-	(400,882)
Interest expense	6	21,268,430	23,345,640	11,424,081	11,189,710
Operating profit before working capital changes		62,010,573	72,703,430	11,698,830	11,519,984
Increase in property development costs		-	(15,955,406)	-	-
Decrease/(increase) in inventories		2,267,793	(89,254)	-	-
(Increase)/decrease in receivables		759,116	5,144,471	(4,629,358)	(34,715,898)
Decrease in payables		(3,136,045)	(42,477,732)	(6,435,562)	(638,776)
Cash generated from/(used in)operations		61,901,437	19,325,509	633,910	(23,834,690)
Interest paid		(21,268,430)	(23,345,640)	(11,424,081)	(11,189,710)
Income tax paid		(7,650,372)	(2,145,916)	-	-
Net cash generated from/(used in) operating activities		32,982,635	(6,166,047)	(10,790,171)	(35,024,400)
Cash flows from investing activities					
Acquisition of subsidiary company	18(a)	(296,999)	-	-	-
Purchase of property, plant and equipment	14(a)	(21,053,505)	(30,076,926)	(7,655,829)	(4,796,437)
Purchase of prepaid land lease		(352,083)	-	-	-
Payment for forest planting expenditure	15	(2,228,671)	(1,027,817)	-	-
Proceeds from disposal of subsidiary		3,452,700	-	3,500,000	-
Proceeds from disposal of property, plant and equipment		27,697,866	4,903,069	20,000,000	-
Interest received		12,501	404,654	-	400,882
Net cash generated from/ (used in) investing activities		7,231,809	(25,797,020)	15,844,171	(4,395,555)

Cash flow statements
For the year ended 30 June 2010 (Cont'd)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash flows from financing activities					
Proceeds from Term Loans		(2,000,000)	184,314,068	-	175,000,000
Repayment of Term Loans		(12,331,581)	(3,133,475)	(12,331,581)	(3,133,475)
Repayment of Commercial Papers		-	(30,000,000)	-	(30,000,000)
Repayment of Medium Term Notes		-	(95,000,000)	-	(95,000,000)
Drawdown of revolving credit		2,480,000	22,496,285	-	-
Repayment of revolving credit		(12,453,224)	(20,475,061)	-	-
Repayment of hire purchase and lease financing		(25,290,545)	(27,722,129)	-	-
Net cash (used in)/generated from financing activities		(45,595,350)	30,479,688	(12,331,581)	46,866,525
Net (decrease)/increase in cash and cash equivalents		(5,380,906)	(1,483,379)	(7,277,581)	7,446,570
Cash and cash equivalents at beginning of year		17,011,824	18,495,203	11,594,134	4,147,564
Cash and cash equivalents at end of year	22	11,630,918	17,011,824	4,316,553	11,594,134

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

Notes to the financial statements
30 June 2010

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 18 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 2010.

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.

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

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

2.2 Adoption of new standards

The accounting policies adopted are consistent with those of the previous financial year except FRS 8 Operating Segments which is mandatory for financial periods beginning on or after 1 July 2009.

The adoption of the above standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 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.

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.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

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

(ii) Basis of consolidation (Cont'd)

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) Timber rights

This represents the exclusive rights to extract and purchase all commercial timber logs extractable from a designated timber concession area.

Timber rights 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.

(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.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(c) Property, plant and equipment, and depreciation (Cont'd)

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) 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.

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.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(f) 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.

(g) 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.

(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.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(g) Financial instruments (Cont'd)

(vi) Equity instruments (Cont'd)

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.

(h) 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).

(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.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(i) 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.

(j) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for using the liability method. 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.

(k) 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.

(l) 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").

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(m) 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.

(n) 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.

(ii) Interest income

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

(iii) Dividend income

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

(iv) Revenue from services

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

(v) Rental income

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

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.3 Summary of significant accounting policies (Cont'd)

(o) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new and revised FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

Effective for financial periods beginning on or after 1 January 2010
FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and
Measurement, FRS 7: Financial Instruments: Disclosures and IC
Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset,
Minimum Funding Requirements and their Interaction
TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010
Amendments to FRS 132: Financial Instruments: Presentation (Classification of Right Issues)

Effective for financial periods beginning on or after 1 July 2010
FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation I5: Agreements for the Construction of Real Estate
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Notes to the financial statements

30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

Effective for financial periods beginning on or after 30 August 2010
FRS 1: First-time Adoption of Financial Reporting Standards

Effective for financial periods beginning on or after 1 January 2011
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards (2010) – Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters
Amendments to FRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
Amendments to FRS 2: Group Cash-Settled Share-based Payment Transactions
Amendments to FRS 7: Improving Disclosures about Financial Instruments
IC Interpretation 4: Determining whether an Arrangement Contains a Lease
IC Interpretation 18: Transfers of Assets from Customers
Technical Release 3: Guidance on Disclosure of Transition to IFRSs
Technical Release i-4: Shariah Compliant Sale Contracts.

The Malaysian Accounting Standards Board also issued "Improvements to FRSs (2009)" which contain amendments to twenty two FRSs and are effective for financial periods beginning on or after 1 January 2010.

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

(a) FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

(b) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

(c) FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs

This Standard supersedes FRS 1232004: Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is to expense the borrowing costs in the period which they are incurred. In accordance with the transitional provisions of the Standard, the Group will apply the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing cost on qualifying assets is on or after the financial period 1 July 2010.

Notes to the financial statements
30 June 2010 (Cont'd)

2. Significant accounting policies (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

(d) FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

(e) Amendments to FRSs 'Improvements to FRSs (2009)'

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

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 2010 was RM44,648,071 (2009: RM14,488,948). Further details are disclosed in Note 17.

(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 capital and reinvestment allowances of the Group was RM98,388,956 (2009: RM72,835,052) and the unrecognised tax losses and reinvestment allowances of the Group was RM2,903,212 (2009: RM23,233,852).

(iii) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years. These are common life expectancies applied in timber operation. Changes in the expected level of usage could impact the economic useful lives and the residual value of these assets, therefore further depreciation charges could be revised.

Notes to the financial statements
30 June 2010 (Cont'd)

3. Revenue

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Sale of processed wood products	298,134,636	300,715,834	-	-
Sale of logs	21,698,831	58,275,328	-	-
Contract fees	115,167,486	89,248,118	-	-
Road tolls	11,082,029	9,039,602	-	-
Gross dividend from a subsidiary	-	-	13,849,093	14,838,314
	446,082,982	457,278,882	13,849,093	14,838,314

4. Cost of sales

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cost of goods sold and services rendered	386,576,520	378,544,684	-	-

5. Other income

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Interest income from:				
Deposits with licensed banks	12,501	315,804	-	312,032
Repos	-	88,850	-	88,850
	12,501	404,654	-	400,882
Equipment hiring income	117,156	-	-	-
Gain on disposal of property, plant and equipment	4,585,257	392,843	1,064,171	-
Gain on foreign exchange	-	5,017	-	-
Gain on disposal of investment in a subsidiary company (Note 18(b))	1,560,751	-	950,000	-
Gate pass income	447,600	414,785	-	-
Insurance claim received	299,491	809,807	-	-
Rental income	2,119,585	2,558,866	-	-
Miscellaneous income	3,546,967	2,653,930	-	-
Sale of scrap iron	45,141	170,075	-	-
Sale of saw dust	171,034	373,826	-	-
Negative goodwill recognised	419,365	-	-	-
	13,324,848	7,783,803	2,014,171	400,882

6. Finance costs

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Interest expense on:				
Term Loans	11,424,081	3,901,450	11,424,081	3,901,450
Medium Term Notes	-	5,857,014	-	5,857,014
Commercial Papers	-	1,431,246	-	1,431,246
Hire purchase	8,434,090	10,006,584	-	-
Letters of credit	55,098	108,603	-	-
Others	1,283,180	1,667,909	-	-
Revolving credit	70,057	372,834	-	-
	21,266,506	23,345,640	11,424,081	11,189,710

Notes to the financial statements
30 June 2010 (Cont'd)

7. Profit before tax

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Employee benefits expense (Note 8)	45,888,761	44,891,072	67,147	63,544
Non-executive directors' remuneration (Note 9)	265,050	265,000	265,050	265,000
Auditors' remuneration:				
Statutory audits:				
- Current year	155,200	148,700	30,000	30,000
- (Over)/underprovided in prior years	(1,500)	5,500	-	5,000
Other services	9,000	16,000	9,000	9,000
Amortisation of timber rights (Note 17)	73,100	-	-	-
Depreciation of property, plant and equipment (Note 14)	43,606,578	42,555,115	102,682	102,682
Amortisation of prepaid land lease payments (Note 16)	387,037	389,418	-	-
Hire of equipment	2,546,517	1,986,828	-	-
Investment written off	50,000	-	-	-
Rental of premises	362,668	637,608	134,929	123,019
Realised loss on foreign exchange	229,370	32,223	-	-

8. Employee benefits expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Salaries, wages and allowances	44,583,989	43,203,954	59,168	55,708
Social security contributions	144,253	246,066	973	966
Contributions to defined contribution plan	1,160,519	1,441,052	7,006	6,870
	45,888,761	44,891,072	67,147	63,544

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM730,405 (2009: RM769,405) as further disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive directors' remuneration (Note 8):				
Salaries	601,070	635,550	-	-
Other emoluments	129,335	133,855	-	-
	730,405	769,405	-	-
Non-executive directors' remuneration (Note 7):				
Fees	261,750	265,000	261,750	265,000
Other emoluments	3,300	-	3,300	-
	265,050	265,000	265,050	265,000
Total directors' remuneration	995,455	1,034,405	265,050	265,000

Notes to the financial statements
30 June 2010 (Cont'd)

9. Directors' remuneration (Cont'd)

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	
	2010	2009
Executive directors:		
RM250,001 to RM300,000	1	1
RM300,001 to RM450,000	1	-
RM450,001 to RM500,000	-	1
Non-executive directors:		
Below RM50,000	4	4
RM100,001 to RM150,000	1	1

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive:				
Salaries	601,070	601,590	-	-
Bonus	43,130	14,753	-	-
Defined contribution plan	86,205	111,744	-	-
Social security contribution	-	2,690	-	-
	730,405	730,777	-	-
Non-executive:				
Salaries	261,750	265,000	261,750	265,000
Allowances	3,300	-	3,300	-
	265,050	265,000	265,050	265,000
	995,455	995,777	265,050	265,000

10. Income tax expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current income tax:				
Provision for the year	129,824	115,788	-	-
Overprovision in prior years	(125,023)	(439)	-	-
	4,801	115,349	-	-
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	621,578	1,030,473	-	-
Relating to changes in tax rates	-	(435,901)	-	-
Under/(over)provision in prior years	51,166	(661,848)	-	-
	672,744	(67,276)	-	-
	677,545	48,073	-	-

Current income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Notes to the financial statements
30 June 2010 (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:

	2010 RM	2009 RM
Group		
Profit before tax	3,203,302	7,144,585
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	800,826	1,786,146
Effect of changes in tax rates	-	(435,901)
Effect of income subject to tax	-	(122,086)
Effect of expenses not deductible for tax purposes	3,809,471	4,309,478
Effect of utilisation of previously unrecognised tax losses and unabsorbed reinvestment allowances	(3,858,895)	(4,827,277)
Under/(over)provision of deferred tax in prior years	51,166	(661,848)
Overprovision of tax expense in prior years	(125,023)	(439)
	677,545	48,073

	2010 RM	2009 RM
Company		
Profit before tax	2,186,238	628,474
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	546,559	157,119
Effect of income not subject to tax	(3,462,273)	(3,709,579)
Effect of expenses not deductible for tax purposes	2,915,714	3,552,460
	-	-

Tax savings during the financial year arising from:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Utilisation of tax losses	4,715,617	8,720,046	-	-
Utilisation of unabsorbed reinvestment allowance brought forward	598,581	736,948	-	-

11. Discontinued operation and disposal group classified as held for sale

On 26 May 2009, the Company entered into a conditional sale of shares agreement with Sure Corridor Sdn. Bhd. for the disposal of its entire equity interest in a partially-owned subsidiary, Integral Acres Sdn. Bhd. for a total cash consideration of RM3,500,000. The disposal of shares was completed on 24 July 2010.

An analysis of the results of discontinued operation and the disposal group was as follows:

	Group 2010 RM	Group 2009 RM
Other income	-	116,609
Expenses	-	(246,441)
Loss before tax of discontinued operation	-	(129,832)
Income tax expenses	-	(380,701)
Loss for the year from discontinued operation	-	(510,533)

Notes to the financial statements
30 June 2010 (Cont'd)

11. Discontinued operation and disposal group classified as held for sale (Cont'd)

The following amounts had been included in arriving at loss before tax of discontinued operation:

	Group	
	2010 RM	2009 RM
Auditors' remuneration:		
- statutory audits	-	16,000
- other services	-	2,500
Depreciation of property, plant and equipment	-	187,713
Rental of car park	-	3,780
Hiring of equipment	-	615,833

The cash flows attributable to the discontinued operation were as follows:

Operating cash flows	-	(12,713,306)
Investing cash flows	-	2,405,803
Financing cash flows	-	9,283,300
Total cash outflow	-	(1,024,203)

The major classes of assets and liabilities of Integral Acres Sdn. Bhd. classified as held for sale on the consolidated balance sheet were as follows:

	Carrying amounts as at	
	30.6.2010 RM	30.06.2009 RM
Assets		
Property, plant and equipment	-	1,095,345
Intangible assets	-	82,903
Property development cost	-	59,069,908
Trade and other receivables	-	1,245,672
Cash and bank balances	-	47,300
Assets of disposal classified as held for sale	-	61,541,128
Liabilities		
Trade and other payables	-	(3,721,635)
Borrowings	-	(47,930,697)
Current tax payable	-	(22,891)
Deferred tax (Note 28)	-	(103,329)
Liabilities directly associated with assets classified as held for sale	-	(51,778,552)

The non-current asset classified as held for sale on the Company's balance sheet was as follows:

	Carrying amounts as at	
	30.6.2010 RM	30.06.2009 RM
Assets		
Investment in subsidiary (Note 18)	-	2,550,000

Notes to the financial statements
30 June 2010 (Cont'd)

12. 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.

	2010 RM	2009 RM
Profit from continuing operations attributable to ordinary equity holders of the Company	2,446,321	7,123,234
Loss from discontinued operation attributable to ordinary equity holders of the Company	-	(510,533)
Profit attributable to ordinary equity holders of the Company	2,446,321	6,612,701

	2010	2009
Weighted average number of ordinary shares in issue	144,874,960	137,863,718

	2010 Sen	2009 Sen
Basic earnings per share for:		
Profit from continuing operation	1.68	5.17
Loss from discontinued operation	-	(0.38)
Profit for the year	1.68	4.79

(b) Diluted

The Group has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share is presented as equal to basic earning per share.

13. Dividend

	Dividend in respect of year		Dividend recognised in year	
	2010 RM	2009 RM	2010 RM	2009 RM
Recognised during the year:				
Final share dividend on the basis of one ordinary share for every fifty existing ordinary shares, on 137,863,718 ordinary shares of RM0.50 each in respect of the financial year ended 30 June 2009	-	2,266,067	2,266,067	-

Notes to the financial statements
30 June 2010 (Cont'd)

14. Property, plant and equipment

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
At 30 June 2010								
Cost								
At 1 July 2009	112,239,748	192,446,032	210,141,991	8,854,447	14,465,830	33,186,076	21,591,028	592,925,152
Additions	51,630	95,383	1,371,595	547,904	1,966,811	6,262,566	10,757,616	21,053,505
Disposals	(4,020)	(11,961,895)	(137,040)	-	-	-	(18,935,829)	(31,038,784)
Adjustments	(661,771)	(820,459)	-	(217,963)	924	(145,690)	(14,740)	(1,859,699)
At 30 June 2010	111,625,587	179,759,061	211,376,546	9,184,388	16,433,565	39,302,952	13,398,075	581,080,174
Accumulated depreciation								
At 1 July 2009	9,250,718	73,055,738	51,404,399	6,135,703	2,844,773	17,802,169	-	160,493,500
Depreciation charge for the year (Note 7)	2,596,137	18,602,720	15,364,486	874,431	1,560,975	4,607,829	-	43,606,578
Disposals	-	(7,789,149)	(137,026)	-	-	-	-	(7,926,175)
Adjustments	(169,898)	(29,235)	-	(55,487)	-	104,553	-	(150,067)
At 30 June 2010	11,676,957	83,840,074	66,631,859	6,954,647	4,405,748	22,514,551	-	196,023,836
Net carrying amount								
At 30 June 2010	99,948,630	95,918,987	144,744,687	2,229,741	12,027,817	16,788,401	13,398,075	385,056,338
At 30 June 2009								
Cost								
At 1 July 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
Additions	5,824,124	8,362,092	22,658,278	1,203,510	-	3,572,694	27,669,799	69,290,497
Disposals	-	(2,664,228)	(991,223)	(153,454)	-	-	(3,549,908)	(7,358,813)
Scrapped	-	(240,000)	-	(7,080)	-	-	-	(247,080)
Reclassification	715,934	(133)	17,519,245	6,228	-	-	(18,241,274)	-
Adjustments	-	-	-	-	-	-	(1,602,989)	(1,602,989)
Reclassified as held for sale (Note 11)	(299,228)	(533,530)	(587,153)	(41,360)	-	-	-	(1,461,271)
At 30 June 2009	112,239,748	192,446,032	210,141,991	8,854,447	14,465,830	33,186,076	21,591,028	592,925,152
Accumulated depreciation								
At 1 July 2008	6,563,724	55,920,092	38,869,853	5,236,132	1,398,098	13,216,078	-	121,203,977
Depreciation charge for the year (Note 7)	2,765,609	19,273,294	13,505,280	978,166	1,446,675	4,586,091	-	42,555,115
Disposals	-	(1,871,754)	(922,158)	(54,675)	-	-	-	(2,848,587)
Scrapped	-	(44,000)	-	(7,079)	-	-	-	(51,079)
Reclassified as held for sale (Note 11)	(78,615)	(221,894)	(48,576)	(16,841)	-	-	-	(365,926)
At 30 June 2009	9,250,718	73,055,738	51,404,399	6,135,703	2,844,773	17,802,169	-	160,493,500
Net carrying amount								
At 30 June 2009	102,989,030	119,390,294	158,737,592	2,718,744	11,621,057	15,383,907	21,591,028	432,431,652

Notes to the financial statements
30 June 2010 (Cont'd)

14. 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 2010				
Cost				
At 1 July 2009	348,600	234,742	11,973,359	12,556,701
Addition	-	-	7,655,829	7,655,829
Disposal	-	-	(18,935,829)	(18,935,829)
At 30 June 2010	348,600	234,742	693,359	1,276,701
Accumulated depreciation				
At 1 July 2009	174,300	143,815	-	318,115
Depreciation charge for the year (Note 7)	69,720	32,962	-	102,682
At 30 June 2010	244,020	176,777	-	420,797
Net carrying amount				
At 30 June 2010	104,580	57,965	693,359	855,904
At 30 June 2009				
Cost				
At 1 July 2008	348,600	234,742	7,176,922	7,760,264
Addition	-	-	4,796,437	4,796,437
At 30 June 2009	348,600	234,742	11,973,359	12,556,701
Accumulated depreciation				
At 1 July 2008	104,580	110,853	-	215,433
Depreciation charge for the year (Note 7)	69,720	32,962	-	102,682
At 30 June 2009	174,300	143,815	-	318,115
Net carrying amount				
At 30 June 2009	174,300	90,927	11,973,359	12,238,586

(a) In the previous financial year, the Group acquired property, plant and equipment at an aggregate cost of RM69,290,497 of which RM39,213,571 was acquired by means of finance lease arrangements.

(b) Net carrying amount of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group 2010 RM	Group 2009 RM
Tugboat	2,001,913	2,044,341
Tractors and heavy equipment	41,326,619	49,179,334
Motor vehicles and dump trucks	13,251,558	12,434,702
Plant and machinery	74,077,782	79,921,099
Aircraft	9,065,000	11,621,980
	139,722,872	155,201,45

(c) All the property, plant and equipment of the Group have been pledged as part of the securities for borrowing granted to the Group and the Company as disclosed in Note 25 to the financial statements.

Notes to the financial statements
30 June 2010 (Cont'd)

15. Biological assets

Forest planting expenditure

	Group 2010 RM	Group 2009 RM
Cost		
At 1 July	1,423,612	395,795
Additions	2,228,671	1,027,817
At 30 June	3,652,283	1,423,612

The forest plantation development expenditure is in respect of expenditure incurred on the development of the Group's sustainable Forest Management Project, of a 50 years concession for 979 hectares of timber land under a sustainable Forest Management License Agreement with the State Government of Sabah at Pinagah Forest Reserve.

16. Prepaid land lease payments

	Group 2010 RM	Group 2009 RM
Long term leasehold land		
At beginning of year	34,194,826	34,584,244
Additions	352,083	-
Amortisation for the year (Note 7)	(387,037)	(389,418)
At end of year	34,159,872	34,194,826

Leasehold land of the Group has been pledged as part of the securities for borrowings granted to the Group and the Company as disclosed in Note 25 to the financial statements.

17. Intangible assets

Group	Goodwill RM	Timber rights RM	Total RM
Cost			
At 1 July 2009	19,644,853	-	19,644,853
At date of acquisition of a subsidiary (Note 18(a))	-	30,232,223	30,232,223
At 30 June 2010	19,644,853	30,232,223	49,877,076
Accumulated amortisation and impairment			
At 30 June 2009	5,155,905	-	5,155,905
Amortisation for the year	-	73,100	73,100
At 30 June 2010	5,155,905	73,100	5,229,005
Net carrying amount			
At 30 June 2010	14,488,948	30,159,123	44,648,071
At 30 June 2009	14,488,948	-	14,488,948

Notes to the financial statements
30 June 2010 (Cont'd)

17. Intangible assets (Cont'd)

Impairment test for goodwill

Allocation of goodwill

Goodwill is related to 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		Discount Rate	
	2010 %	2009 %	2010 %	2009 %
Timber operation	5.6	5.6	8.0	8.0

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

(i) Growth rate
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.

18. Investment in subsidiaries

	Company	
	2010 RM	2009 RM
Unquoted shares at cost:		
At beginning of year	138,829,325	141,379,325
Acquisition during the year	21,512,595	-
Reclassified as held for sale (Note 11)	-	(2,550,000)
At end of year	160,341,920	138,829,325

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
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	Dormant	100	100

Notes to the financial statements
30 June 2010 (Cont'd)

18. Investment in subsidiaries (Cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Held by the Company: (Cont'd)				
Cergas Kenari Sdn. Bhd.	Malaysia	Dormant	100	100
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
Maju Sinar Network Sdn. Bhd.	Malaysia	Extraction and sale of logs	100	-
* Integral Acres Sdn. Bhd.	Malaysia	Property development	-	51
Held through Priceworth Industries Sdn. Bhd.				
Ligreen Enterprise Sdn. Bhd.	Malaysia	Dormant	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	64.5
Held through Integral Acres Sdn. Bhd.				
* Integral Acres Construction Sdn. Bhd.	Malaysia	Construction contracts	-	100

* Classified as discontinued operation and disposal group in last financial year.

(a) Acquisition of subsidiary

On 28 April 2010, the Company acquired 100% equity interest in Maju Sinar Network Sdn.Bhd., a company incorporated in Malaysia and is involved in the extraction and sale of logs.

The cost of acquisition comprised of the following:

	2010 RM
Purchase consideration	21,512,595
Purchase consideration satisfied by issuance of new ordinary shares	(21,512,595)
Cash and cash equivalents of subsidiary acquired	(269,999)
	(269,999)

The cost of acquisition was satisfied by the issuance of 33,096,300 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.65 per share (Note 23(a)).

The acquired subsidiary has contributed the following results to the Group.

	2010 RM
Revenue	7,498,822
Profit for the year	1,105,378

Notes to the financial statements

30 June 2010 (Cont'd)

18. Investments in subsidiaries (Cont'd)

(a) Acquisition of subsidiary (Cont'd)

If the acquisition had occurred on 1 July 2009, the Group's revenue and profit for the year would have been RM87,377,377 and RM176,490 respectively.

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amounts RM
Intangible assets (Note 17)	30,232,223	-
Inventories	3,426,378	3,426,378
Trade and other receivables	301,998	301,998
Cash and bank balances	3,399	3,399
Tax recoverable	165,213	165,213
	34,129,211	3,896,988
Trade and other payables	4,338,797	4,338,797
Deferred tax liabilities (Note 28)	7,558,056	-
Bank Overdraft	300,398	300,398
	12,197,251	4,639,195
Fair value of net assets acquired	21,931,960	
Negative goodwill on acquisition	(419,365)	
Total cost of acquisition	21,512,595	

(b) Disposal of subsidiary

During the financial year, the Company disposed of a partly owned subsidiary, Integral Acres Sdn. Bhd. for a total cash consideration of RM3,500,000. The disposal had the following effect on the financial position as at the end of the year:

	At date of disposal RM
Property, plant and equipment	1,095,345
Intangible assets	82,903
Property development cost	59,069,908
Trade and other receivables	1,245,672
Cash and bank balances	47,300
Trade and other payables	(3,721,635)
Borrowings	(47,930,697)
Current tax payable	(22,891)
Deferred tax	(103,329)
Amount due from a subsidiary company	5,436,538
Net assets of subsidiary disposed	4,326,038
Less: Minority interest	(2,386,789)
	1,939,249
Disposal proceeds	3,500,000
Gain on disposal to the Group	1,560,751
Cash consideration	3,500,000
Cash and cash equivalents of subsidiary disposed of	(47,300)
Net cash inflow to the Group	(3,452,700)

Notes to the financial statements
30 June 2010 (Cont'd)

19. Other investment

	Group 2010 RM	Group 2009 RM
Unquoted shares, at cost	-	50,000

20. Inventories

	Group 2010 RM	Group 2009 RM
Cost		
Logging contract work-in-progress	30,518,067	21,089,754
Raw materials	5,787,676	3,835,641
Work-in-progress	824,456	961,517
Finished goods	21,791,637	30,779,421
Consumable goods	4,073,937	6,050,601
Production supplies	5,002,390	4,742,213
Nursery	199,572	137,271
Timber logs	585,669	-
	68,783,404	67,596,418
Net realisable value		
Production supplies	-	28,402
	68,783,404	67,624,820

21. Trade and other receivables

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade receivables				
Third parties	37,578,038	32,085,023	-	-
Other receivables				
Due from subsidiaries	-	-	137,582,200	133,208,522
Deposits for log supplies	11,453,038	21,448,796	-	-
Other deposits	1,230,349	1,244,403	50,923	43,777
Prepayments	6,171,705	6,545,716	994,662	1,108,337
Sundry receivables	19,470,029	9,599,799	364,327	2,128
	38,325,121	38,838,714	138,992,122	134,362,764
	75,903,159	70,932,737	138,992,122	134,362,764

(a) Credit risk

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.

As at balance sheet date, the Group has significant concentration of credit risk relating to 2 (2009: 1) receivables who representing approximately 21% (2009: 30%) of the total receivables.

Notes to the financial statements
30 June 2010 (Cont'd)

21. Trade and other receivables (Cont'd)

(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 unsecured, non-interest bearing and are repayable on demand.

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

22. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	7,209,841	3,270,681	23,483	49,929
Deposits with licensed banks	5,712,074	13,693,843	5,584,067	11,544,205
Cash and bank balances	12,921,915	16,964,524	5,607,550	11,594,134
Less: Bank overdrafts (Note 25)	(1,290,997)	-	(1,290,997)	-
	11,630,918	16,964,524	4,316,553	11,594,134
Cash and bank balances classified as held for sale (Note 11)	-	47,300	-	-
Total cash and cash equivalents	11,630,918	17,011,824	4,316,553	11,594,134

Included in deposits with licensed banks of the Company and the Group amounting to RM19,000 (2009: RM2,029,000) are pledged to bank 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		Amount			
	Share capital (issued and fully paid)	Treasury shares	Share capital (issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 July 2008 and 1 July 2009	153,181,818	(15,318,100)	76,590,909	54,926,252	131,517,161	(12,590,168)
Issue of ordinary shares	33,096,300	-	16,548,150	4,964,445	21,512,595	-
Distributed as share dividend	-	2,756,270	-	-	-	2,266,067
At 30 June 20101	86,278,118	(12,561,830)	93,139,059	59,890,697	153,029,756	(10,324,101)

Notes to the financial statements
30 June 2010 (Cont'd)

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

	Number of ordinary shares of RM0.50 each		Amount	
	2010	2009	2010 RM	2009 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.

(a) Ordinary shares issued for acquisition of subsidiary

During the financial year, the Company issued 33,096,300 new ordinary shares of RM0.50 each at an issue price of RM0.65 per ordinary share amounted to RM21,512,595 as settlement of purchase consideration for the acquisition of Maju Sinar Network Sdn. Bhd. (Note 18(a)). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares. The shareholders of the Company, by a resolution passed in a general meeting held on 17 December 2009, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the year, a total of 2,756,270 treasury shares were distributed to the entitled shareholders as share dividend on the basis of one treasury share for every fifty existing ordinary shares of RM0.50 each held in the Company.

Of the total 186,278,118 (2009: 153,181,818) issued and fully paid ordinary shares as at 30 June 2010, 12,561,830 (2009: 15,318,100) are held as treasury shares by the Company. As at 30 June 2010, the number of outstanding ordinary shares in issue after the setoff is therefore 173,716,288 (2009: 137,863,718) ordinary shares of RM0.50 each.

24. Retained earnings

As at 30 June 2010, the Company has tax exempt profits available for distribution of approximately RM64,308,346 (2009: RM64,308,346), 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 2010 and 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2010 and 2009, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

Notes to the financial statements
30 June 2010 (Cont'd)

25. Borrowings

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Short term borrowings				
Secured:				
Term Loans	13,883,515	11,025,069	11,883,515	11,025,069
Revolving credit	-	9,973,224	-	-
Hire purchase liabilities and finance lease (Note 26)	28,223,773	32,263,081	-	-
	42,107,288	53,261,374	11,883,515	11,025,069
Unsecured:				
Bank overdrafts (Note 22)	1,290,997	-	1,290,997	-
	43,398,285	53,261,374	13,174,512	11,025,069
Long term borrowings				
Secured:				
Term Loans	147,651,429	160,841,456	147,651,429	160,841,456
Hire purchase liabilities and finance lease (Note 26)	57,237,124	78,488,361	-	-
	204,888,553	239,329,817	147,651,429	160,841,456
Total borrowings				
Term Loans	161,534,944	171,866,525	159,534,944	171,866,525
Bank overdrafts (Note 22)	1,290,997	-	1,290,997	-
Revolving credit-	9,973,224	-	-	
Hire purchase and finance lease liabilities (Note 26)	85,460,897	110,751,442	-	-
	248,286,838	292,591,191	160,825,941	171,866,525

The banking facilities were secured by:

(i) a first legal charge over leasehold land of its subsidiary companies;
(ii) a debenture over fixed and floating assets of a third party; and
(iii) a debenture over all fixed and floating assets of its subsidiary companies;

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

26. Hire purchase and finance lease liabilities

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Future minimum lease payments:				
Not later than 1 year	33,900,841	41,556,396	-	-
Later than 1 year and not later than 2 years	28,819,253	39,276,079	-	-
Later than 2 years and not later than 5 years	35,028,804	54,681,704	-	-
Total future minimum lease payments	97,748,898	135,514,179	-	-
Less: Future finance charges	(12,288,001)	(24,762,737)	-	-
Present value of finance lease liabilities (Note 25)	85,460,897	110,751,442	-	-

Notes to the financial statements
30 June 2010 (Cont'd)

26. Hire purchase and finance lease liabilities (Cont'd)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Analysis present value of finance lease liabilities:				
Not later than 1 year	28,223,772	32,263,081	-	-
Later than 1 year and not later than 2 years	24,974,346	30,996,599	-	-
Later than 2 years and not later than 5 years	32,262,779	47,491,762	-	-
	85,460,897	110,751,442	-	-
Less: Amount due within 12 months (Note 25)	(28,223,772)	(32,263,081)	-	-
Amount due after 12 months (Note 25)	57,237,125	78,488,361	-	-

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

27. Trade and other payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade payables				
Third parties	51,131,030	32,584,729	-	-
Other payables				
Accruals	4,266,673	5,590,426	-	-
Deposits	963,193	2,207,193	-	1,750,000
Other payables	23,127,450	35,884,915	861,022	5,546,584
	28,357,316	43,682,534	861,022	7,296,584
	79,488,346	76,267,263	861,022	7,296,584
Non-current				
Other payables	-	3,727,962	-	-

(a) 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.

(b) Other payables - unsecured

Included in other payables of the Group is an amount of RM3,790,635 (2009: RM14,927,962) bears interest of 5.7% (2009: 5.7%) per annum.

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

Notes to the financial statements
30 June 2010 (Cont'd)

28. Deferred tax

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At beginning of year	15,812,024	15,624,819	-	-
At date of acquisition of a subsidiary (Note 18(a))	7,558,056	-	-	-
Recognised in income statement (Note 10)	672,744	83,876	-	-
Reclassified as held for sale (Note11)	-	103,329	-	-
At end of year	24,042,824	15,812,024	-	-
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	24,042,824	15,812,024	-	-

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 2009	-	30,468,628	3,552,159	34,020,787
At date of acquisition of a subsidiary (Note 18(a))	7,558,056	-	-	7,558,056
Recognised in income statement	-	6,072,263	988,957	7,061,220
At 30 June 2010	7,558,056	36,540,891	4,541,116	48,640,063
At 1 July 2008	-	28,324,880	3,264,087	31,588,967
Recognised in income statement	-	2,181,515	288,072	2,469,587
Reclassified as held for sale (Note11)	-	(37,767)	-	(37,767)
At 30 June 2009	-	30,468,628	3,552,159	34,020,787

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM	Unabsorbed reinvestment allowances RM	Total RM
At 1 July 2009	(17,552,026)	(656,737)	(18,208,763)
Recognised in income statement	(6,205,186)	(183,290)	(6,388,476)
At 30 June 2010	(23,757,212)	(840,027)	(24,597,239)
At 1 July 2008	(15,964,148)	-	(15,964,148)
Recognised in income statement	(1,880,126)	(656,737)	(2,536,863)
Reclassified as held for sale (Note11)	292,248	-	292,248
At 30 June 2009	(17,552,026)	(656,737)	(18,208,763)

Notes to the financial statements
30 June 2010 (Cont'd)

28. Deferred tax (Cont'd)

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

	Group 2010 RM	Group 2009 RM
Unabsorbed reinvestment allowances	-	2,995,051
Unutilised tax losses	2,903,212	20,238,801
	2,903,212	23,233,852

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 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Capital expenditure				
Approved and contracted for:				
Acquisition of plant and equipment	2,230,000	3,866,000	6,600	-
Construction of buildings	-	7,520,000	-	7,520,000
	2,230,000	11,386,000	6,600	7,520,000

30. Contingent liabilities

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Unsecured:				
Corporate guarantees given to banks for hire purchase financing facilities granted to a subsidiary	-	-	132,000,000	132,000,000

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:

Group	2010 Amount of transactions RM	2010 Outstanding amount RM	2009 Amount of transactions RM	2009 Outstanding amount RM
Transactions with companies in which one of the directors, Lim Nyuk Foh has interest:				
Mujur Bakat Sdn. Bhd.				
Sale of logs	649,125	-	-	-

Notes to the financial statements

30 June 2010 (Cont'd)

31. Related party disclosures (Cont'd)

Group	2010 Amount of transactions RM	2010 Outstanding amount RM	2009 Amount of transactions RM	2009 Outstanding amount RM
Transactions with companies in which one of the directors, Lim Nyuk Foh has interest:				
Maxland Enterprise Sdn. Bhd.				
Rental of premises	21,600	-	109,200	-
Himpunan Palma Sdn. Bhd.				
Rental fee received	-	-	24,800	-
Nadi Hasil Sdn. Bhd.				
Sale of wood products	37,726	-	-	-
Green Edible Oil Sdn. Bhd.				
Sale of wood products	43,000	-	-	-
Transactions with a director of the company, Lim Nyuk Foh:				
Rental of land	36,000	-	-	-

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 year end.

(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 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Short-term employee benefits	655,110	881,343	261,750	265,000
Post-employment benefits:				
Defined contribution plan	52,864	111,744	-	-
Social security contribution	-	2,690	-	-
	707,974	995,777	261,750	265,000

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.

Notes to the financial statements
30 June 2010 (Cont'd)

32. Financial instruments (Cont'd)

(b) Commodity price risk

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

(c) Interest rate risk

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 RM	1–2 years RM	2–5 years RM	More than 5 years RM	Total RM
At 30 June 2010							
Group							
Fixed rate							
Hire purchase and finance lease liabilities	26	5.2	28,223,772	24,974,346	32,262,779	-	85,460,897
Other payables	27(b)		3,790,635	-	-	-	3,790,635
Floating rate							
Deposits with licensed banks	22	3.1	5,712,074	-	-	-	5,712,074
Term loans	25	4.54	13,883,515	12,813,067	44,996,597	89,841,765	161,534,944
Company							
Floating rate							
Deposits with licensed banks	22	3.1	5,584,067	-	-	-	5,584,067
Term loans	25	4.54	11,883,515	12,813,067	44,996,597	89,841,765	159,534,944
At 30 June 2009							
Group							
Fixed rate							
Hire purchase and finance lease liabilities	26	5.2	32,263,081	30,996,599	47,491,762	-	110,751,442
Other payables	27(b)	5.7	11,200,000	3,727,962	-		14,927,962
Floating rate							
Deposits with licensed banks	22	3.1	13,693,843	-	-	-	13,693,843
Revolving credit	25	4.4	9,973,224	-	-	-	9,973,224
Term loans	25	4.54	11,025,069	11,903,545	41,709,791	107,228,120	171,866,525
Company							
Floating rate							
Deposits with licensed banks	22	3.1	11,544,205	-	-		11,544,205
Term loans	25	4.54	11,025,069	11,903,545	41,709,791	107,228,120	171,866,525

Notes to the financial statements
30 June 2010 (Cont'd)

32. Financial instruments (Cont'd)

(c) Interest rate risk (Cont'd)

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

	Net financial assets held in non- functional currency
Functional currencies of group companies	**United States Dollars RM**
At 30 June 2010	
Ringgit Malaysia	7,640,521
At 30 June 2009	
Ringgit Malaysia	3,987,562

(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.

(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.

Notes to the financial statements
30 June 2010 (Cont'd)

33. Operating segments

No segmental information has been presented as the Group is principally involved in the production and sale of wood products in Malaysia.

34. Significant Events

(ii) On 7 January 2010 the Company entered into a sale and purchase agreement with Rickoh Holdings Sdn. Bhd. for the disposal of a 9-storey office block and car parking bays for a total cash consideration of RM20,000,000. The disposal was completed during the year.

(ii) On 28 April 2010, the Company entered into a conditional sale of shares agreement with Rasih Bin Tiblani and Hayati Binti Laada for the disposal of its entire equity interest in a wholly owned subsidiary, Ligreen Enterprise Sdn. Bhd. for a total cash consideration of RM500,000. The disposal has been completed on 26 October 2010 upon fulfilment of the conditions precedent.

(iii) On 27 April 2010, the Company acquired 100% equity interest in Maju Sinar Network Sdn. Bhd. for a purchase consideration of RM25,000,000, which was satisfied entirely by the issuance of 33,096,300 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.65 each.

35. Subsequent Event

On 18 August 2010, the Group through its wholly-owned subsidiary company, Maxland Sdn. Bhd., subscribed for 100 ordinary shares in Ligreen (PNG) Limited, a Company incorporated in Papau New Guinea, for a total cash consideration of PGK100 (approximately RM118), resulting in the latter becoming a wholly-owned subsidiary of the Group.

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	15 15 15 14	7,120
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	15	7,327
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	12 14 14	4,934
4.	CL 075170277 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	14.06	54,000	01-01-1960/ 31-12-2059	15	1,996
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	1,788
6.	CL 075170286 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Labour Quarters	7.03	12,000	01-01-1961/ 31-12-2060	15	1,876
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	17 17 17 17 17	506

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	145
	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	29	12,682
		- 2nd Plywood Factory		37,446		16	
		- Warehouse		3,228		21	
		- Boiler House		507		29	
		- Workshop		1,226		29	
		- Main sawmill + Office		25,500		29	
		- Main Office		10,734		29	
		- Canteen		6,642		29	
		- Moulding Factory		4,828		19	
		- Moulding Warehouse		84,872		19	
		- Kiln Drying Building		17,743		19	
10.	CL 075472338 Mile 6.5 Batu Sapi, South-West of Sandakan	Log Pond	80.46	-	01-01-1994/ 31-12-2053	N/A	2,370
	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	18	838
		- 2 storey dwelling house		4,064		18	
		- Office Building		1,368		18	
		- 2 storey Labour Quarters with Kitchen, Dining & Canteen		5,758		18	
		- 4 Blocks Labour Quarters		4,116		18	
		- Sawdoctoring House		3,025		18	
		- Generator House & Store		1,025		18	

SHAREOLDERS' INFORMATION

As at 12 November 2010

Authorised share capital	:	RM100,000,000
Issued and fully paid shares	:	RM 93,139,059
Treasury shares	:	12,561,832 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	%
118	less than 100	4,856	0.00
146	100 to 1,000	36,136	0.02
2,573	1,001 to 10,000	8,350,491	4.48
1,472	10,001 to 100,000	36,061,525	19.36
146	100,001 to less than 5% of issued shares	45,154,228	24.24
5	5% and above of issued shares	84,109,050	51.90
4,460	Total	186,278,118	100.00

SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name of Shareholder	Direct	%	Deemed Interest	%
Lim Nyuk Foh	53,258,611	30.66	-	-

Note: The % shareholding is adjusted by excluding 12,561,832 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	622,200	0.36	-	-
Datuk Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	53,258,611	30.66	-	-
Chok Syn Vun	1,399,856	0.81	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

Note: The % shareholding is adjusted by excluding 12,561,832 treasury shares from the total paid-up share capital.

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB Bank for Lim Nyuk Foh]	31,632,750	18.21
2.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	19,380,000	11.16
3.	Sukmah Binti Bidu	16,548,150	9.53
4.	Lee Kian Vui	16,548,150	9.53
5.	Continental Premium Sdn Bhd	4,488,000	2.58

SHAREOLDERS' INFORMATION
As at 12 November 2010 (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS (Cont'd)

No.	Name	No. of Shares	%
6.	Zulkifli Bin Hussain	2,152,200	1.24
7.	HDM Nominees (Asing) Sdn Bhd [DBS Vickers Secs (S) Ltd for River Estates Incorporated]	2,040,000	1.17
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	2,040,000	1.17
9.	Lee See Jin	1,457,140	0.84
10.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Credit Suisse]	1,133,220	0.65
11.	Te Kim Leng	1,006,180	0.58
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chok Syn Vun]	980,126	0.56
13.	RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chong Vun Kon @ Chung Vun Kon]	970,000	0.56
14.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee Kua Siah]	940,000	0.54
15.	Chia Beng Tat	900,000	0.52
16.	Zulkifli Bin Hussain	826,200	0.48
17.	Yeoh Kean Hua	785,400	0.45
18.	Lau Kheng Tong	767,200	0.44
19.	OSK Nominees (Asing) Sdn Bhd [OSK Securities Hong Kong Limited for Sinospell Inc.]	755,500	0.43
20.	Tan Sri Sabbaruddin Chik	622,200	0.36
21.	Chang Hee Foon	510,000	0.29
22.	Saw Lai Choo	475,200	0.27
23.	Ang Lai Hee	450,840	0.26
24.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chok Syn Vun]	419,730	0.24
25.	Tan Siew Hooi	418,200	0.24
26.	Excelrun Sdn Bhd	393,216	0.23
27.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB Bank for Tan Sock Hui]	343,868	0.20
28.	Lo Su Phin	336,600	0.19
29.	Toh Hoon Kheng	331,602	0.19
30.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB Bank for Kalayarasu A/L Subramaniam]	320,484	0.18

Note: The % shareholding is adjusted by excluding 12,561,832 treasury shares from the total paid-up share capital.

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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 Fourteenth Annual General Meeting of the Company to be held at The Executive Parlour of Sabah Hotel, Mile 1, Jalan Utara, 90000 Sandakan, Sabah on Friday, 17 December 2010 at 9.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

No.	**Resolutions**	**For**	**Against**
Resolution 1	Payment of Directors' Fees		
Resolution 2	Re-election of Mr Kwan Tack Chiong as Director		
Resolution 3	Re-election of Mr Ooi Jit Huat as Director		
Resolution 4	Re-appointment of Auditors		
Resolution 5	Proposed renewal of authority for the Company to purchase its own shares representing up to 10% of its issued and paid-up share capital		

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 ……………………………………… 2010

………………………………………………….
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.*

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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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