PRICEWORTH INTERNATIONAL BERHAD (399292-V)

ANNUAL REPORT 2011

PRICEWORTH INTERNATIONAL BERHAD (399292-V)

(Formerly known as Priceworth Wood Products Berhad)
(Incorporated in Malaysia)

Annual Report

2011

PRICEWORTH INTERNATIONAL BERHAD
(Formerly known as Priceworth Wood Products Berhad)
(Company No. 399292 - V)

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

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Corporate Information

BOARD OF DIRECTORS

Tan Sri Sabbaruddin Chik
(Chairman)

Lim Nyuk Foh
(Managing Director)

Koo Jenn Man
(Executive Director)

Datuk Chee Hong Leong, JP
(Independent Non-Executive Director)

Kwan Tack Chiong
(Independent Non-Executive Director)

Ooi Jit Huat
(Independent Non-Executive Director)

AUDIT COMMITTEE

Kwan Tack Chiong
(Chairman)

Tan Sri Sabbaruddin Chik
(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

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Email : pwpbhd@streamyx.com/ pricwor@tm.net.my / maxland@streamyx.com
Website : www.pwpmalaysia.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 03-7841 8000
Fax No. : 03-7841 8151/03-7841 8152

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 the Fifteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be convened and held at Sabah Oriental Hotel, Lorong Karamunsing, Kota Kinabalu, Sabah on Monday, 19 December 2011 at 2.00 p.m. to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2011 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 2011. **Resolution 1**

3. To re-elect Mr Lim Nyuk Foh retiring pursuant to Article 86 of the Company's Articles of Association and being eligible, offer himself for re-election. **Resolution 2**

4. To re-elect Mr Koo Jenn Man retiring pursuant to Article 93 of the Company's Articles of Association and being eligible, offer himself for re-election. **Resolution 3**

5. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: **Resolution 4**

   "THAT Tan Sri Sabbaruddin Chik, being over the age of 70 years and retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting"

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

7. **ORDINARY RESOLUTION** **Resolution 6**
   - **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 Annual General Meeting ("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;

Notice of the Fifteenth Annual General Meeting (continued)

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

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."

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

BY ORDER OF THE BOARD

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Sandakan
25 November 2011

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 6)
- *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.

Statement Accompanying the Notice of Fifteenth Annual General Meeting

1. Re-election of Directors pursuant to the Company's Articles of Association

The Directors standing for re-election at the Fifteenth Annual General Meeting of the Company pursuant to the Company's Articles of Association, are as follows:

(a) Mr Lim Nyuk Foh - Article 86
(b) Mr Koo Jenn Man - Article 93

2. Re-appointment of Director pursuant to the Companies Act, 1965

Tan Sri Sabbaruddin Chik retiring pursuant to Section 129(2) of the Companies Act, 1965 shall subject to re-appointment by the shareholders at the Fifteenth Annual General Meeting.

3. Profile of Directors who are standing for re-election and re-appointment

Details of the Directors who are standing for re-election and re-appointment are set out in the Profile of Directors appearing on pages 8 and 9 of the Annual Report.

4. Place, Date and Time of Fifteenth Annual General Meeting

The Fifteenth Annual General Meeting of the Company will be convened and held at Sabah Oriental Hotel, Lorong Karamunsing, Kota Kinabalu, Sabah on Monday, 19 December 2011 at 2.00 p.m.

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 International Berhad [Formerly known as Priceworth Wood Products Berhad] ("PWI" or "the Group") for the financial year ended 30 June 2011 (FY2011).

Financial Results

For the financial year ended 30 June 2011, the Group recorded a total gross revenue of RM400.6 million and profit after taxation of RM4.23 million. The current year's revenue was slightly lower compared to RM446.08 million in the preceding financial year however the current year's Group profit after taxation was significantly higher compared to RM2.52 million in the preceding financial year.

The lower revenue was due to a combination of significant factors including the slower than expected recovery in the global demand of commodities and the strengthening of the Ringgit against the US Dollar for which a significant portion of the Group's exports were traded in the latter. However, the Group posted higher profits from improved yields in their product mix.

Prospects

As we progress into the last quarter of the year 2011, the leading global economic data and overall indicators suggest that the pace of world recovery is expected to remain uneven.

However, the Group is optimistic that the underlying long term prospects for the timber remains intact as evidenced by the recent recovery of world timber and other commodity prices. The impact on the timber demand arising from the rebuilding activities after the earthquake and tsunami which hit Japan in March 2011, remains to be fulfilled as the backlog orders are expected to be clearing in the months ahead.

Whilst there are concerns that the emerging Asia's recovery could be bumpier as the result of excessive asset price inflation, anxiety over the prolonged European debt crisis and the uncertain US economic recovery, the Group has posted a stronger positive result for the FY2011. For the FY2012, the Group will continue to assess its internal and external risks and implement strategies to maintain and grow the business locally and globally.

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 special thanks go out to our employees and managers of the Group for their tremendous commitment throughout these challenging 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 recognises the importance of playing its role as a socially responsible corporate citizen in 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 practised by Priceworth International Berhad [Formerly known as Priceworth Wood Products Berhad] (PWI) Group is broadly divided into four (4) focal areas as follows:

1. The Workplace

   PWI Group places an importance to its human capital as the most valuable asset. The Group has conducted various in-house training programmes which are job-related in nature for the required skills, knowledge and experience. PWI 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 that continuous learning and human capital development will produce effective performance, high commitment in all levels of employees and ultimately contribute added value to the Group as a whole.

2. The Community

   The Group plays its role actively in creating employment and job opportunities for fresh graduates which helps the government in reducing the unemployment rate.

3. The Environment

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

4. The Marketplace

   At the marketplace, PWI 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 70
Chairman/Independent Non-Executive Director
Chairman of Nomination and Remuneration Committees
Member of Audit Committee

Tan Sri Sabbaruddin has been on the Board since 2 November 2001. He graduated from the 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 the Assistant Secretary to 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 the 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, a listed company.

Lim Nyuk Foh

Malaysian, aged 47
Managing Director

Mr Lim founded the PWI 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 Priceworth Industries Sdn Bhd to undertake the sawmilling and timber extraction business. He has more than 23 years of extensive experience in the timber industry.

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

Koo Jenn Man

Malaysian, aged 38
Executive Director

Mr Koo was admitted to the Board on 25 May 2011. He graduated from the University of Otago, Dunedin, New Zealand in 1996 with a Bachelor of Commerce, majoring in Accountancy. He is a members of the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants (United Kingdom). He started his career as an audit assistant with PricewaterhouseCooper (Malaysia), Kota Kinabalu in 1997. He was made a Senior Associate in 2000 and held the position for three (3) years. Subsequently in 2003, he joined Priceworth International Berhad (the then Priceworth Wood Products Berhad) as an Accountant in charge of finance and accounts operations of the Group. His job functions include overseeing the administration and the overall management of the operations of the PWI Group.

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

Directors' Profile (continued)

Datuk Chee Hong Leong, JP

Malaysian, aged 47
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 the McMaster University, Hamilton, Ontario, Canada. He began his career in 1990 coordinating the development in corporate and annual strategic plants for the Leisure Holidays Group of Companies. In 1992, he ventured into various businesses which involved designing and building individual bungalows for the landowners in various housing projects in the Klang Valley as well as building and operating a 100,000 square feet Information Technology Incubation Centre in the University Putra Malaysia. Subsequently, he joined Tanco Resort Berhad from 1998-2002 where he held various positions from General Manager to Executive Director/Chief Operating Officer. Currently, he is the Chairman of Kiara Susila Sdn Bhd, a property development company.

He also sits on the boards of SYF Resources Berhad and SEG International Berhad; both listed on the Bursa Securities and Speedtoyz Berhad, a public company.

Kwan Tack Chiong

Malaysian, aged 48
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination and Remuneration Committees

Mr Kwan was appointed to the Board of PWI on 2 November 2001. 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 being admitted to the Board of Directors of Priceworth Industries Sdn Bhd from 1994 to 1995. He was appointed director for Matotech (M) Sdn Bhd in 1996 and has since held office until today.

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

Ooi Jit Huat

Malaysian, aged 60
Independent Non-Executive Director
Member of Nomination, Remuneration and Audit Committees

Mr Ooi was appointed to the Board of Directors of PWI on 2 November 2001.

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 in 1981, he was the Manager at Peat Marwick Mitchell & Co of Kuala Lumpur until 1982. In 1983, he became the Financial Controller for Zemex Corporation before he founded his own public accounting firm, Russ Ooi & Associates in 1985. He has over 26 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 flotation 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 (continued)

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' Shareholdings are set out on page 80 of this Annual Report.

5. **Details of Attendance of Board Meetings held during the financial year ended 30 June 2011**

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*	5/5	100
Mr Koo Jenn Man^	-	-
Mr Kwan Tack Chiong	6/6	100
Mr Ooi Jit Huat	5/6	83

* Resigned from the Board on 30 April 2011.

^ Appointed to the Board on 25 May 2011.

Statement Of Corporate Governance

The Board of Directors ("the Board") of Priceworth International Berhad [Formerly known as 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 is observed as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of observed 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

As at the date of this report, the Board comprises members of different backgrounds, expertise and diverse skills to effectively lead and control the Company. As at the date of this Report, there are six (6) Directors in total that consist 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 8 to 9.

Board Balance

The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulating the policies, strategic action plans and stewardship of the Company's resources. The Board regularly reviews the Company's business operations in 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 the 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 the number of board meetings held during the financial year. The attendance record of each individual Director at the meetings is 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 the board meeting and the detailed information to enable them to deliberate in the meeting and hence make decisions. Besides that, the Board also approves matters through circular resolutions.

Supply of Information

The Chairman of the board or committee meetings will ensure 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.

Directors' Training

All the Directors had fulfilled the Mandatory Accreditation Programme ("MAP") stipulated by Bursa Securities. Although the mandatory Continuing Education Programme ("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 2011, the Directors attended the following training programme/seminar:

Director	Mode of Training	Title of Training	Duration (Day)
Tan Sri Sabbaruddin Chik	In-house seminar	Business Ethics- Insider Trading	½
Mr Lim Nyuk Foh	In-house seminar	Business Ethics- Insider Trading	½
Mr Koo Jenn Man	In-house seminar	Business Ethics- Insider Trading	½
Mr Kwan Tack Chiong	In-house seminar	Business Ethics- Insider Trading	½
Mr Ooi Jit Huat	In-house seminar	Business Ethics- Insider Trading	½
Datuk Chee Hong Leong	Bursa Securities Governance Programme	Assessing the Risk and Control Environment	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 the 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 two (2) meetings during the financial year. The Committee is responsible for making recommendations to the Board on re-election of retiring Directors, re-appointment of a Director pursuant to Section 129(6) of the Companies Act, 1965 and appointment of a new Director, including review on the required mix of skills and experience and assessment of the Board.

3. Remuneration Committee

The Remuneration Committee is made up of the following members:

i. Tan Sri Sabbaruddin Chik (Chairman)
ii. Mr Kwan Tack Chiong
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 to seek 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 in 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 his own remuneration. The Board, is of the opinion that the band disclosure on the Directors' remuneration as allowed by the Listing Requirements is acceptable and appropriate. The band disclosure of the Directors' remuneration can be seen in Note 10 of the audited financial statements on page 50. 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 the Bursa Link on the 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 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 the 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 regards to the external auditors is highlighted in the Audit Committee Report on pages 16 to 18 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 the internal audit, the Board has a system in place which emphasizes balanced monitoring and reviewing of the Group's daily operations. The Managing Director and the Executive Director, through their close 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 issues faced by the Group.

Their senior management meetings serve as a 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 to provide updates on any significant risks in the business and the external environments which may result in significant losses.

The Group's detailed organizational structure embeds a strong control feature which identifies the head of each department, their subordinates and superiors, hence creating clear reporting lines.

In view of the present size of the Group's operations, the in-house internal audit function will continue to play an important role by continuously reviewing the Group's internal control system. Through their internal audit procedures, they provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems, identifying potential risk exposures over key businesses and processes whilst monitoring proper conduct of business within the Group.

The internal audit function assists the Board in further reviewing and evaluation of the adequacy and integrity of the Group's internal control systems. The Audit Committee meets to review, discuss, and direct appropriate actions on matters arising from the internal audit reports. Internal audits are carried out from time to time based on significant issues from the operations of the Group.

The internal auditors adopt a risk-based approach and prepare their audit plan based on critical issues affecting and those that could occur within the Group from the changes in the external operating environment. 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 their corrective actions within the required time frame.

Having reviewed the Group's major business risks and appropriate control systems, 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 financial position of the Company and of the Group as at the end of the financial year and of their financial performance 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 judgments 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 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 Malaysian Institute of Accountants, he must have at least three (3) years working experience and,
(i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
(ii) he must be a member of one (1) 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 the internal and external auditors by serving as a focal point of communication between the 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 reasonably required to enable it to perform its duties;

Audit Committee Report
(continued)

3. Authority Of The Audit Committee (continued)

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;

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. Meetings and Reporting Procedures (continued)

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.

6. AUDIT COMMITTEE ATTENDANCE RECORD

During the financial year under review, five (5) 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	4/5	80
Tan Sri Sabbaruddin Chik	Member	5/5	100
Mr Ooi Jit Huat	Member	5/5	100

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 2011;
- 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 2011 and presented to the Board of Directors for their approval.

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 the adequacy of the internal control system to provide objective feedback and reports to 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 the audits that were 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 2011 were 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.

Additional Compliance Information

During the financial year:

(a) Share Buy-Back

The shareholders of the Company, by an ordinary resolution in the last Annual General Meeting held on 17 December 2010 approved the Company's Proposed Renewal Share Buy-Back Scheme ("Share Buy-Back") to purchase up to 10% of its own issued and paid-up share capital of RM0.50 each. Details of the shares so purchased are as follows:

Date of purchase	No. of Shares Purchased	Purchase Price (RM)	Total consideration (RM)
29-11-2010	1,000	0.47	470.00

As at the financial year end, the balance of treasury shares stood at 12,562,832 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

The non-audit fees of RM2,000.00 were paid by the Company to the external auditors.

(f) Variation in Results

There were no material variance between the audited results for the financial year ended 30 June 2011 and the unaudited results released for the quarter ended 30 June 2011 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

The proceeds of RM4.343 million raised by the Company from the corporate exercise on the Renounceable Right Issue of 86,857,643 Warrants 2011/2016 allotted on 1 April 2011 at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each held in PWI had been fully utilized as additional working capital for the Company and the Group.

(j) Revaluation Policy on Landed Properties

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

Financial Statements

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

Change of name

Pursuant to the special resolution passed on 17 March 2011, the Company changed its name from Priceworth Wood Products Berhad to Priceworth International Berhad with effect from 18 March 2011.

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 the principal activities during the financial year.

Results

	Group RM	Company RM
Profit net of tax	4,232,732	570,604
Profit attributable to:		
Owners of the parent	4,130,310	570,604
Minority interests	102,422	-
	4,232,732	570,604

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.

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
Koo Jenn Man (Appointed on 25 May 2011)
Kwan Tack Chiong
Ooi Jit Huat
Datuk Chee Hong Leong
Chok Syn Vun (Resigned on 30 April 2011)

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 or warrants 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 10 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 28 to the financial statements.

Warrants 2011/2016

The Warrants 2011/2016 are constituted by a Deed Poll dated 17 March 2011.

On 29 April 2011, the Company allotted 86,857,643 new Warrants 2011/2016 at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each held in the Company on 1 April 2011.

Each Warrant 2011/2016 entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or after 29 April 2011 to 28 April 2016 at an exercise price of RM0.50 per share or such adjusted price in accordance with the provisions in the Deed Poll. Any Warrants 2011/2016 not exercised at the date of maturity will lapse and cease to be valid for any purpose.

The ordinary shares issued from the exercise of Warrants 2011/2016 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2011/2016.

Directors' interests

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

	Number of ordinary shares of RM0.50 each				
	1.7.2010	At date of appointment	Acquired	Sold	30.6.2011
Name of director					
Direct interest:					
Tan Sri Sabbaruddin Chik	622,200	-	140,800	-	763,000
Lim Nyuk Foh	53,258,611	-	-	-	53,258,611
Koo Jenn Man	-	510	-	-	510

Interest in Warrants

	Number of Warrants 2011/2016				
	1.7.2010	Acquired	Sold	Exercised	30.6.2011
Name of director					
Lim Nyuk Foh	-	26,629,305	-	-	26,629,305
Tan Sri Sabbaruddin Chik	-	381,500	-	-	381,500

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 or warrants of the Company during the financial year.

Share capital

During the financial year, the Company increased its authorised ordinary share capital from RM100,000,000 to RM200,000,000 through the creation of 200,000,000 ordinary shares of RM0.50 each.

Treasury shares

During the financial year, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM0.50 per share. The total consideration paid for the repurchase including transaction costs was RM511. The shares repurchased are being held as treasury shares in accordance with section 67A of the Companies Act, 1965.

As at 30 June 2011, the Company held as treasury shares a total of 12,562,832 of its 186,278,118 issued ordinary shares. Such treasury shares are held at a carrying amount of RM10,324,612 and further relevant details are disclosed in Note 25(b) to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position 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.

Directors' report
(continued)

Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 18 and 35 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 36 to the financial statements.

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 20 October 2011.

Lim Nyuk Foh

Koo Jenn Man

Sandakan, Malaysia

Statement by Directors/ Statutory Declaration

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

We, Lim Nyuk Foh and Koo Jenn Man, being two of the directors of Priceworth International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 77 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their financial performance and cash flows for the year then ended.

The information set out in Note 39 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors on 20 October 2011.

Lim Nyuk Foh

Koo Jenn Man

Sandakan, Malaysia

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Koo Jenn Man, being the director primarily responsible for the financial management of Priceworth International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 77 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 20 October 2011

Koo Jenn Man

Before me -

HAMZAH HJ. ABDULLAH
Commissioner for Oaths
S 088

Independent auditors' report to the members of PRICEWORTH INTERNATIONAL BERHAD (Formerly known as Priceworth Wood Products Berhad) (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Priceworth International Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 28 to 77.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 of financial statements that give a true and fair view 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 2011 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.

Independent auditors' report to the members of PRICEWORTH INTERNATIONAL BERHAD (Formerly known as Priceworth Wood Products Berhad) (Incorporated in Malaysia) (continued)

Other matters

The supplementary information set out in Note 39 on page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Chong Ket Vui, Dusun
2944/01/13 (J)
Chartered Accountant

Sandakan, Malaysia
31 October 2011

Statements of comprehensive income

For the financial year ended 30 June 2011

	Note	Group 2011 RM	Group 2010 (Restated) RM	Company 2011 RM	Company 2010 RM
Revenue	4	400,686,381	446,082,982	12,200,391	13,849,093
Cost of sales		(329,818,983)	(386,576,520)	-	-
Gross profit		70,867,398	59,506,462	12,200,391	13,849,093
Other items of income					
Interest income	5	288,322	12,501	236,010	-
Other income	6	6,120,691	11,473,503	25,800	2,014,171
Other items of expense					
Other operating expenses		(97,944)	(50,408)	-	-
Administrative expenses		(21,777,893)	(24,427,674)	(1,126,438)	(2,252,945)
Selling expenses		(31,696,853)	(22,044,576)	-	-
Finance costs	7	(19,815,777)	(21,266,506)	(10,706,156)	(11,424,081)
Profit before tax	8	3,887,944	3,203,302	629,607	2,186,238
Income tax expense	11	344,788	(677,545)	(59,003)	-
Profit net of tax		4,232,732	2,525,757	570,604	2,186,238
Other comprehensive income		2,523	-	-	-
Total comprehensive income		4,235,255	2,525,757	570,604	2,186,238
Profit attributable to:					
Owners of the parent		4,130,310	2,446,321	570,604	2,186,238
Minority interests		102,422	79,436	-	-
		4,232,732	2,525,757	570,604	2,186,238
Total comprehensive income attributable to:					
Owners of the parent		4,132,833	2,446,321	570,604	2,186,238
Minority interests		102,422	79,436	-	-
		4,235,255	2,525,757	570,604	2,186,238
Earnings per share attributable to owners of the parent (sen per share):					
Basic	12	2.37	1.68		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of financial position
As at 30 June 2011

		Group			Company	
	Note	2011	2010 (restated)	As at 1.7.2009 (restated)	2011	2010
	RM	RM	RM	RM	RM	
Assets						
Non-current assets						
Property, plant and equipment	14	375,042,950	416,425,333	463,793,945	68,418	855,904
Biological assets	15	8,353,428	3,652,283	1,423,612	-	-
Land use rights	16	4,854,074	2,790,877	2,832,533	-	-
Intangible assets	17	40,989,369	44,648,071	14,488,948	-	-
Investments in subsidiaries	18	-	-	-	160,341,920	160,341,920
Other investment		-	-	50,000	-	-
		429,239,821	467,516,564	482,589,038	160,410,338	161,197,824
Current assets						
Inventories	19	66,325,654	68,783,404	67,624,820	-	-
Income tax refundable		28,286	-	-	-	-
Trade and other receivables	20	64,212,730	69,731,452	64,378,021	136,239,082	137,997,460
Prepayments		6,224,352	1,741,148	3,037,125	634,495	-
Cash and bank balances	21	7,717,607	12,921,915	16,964,524	145,505	5,607,550
		144,508,629	153,177,919	152,004,490	137,019,082	143,605,010
Assets of disposal group/non-current assets classified as held for sale		-	-	61,541,128	-	-
		144,508,629	153,177,919	213,545,618	137,019,082	143,605,010
Total assets		573,748,450	620,694,483	696,134,656	297,429,420	304,802,834
Equity and liabilities						
Current liabilities						
Loans and borrowings	22	40,009,169	43,284,609	53,261,374	12,699,390	13,060,836
Trade and other payables	23	61,725,631	79,488,345	76,267,263	584,864	861,022
Income tax payable		2,372,676	3,365,683	11,176,467	59,003	-
		104,107,476	126,138,637	140,705,104	13,343,257	13,921,858
Assets of disposal group/non-current assets classified as held for sale		-	-	51,778,552	-	-
		104,107,476	126,138,637	192,483,656	13,343,257	13,921,858
Net current assets		40,401,153	27,039,282	21,061,962	123,675,825	129,683,152

Statements of financial position

As at 30 June 2011 (continued)

		Group			Company	
	Note	2011	2010 (restated)	As at 1.7.2009 (restated)	2011	2010
	RM	RM	RM	RM	RM	
Non-current liabilities						
Loans and borrowings	22	168,002,254	200,571,672	235,821,226	135,500,175	146,770,443
Other payables		-	-	3,727,962	-	-
Deferred tax liabilities	24	23,557,263	24,042,823	15,812,024	-	-
		191,559,517	224,614,495	255,361,212	135,500,175	146,770,443
Total liabilities		295,666,993	350,753,132	447,844,868	148,843,432	160,692,301
Net assets		278,081,457	269,941,351	248,289,788	148,585,988	144,110,533
Equity attributable to owners of the parent						
Share capital	25	93,139,059	93,139,059	76,590,909	93,139,059	93,139,059
Share premium	25	59,890,697	59,890,697	54,926,252	59,890,697	59,890,697
Treasury shares	25	(10,324,612)	(10,324,101)	(12,590,168)	(10,324,612)	(10,324,101)
Retained earnings	26	130,127,790	126,435,000	126,254,746	1,537,962	1,404,878
Other reserves	27	4,345,405	-	-	4,342,882	-
		277,178,339	269,140,655	245,181,739	148,585,988	144,110,533
Minority interests		903,118	800,696	3,108,049	-	-
Total equity		278,081,457	269,941,351	248,289,788	148,585,988	144,110,533
Total equity and liabilities		573,748,450	620,694,483	696,134,656	297,429,420	304,802,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of changes in equity For the financial year ended 30 June 2011

	Note	Equity, total RM	Equity attributable to owners of the parent, total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Warrant reserve RM	Foreign currency translation reserve RM	Minority interests RM
			Attributable to owners of the parent								
				Non-Distributable			Distributable		Non-Distributable		
2011											
Group											
Opening balance at 1 July 2010		269,941,351	269,140,655	93,139,059	59,890,697	(10,324,101)	126,435,000	-	-	-	800,696
Total comprehensive income		4,235,255	4,132,833	-	-	-	4,130,310	2,523	-	2,523	102,422
Transactions with owners											
Issue of warrants	27	3,905,362	3,905,362	-	-	-	(437,520)	4,342,882	4,342,882	-	
Purchase of treasury shares	25	(511)	(511)	-	-	(511)	-	-	-	-	-
Total transactions with owners		3,904,851	3,904,851	-	-	(511)	(437,520)	4,342,882	4,342,882	-	-
Closing balance at 30 June 2011		278,081,457	277,178,339	93,139,059	59,890,697	(10,324,612)	130,127,790	4,345,405	4,342,882	2,523	903,118
2010											
Group											
Opening balance at 1 July 2009		248,289,788	245,181,739	76,590,909	54,926,252	(12,590,168)	126,254,746	-	-	-	3,108,049
Total comprehensive income		2,525,757	2,446,321	-	-	-	2,446,321	-	-	-	79,436
Transactions with owners											
Dividend on ordinary shares	13	-	-	-	-	2,266,067	(2,266,067)	-	-	-	-
Issue of ordinary shares	25	21,512,595	21,512,595	16,548,150	4,964,445	-	-	-	-	-	-
Minority interest of subsidiary disposed		(2,386,789)	-	-	-	-	-	-	-	-	(2,386,789)
Total transactions with owners		19,125,806	21,512,595	16,548,150	4,964,445	2,266,067	(2,266,067)	-	-	-	(2,386,789)
Closing balance at 30 June 2010		269,941,351	269,140,655	93,139,059	59,890,697	(10,324,101)	126,435,000	-	-	-	800,696

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company statement of changes in equity

For the financial year ended 30 June 2011

	Note	Equity, total RM	Equity attributable to owners of the parent, total RM	← Non-distributable → Share capital RM	Share premium RM	Treasury shares RM	Distributable Retained earnings RM	Non-distributable Warrant reserve RM
2011								
Company								
Opening balance at 1 July 2010		144,110,533	144,110,533	93,139,059	59,890,697	(10,324,101)	1,404,878	-
Total comprehensive income		570,604	570,604	-	-	-	570,604	-
Transactions with owners								
Issuance of warrants	27	3,905,362	3,905,362	-	-	-	(437,520)	4,342,882
Purchase of treasury shares	25	(511)	(511)	-	-	(511)	-	-
Total transactions with owners		3,904,851	3,904,851	-	-	(511)	(437,520)	4,342,882
Closing balance at 30 June 2011		148,585,988	148,585,988	93,139,059	59,890,697	(10,324,612)	1,537,962	4,342,882
2010								
Company								
Opening balance at 1 July 2009		120,411,700	120,411,700	76,590,909	54,926,252	(12,590,168)	1,484,707	-
Total comprehensive income		2,186,238	2,186,238	-	-	-	2,186,238	-
Transactions with owners								
Issue of ordinary shares	25	21,512,595	21,512,595	16,548,150	4,964,445	-	-	-
Dividend on ordinary shares	13	-	-	-	-	2,266,067	(2,266,067)	-
Total transactions with owners		21,512,595	21,512,595	16,548,150	4,964,445	2,266,067	(2,266,067)	-
Closing balance at 30 June 2010		144,110,533	144,110,533	93,139,059	59,890,697	(10,324,101)	1,404,878	-

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows
For the financial year ended 30 June 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Operating activities					
Profit before tax		3,887,944	3,203,302	629,607	2,186,238
Adjustments for:					
Depreciation of property, plant and equipment	8	42,717,007	43,767,753	94,127	102,682
Amortisation of land use rights	8	41,656	41,656	-	-
Amortisation of timber rights	8	4,337,421	73,100	-	-
Investment written off	8	-	50,000	-	-
Property, plant and equipment scrapped	8	4,823,037	-	-	-
Net gain on disposal of property, plant and equipment		(1,209,420)	(4,585,257)	-	(1,064,171)
Gain on disposal of investment in a subsidiary company	6	(690,679)	(1,560,751)	-	(950,000)
Negative goodwill recognised	6	-	(419,365)	-	-
Interest income	5	(288,322)	(12,501)	(236,010)	-
Interest expense	7	19,815,777	21,266,506	10,706,156	11,424,081
Total adjustments		69,546,477	58,621,141	10,564,273	9,512,592
Operating cash flows before changes in working capital		73,434,421	61,824,443	11,193,880	11,698,830
Changes in working capital					
Decrease in inventories		2,457,750	2,267,793	-	-
Decrease/(increase) in receivables		5,518,721	385,105	2,451,737	(4,629,358)
Increase in prepaid operating expenses		(4,483,204)	1,295,977	(634,495)	-
Decrease in payables		(17,755,100)	(3,136,045)	(276,158)	(6,435,562)
Total changes in working capital		(14,261,833)	812,830	1,541,084	(11,064,920)
Cash flows from operations		59,172,588	62,637,273	12,734,964	633,910
Interest paid		(19,815,777)	(21,266,506)	(10,706,156)	(11,424,081)
Income tax refunded		86,031	-	-	-
Income tax paid		(1,048,096)	(7,650,372)	-	-
Net cash flows from/(used in) operating activities		38,394,746	33,720,395	2,028,808	(10,790,171)

Statements of cash flows
For the financial year ended 30 June 2011 (continued)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Investing activities					
Acquisition of subsidiary companies		-	(296,999)	-	-
Purchase of property, plant and equipment	14	(13,347,577)	(21,403,505)	-	(7,655,829)
Payment for forest planting expenditure	15	(4,510,612)	(2,046,548)	-	-
Proceeds from disposal of subsidiary	18(c)	497,797	3,452,700	-	3,500,000
Proceeds from disposal of property, plant and equipment		5,410,500	27,697,866	-	20,000,000
Interest received		288,322	12,501	236,010	-
Net cash flows (used in)/from investing activities		(11,661,570)	7,416,015	236,010	15,844,171
Financing activities					
Proceeds from issue of warrants		3,905,362	-	3,905,362	-
Purchase of treasury shares		(511)	-	(511)	-
Proceeds from loans and borrowings		-	4,480,000	-	-
Repayment of loans and borrowings		(34,553,861)	(50,997,316)	(10,340,717)	(12,331,581)
Net cash flows used in financing activities		(30,649,010)	(46,517,316)	(6,435,866)	(12,331,581)
Net decrease in cash and cash equivalents		(3,915,834)	(5,380,906)	(4,171,048)	(7,277,581)
Effect of exchange rate changes		2,523	-	-	-
Cash and cash equivalents at beginning of year		11,630,918	17,011,824	4,316,553	11,594,134
Cash and cash equivalents at end of year	21	7,717,607	11,630,918	145,505	4,316,553

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
For the financial year ended 30 June 2011

1. Corporate information

Priceworth International Berhad ("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 the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory and that have been effective, which are:

Effective for financial periods beginning on or after 1 January 2010
- 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*
- Improvements to FRS issued in 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 FRS119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Effective for financial periods beginning on or after 1 March 2010
- Amendments to FRS 132: *Financial Instruments: Presentation*
  (Paragraphs 11, 16 and 97E relating to Classification of Rights Issues)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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)*
- Amendments to FRS 2: *Share-based Payment*
- Amendments to FRS 5: *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 127: *Consolidated and Separate Financial Statements*
- Amendments to FRS 138: *Intangible Assets*
- Amendments to IC Interpretation 9: *Reassessment of Embedded Derivatives*
- IC Interpretation 12: *Service Concession Arrangements*
- IC Interpretation 16: *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17: *Distributions of Non-cash Assets to Owners*

FRS 4 *Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation.* FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 June 2011.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

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 classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 33).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Notes to the financial statements
For the financial year ended 30 June 2011 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Amendments to FRS 117 Leases

Prior to 1 July 2010, for all leases of land, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Company as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land elements in proportion to the relative fair values for leasehold interests in the land element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Company has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the statement of financial position as at 30 June 2011 arising from the above change in accounting policy:

	2011 RM
Increase/(decrease) in:	
Property, plant and equipment	30,668,776
Land use rights	(30,668,776)

The following comparatives have been restated:

	As previously stated RM	Adjustments RM	As restated RM
Statement of financial position			
30 June 2010			
Property, plant and equipment	385,056,338	31,368,995	416,425,333
Land use rights	34,159,872	(31,368,995)	2,790,877
1 July 2009			
Property, plant and equipment	432,431,652	31,362,293	463,793,945
Land use rights	34,194,826	(31,362,293)	2,832,533

2.3 Standards and interpretation issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 31 December 2010
- Technical Release 3: Guidance on Disclosures on Transition to IFRSs

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretation issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 January 2011
- Amendments to FRS 1: *Limited Exemption from Comparative FRS 7 Disclosures for First - Time Adopters*
- Amendments to FRS 1: *Additional Exemptions for First-time Adopters*
- 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 Contain a Lease*
- IC Interpretation 18 : *Transfer of Assets from Customers*
- Technical Release 4: *Shariah Compliant Sale Contracts*

Effective for financial periods beginning on or after 1 July 2011
- Amendments to IC Interpretation 14: *Prepayments of a Minimum Funding Requirements*
- IC Interpretation 19: *Extinguishing Financial Liabilities with Equity Instruments*

Effective for financial periods beginning on or after 1 January 2012
- IC Interpretation 15: *Agreements for the Construction of Real Estate*
- Amendments to FRS 124: *Related Party Disclosure*

The Malaysian Accounting Standards Board also issued "Improvements to FRSs (2010)" which contain amendments to eleven FRSs and are effective for financial periods beginning on or after 1 January 2011.

The Group plan to adopt the above pronouncements when they become effective in the respective financial period. These pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

2. **Summary of significant accounting policies (continued)**

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

a) 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.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The leasehold land and buildings of the Group have not been revalued since they were first revalued in 1996. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standard 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1996 valuation less accumulated depreciation and impairment losses.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Long term leasehold land	Over remaining lease term of land
Buildings	2% - 10%
Heavy equipment, motor vehicles and motor launches	10% - 20%
Plant and machinery	7%
Furniture, fittings and equipment	10% - 33 1/3%
Aircraft	10%
Tug boat and scow	10%
Camp infrastructure	15%

Assets under constructions included in plant and equipment are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 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.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (continued)

2.12 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Construction contracts

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2.17 Inventories

Inventories are stated at lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in, first-out basis.

- Finished goods and work-in-progress: cost 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.

2. Summary of significant accounting policies (continued)

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.22 Leases

As Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

2.23 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. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue from sale of goods 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.

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Summary of significant accounting policies (continued)

2.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue 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.

2.27 Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting estimates

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.

a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 10 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. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 51% (2010: 87%) variance in the Group's profit for the year.

b) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 17.

c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital and reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses, capital and reinvestment allowances of the Group were RM27,161,025 (2010: RM44, 395,213).

4. Revenue

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Sale of processed wood products	289,255,958	298,134,636	-	-
Sale of logs	14,682,299	21,698,831	-	-
Contract fees	90,927,876	115,167,486	-	-
Road tolls	5,684,546	11,082,029	-	-
Barge hire income	135,702	-	-	-
Gross dividend from a subsidiary	-	-	12,200,391	13,849,093
	400,686,381	446,082,982	12,200,391	13,849,093

5. Interest income

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest income from:				
Deposits with licensed banks	251,883	12,501	236,010	-
Repos	36,439	-	-	-
	288,322	12,501	236,010	-

6. Other income

	Group		Company	
	2011	2010 (restated)	2011	2010
	RM	RM	RM	RM
Equipment hiring income	-	117,156	-	-
Gain on disposal of property, plant and equipment	1,312,067	4,585,257	-	1,064,171
Gain on foreign exchange	600,950	-	-	-
Gain on disposal of investment in a subsidiary company (Note 18(c))	690,679	1,560,751	-	950,000
Gate pass income	664,032	447,600	-	-
Insurance claim received	468,836	299,491	-	-
Rental income	122,148	280,741	-	-
Miscellaneous income	1,647,494	3,546,967	25,800	-
Sale of scrap iron	99,404	45,141	-	-
Sale of saw dust	515,081	171,034	-	-
Negative goodwill recognised	-	419,365	-	-
	6,120,691	11,473,503	25,800	2,014,171

7. Finance costs

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest expense on:				
Bank loans	10,706,156	11,424,081	10,706,156	11,424,081
Obligations under finance leases	8,563,960	8,434,090	-	-
Others	496,448	1,338,278	-	-
Revolving credit	49,213	70,057	-	-
Total finance costs	19,815,777	21,266,506	10,706,156	11,424,081

8. Profit before tax

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

	Group		Company	
	2011	2010 (restated)	2011	2010
	RM	RM	RM	RM
Employee benefits expense (Note 9)	42,397,911	45,888,761	109,529	67,147
Non-executive directors' remuneration (Note 10)	253,500	265,050	253,500	265,050
Auditors' remuneration:				
- statutory audits	205,840	155,200	56,000	30,000
- (over)/underprovided in prior years	(13,500)	(1,500)	-	-
- other services	42,300	9,000	9,000	9,000
Amortisation of timber rights (Note 17)	4,337,421	73,100	-	-
Depreciation of property, plant and equipment (Note 14)	42,717,007	43,767,753	94,127	102,682
Amortisation of land use rights (Note 16)	41,656	41,656	-	-
Hire of equipment	258,206	707,673	-	-
Investment written off	-	50,000	-	-
Rental expenses	1,432,374	362,668	-	134,929
Net foreign exchange loss	23,404	229,370	-	-
Loss on disposal of property, plant and equipment	102,647	-	-	-
Property, plant and equipment scrapped	4,823,037	-	-	-

9. Employee benefits expense

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Wages and salaries	41,277,650	44,864,227	96,863	59,168
Social security contributions	160,669	144,253	1,014	973
Contributions to defined contribution plan	1,347,083	1,160,519	11,652	7,006
	42,785,402	46,168,999	109,529	67,147
Capitalised in biological assets	(387,491)	(280,238)	-	-
Recognised in statement of comprehensive income	42,397,911	45,888,761	109,529	67,147

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM857,346 (2010: RM730,405) and RM6,129 (2010: Nil) respectively.

10. Directors' remuneration

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Executive:				
Salaries and other emoluments	689,186	601,070	6,129	-
Bonus	109,000	43,130	-	-
Defined contribution plan	59,160	86,205	-	-
Total executive directors' remuneration	857,346	730,405	6,129	-
Non-Executive:				
Fees (Note 8)	234,000	261,750	234,000	261,750
Other emoluments	19,500	3,300	19,500	3,300
Total non-executive directors' remuneration	253,500	265,050	253,500	265,050
Total directors' remuneration	1,110,846	995,455	259,629	265,050

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	
	2011	**2010**
Executive directors:		
Below RM50,000	1	-
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	1
RM300,001 to RM400,000	-	-
RM400,001 to RM450,000	1	1
Non-executive directors:		
Below RM50,000	4	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	1

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2011 and 2010 are:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	193,303	129,825	59,003	-
- Overprovision in respect of previous years	(52,531)	(125,023)	-	-
	140,772	4,802	59,003	-

11. Income tax expense (continued)

Major components of income tax expense (continued)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Deferred income tax (Note 24):				
- Origination of temporary differences	(418,249)	621,577	-	-
- (Over)/underprovision in respect of previous years	(67,311)	51,166	-	-
	(485,560)	672,743	-	-
Income tax expense recognised in profit or loss	(344,788)	677,545	59,003	-

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2011 and 2010 are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Profit before tax	3,887,944	3,203,302	629,607	2,186,238
Tax at Malaysian statutory tax rate of 25%	971,986	800,826	157,402	546,559
Adjustments:				
Income not subject to taxation	(85,892)	-	(3,050,098)	(3,462,273)
Non-deductible expenses	3,191,606	3,809,471	2,951,699	2,915,714
Benefits from previously unrecognised tax losses and unabsorbed reinvestment allowances	(4,308,547)	(3,858,895)	-	-
Deferred tax assets not recognised	5,901	-	-	-
(Over)/underprovision of deferred tax in respect of previous years	(67,311)	51,166	-	-
Overprovision of income tax in respect of previous years	(52,531)	(125,023)	-	-
	(344,788)	677,545	59,003	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

11. Income tax expense (continued)

Reconciliation between tax expense and accounting profit (continued)

Tax savings during the financial year arising from:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Utilisation of current year tax losses	61,071	4,715,617	-	-
Utilisation of previously unrecognised tax losses and unabsorbed reinvestment allowances	4,305,408	3,858,895	-	-

12. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2011	**2010**
	RM	**RM**
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	4,130,310	2,446,321
Weighted average number of ordinary shares for basic earnings per share computation	173,715,694	144,874,960
Basic earnings per share for profit for the year (sen)	2.37	1.68

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

(b) Diluted

Warrants were anti-dilutive and hence the diluted earnings per share was not calculated for the financial year.

13. Dividend

	2011	**2010**
	RM	**RM**
Recognised during the financial 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

14. Property, plant and equipment

Group	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure RM	Capital work-in-progress RM	Total RM
Cost										
At 1 July 2009										
As previously stated	-	112,239,748	192,446,032	210,141,991	8,854,447	14,465,830	-	33,186,076	21,591,028	592,925,152
Effect of adopting the amendments to FRS 117	32,394,799	-	-	-	-	-	-	-	-	32,394,799
As restated	32,394,799	112,239,748	192,446,032	210,141,991	8,854,447	14,465,830	-	33,186,076	21,591,028	625,319,951
Additions	350,000	51,630	95,383	1,371,595	547,904	1,966,811	-	6,262,566	10,757,616	21,403,505
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)
Reclassification	-	847,589	-	1,251,020	11,833	-	-	-	(2,110,442)	-
At 30 June 2010 (restated)	32,744,799	112,473,176	179,759,061	212,627,566	9,196,221	16,433,565	-	39,302,952	11,287,633	613,824,973
Representing:										
At cost	10,097,695	86,797,774	179,759,061	212,627,566	9,196,221	16,433,565	-	39,302,952	11,287,633	565,502,467
At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
At 30 June 2010 (restated)	32,744,799	112,473,176	179,759,061	212,627,566	9,196,221	16,433,565	-	39,302,952	11,287,633	613,824,973

14. Property, plant and equipment (continued)

	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure RM	Capital work-in-progress RM	Total RM
Group										
Cost										
At 1 July 2010										
As previously stated	-	112,473,176	179,759,061	212,627,566	9,196,221	16,433,565	-	39,302,952	11,287,633	581,080,174
Effect of adopting the amendments to FRS 117	32,744,799	-	-	-	-	-	-	-	-	32,744,799
As restated	32,744,799	112,473,176	179,759,061	212,627,566	9,196,221	16,433,565	-	39,302,952	11,287,633	613,824,973
Additions	-	846,838	2,255,123	1,749,412	1,124,169	-	5,494,548	10,486	1,867,001	13,347,577
Disposals	(350,000)	(1,220,000)	(3,454,668)	(2,183,763)	(10,515)	-	-	-	(693,359)	(7,912,305)
Scrapped	-	-	-	-	-	-	-	(12,403,291)	-	(12,403,291)
Adjustments	-	-	(25,000)	(8,167)	-	-	-	-	-	(33,167)
Reclassification	-	531,046	-	1,286,404	-	-	-	-	(3,922,303)	(2,104,853)
At 30 June 2011	32,394,799	112,631,060	178,534,516	213,471,452	10,309,875	16,433,565	5,494,548	26,910,147	8,538,972	604,718,934
Representing:										
At cost	9,747,695	86,955,658	178,534,516	213,471,452	10,309,875	16,433,565	5,494,548	26,910,147	8,538,972	556,396,428
At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
At 30 June 2011	32,394,799	112,631,060	178,534,516	213,471,452	10,309,875	16,433,565	5,494,548	26,910,147	8,538,972	604,718,934

14. Property, plant and equipment (continued)

Group	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure RM	Capital work-in-progress RM	Total RM
Accumulated depreciation										
At 1 July 2009										
As previously stated	-	9,250,718	73,055,738	51,404,399	6,135,703	2,844,773	-	17,802,169	-	160,493,500
Effect of adopting the amendments to FRS 117	1,032,506	-	-	-	-	-	-	-	-	1,032,506
As restated	1,032,506	9,250,718	73,055,738	51,404,399	6,135,703	2,844,773	-	17,802,169	-	161,526,006
Depreciation charge for the year	343,298	2,596,137	18,602,720	15,364,486	874,431	1,560,975	-	4,607,829	-	43,949,876
Disposals	-	-	(7,789,149)	(137,026)	-	-	-	-	-	(7,926,175)
Adjustments	-	(169,898)	(29,235)	-	(55,487)	-	-	104,553	-	(150,067)
At 30 June 2010 (restated)	1,375,804	11,676,957	83,840,074	66,631,859	6,954,647	4,405,748	-	22,514,551	-	197,399,640
At 1 July 2010										
As previously stated	-	11,676,957	83,840,074	66,631,859	6,954,647	4,405,748	-	22,514,551	-	196,023,836
Effect of adopting the amendments to FRS 117	1,375,804	-	-	-	-	-	-	-	-	1,375,804
As restated	1,375,804	11,676,957	83,840,074	66,631,859	6,954,647	4,405,748	-	22,514,551	-	197,399,640
Addition	353,195	3,719,164	17,200,773	15,069,399	706,024	1,643,357	262,970	3,952,658	-	42,907,540
Disposals	(2,976)	(91,500)	(2,043,797)	(869,077)	(10,425)	-	-	-	-	(3,017,775)
Scrapped	-	-	-	-	-	-	-	(7,580,254)	-	(7,580,254)
Adjustments	-	-	(25,000)	(8,167)	-	-	-	-	-	(33,167)
At 30 June 2011(restated)	1,726,023	15,304,621	98,972,050	80,824,014	7,650,246	6,049,105	262,970	18,886,955	-	229,675,984

Notes to the financial statements
For the financial year ended 30 June 2011 (continued)

14. Property, plant and equipment (continued)

Group	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure RM	Capital work-in-progress RM	Total RM
Net carrying amount										
At cost	9,157,907	95,466,441	119,390,294	158,737,592	2,718,744	11,621,057	-	15,383,907	21,591,028	434,066,970
At valuation	22,204,386	7,522,589	-	-	-	-	-	-	-	29,726,975
At 30 June 2009	31,362,293	102,989,030	119,390,294	158,737,592	2,718,744	11,621,057	-	15,383,907	21,591,028	463,793,945
At cost	9,312,258	93,273,630	95,918,987	145,995,707	2,241,574	12,027,817	-	16,788,401	11,287,633	386,846,007
At valuation	22,056,737	7,522,589	-	-	-	-	-	-	-	29,579,326
At 30 June 2010	31,368,995	100,796,219	95,918,987	145,995,707	2,241,574	12,027,817	-	16,788,401	11,287,633	416,425,333
At cost	8,759,688	89,803,850	79,562,466	132,647,438	2,659,629	10,384,460	5,231,578	8,023,192	8,538,972	345,611,273
At valuation	21,909,088	7,522,589	-	-	-	-	-	-	-	29,431,677
At 30 June 2011	30,668,776	97,326,439	79,562,466	132,647,438	2,659,629	10,384,460	5,231,578	8,023,192	8,538,972	375,042,950

14. Property, plant and equipment (continued)

	Motor vehicles RM	Furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
Company				
Cost				
At 1 July 2009	348,600	234,742	11,973,359	12,556,701
Additions	-	-	7,655,829	7,655,829
Disposals	-	-	(18,935,829)	(18,935,829)
At 30 June 2010	348,600	234,742	693,359	1,276,701
At 1 July 2010	348,600	234,742	693,359	1,276,701
Disposals	-	-	(693,359)	(693,359)
At 30 June 2011	348,600	234,742	-	583,342
Accumulated depreciation				
At 1 July 2009	174,300	143,815	-	318,115
Depreciation charge for the year (Note 8)	69,720	32,962	-	102,682
At 30 June 2010	244,020	176,777	-	420,797
At 1 July 2010	244,020	176,777	-	420,797
Depreciation charge for the year (Note 8)	69,720	24,407	-	94,127
At 30 June 2011	313,740	201,184	-	514,924
Net carrying amount				
At 30 June 2010	104,580	57,965	693,359	855,904
At 30 June 2011	34,860	33,558	-	68,418

	Group 2011 RM	Group 2010 RM
Capitalisation of depreciation under biological assets		
Charged to statement of comprehensive income	42,717,007	43,767,753
Capitalised under biological assets	190,533	182,123
	42,907,540	43,949,876

14. Property, plant and equipment (continued)

Revaluation of buildings

Buildings were revalued in 1996 by C. H. Williams Talhar & Wong (Sabah) Sdn. Bhd.. Valuation was made on the basis of open market values on existing use basis.

If the buildings were measured using the cost model, the net carrying amount would have been RM11,468,663 (2010: RM12,407,333).

Long term leasehold lands of the Group have not been revalued since they were first revalued in 1996. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1996 valuation less accumulated depreciation.

Assets held under finance leases

The carrying amount of property, plant and equipment held under finance lease at the reporting date were as follows:

	Group	
	2011	**2010**
	RM	**RM**
Buildings	837,086	2,001,913
Tractors and heavy equipment	23,293,608	41,326,619
Motor vehicles and dump trucks	6,018,926	13,251,558
Plant and machinery	66,519,549	74,077,782
Aircraft	7,770,000	9,065,000
	104,439,169	139,722,872

Assets pledged as security

In addition to assets held under finance leases, all other property, plant and equipment of the Group have been pledged as part of the securities for the term loan granted to the Group and the Company as disclosed in Note 22 to the financial statements.

15. Biological assets

Forest planting expenditure

	Group
	RM
Cost	
At 1 July 2009	1,423,612
Additions	2,228,671
At 30 June 2010	3,652,283
Additions	4,701,145
At 30 June 2011	8,353,428

(i) 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.

15. Biological assets (continued)

Forest planting expenditure (continued)

(ii) Biological assets expenditure capitalised during the financial year were as follows:

	2011 RM	2010 RM
Depreciation of property, plant and equipment	190,533	182,123
Staff costs	387,491	280,238

16. Land use rights

	Group 2011 RM	Group 2010 RM	Group 2009 RM
Cost:			
At 1 July			
As previously stated	35,702,301	35,352,301	35,352,301
Effects of adopting the amendments to FRS 117	(32,744,799)	(32,394,799)	(32,394,799)
As restated	2,957,502	2,957,502	2,957,502
Reclassifications	2,104,853	-	-
At 30 June (restated)	5,062,355	2,957,502	2,957,502
Accumulated depreciation:			
At 1 July			
As previously stated	1,542,429	1,157,475	968,170
Effects of adopting the amendments to FRS 117	(1,375,804)	(1,032,506)	(884,857)
As restated	166,625	124,969	83,313
Amortisation for the year	41,656	41,656	41,656
At 30 June (restated)	208,281	166,625	124,969
Net carrying amount	4,854,074	2,790,877	2,832,533
Amount to be amortised:			
- Not later than one year	41,656	41,656	41,656
- Later than one year but not later than five years	166,624	166,624	166,624
- Later than five years	4,645,794	2,582,597	2,624,253
	4,854,074	2,790,877	2,832,533

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 22 to the financial statements.

17. Intangible assets

	Goodwill RM	Timber rights RM	Total RM
Group			
Cost			
At 1 July 2009	19,644,853	-	19,644,853
Acquisition of a subsidiary	-	30,232,223	30,232,223
At 30 June 2010	19,644,853	30,232,223	49,877,076
Attributable to disposal of subsidiary	678,719	-	678,719
At 30 June 2011	20,323,572	30,232,223	50,555,795
Accumulated amortisation and impairment			
At 1 July 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
Amortisation for the year	-	4,337,421	4,337,421
At 30 June 2011	5,155,905	4,410,521	9,566,426
Net carrying amount			
At 30 June 2010	14,488,948	30,159,123	44,648,071
At 30 June 2011	15,167,667	25,821,702	40,989,369

Impairment test of 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	
	2011 %	2010 %	2011 %	2010 %
Timber operation	4.0	5.6	8.0	8.0

17. Intangible assets (continued)

Key assumptions used in value-in-use calculations

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

(i) Growth rate

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

(ii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the industry.

Sensitivity to changes in assumptions

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

Sales and logs/timber supply assumptions

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

18. Investment in subsidiaries

	Company	
	2011	**2010**
	RM	**RM**
Unquoted shares at cost:		
At beginning of year	160,341,920	138,829,325
Acquisition during the year	-	21,512,595
At end of year	160,341,920	160,341,920

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	2010
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
Cergas Kenari Sdn. Bhd.	Malaysia	Timber extraction and trading of log	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	100

18. Investment in subsidiaries (continued)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	2010
Held through Priceworth Industries Sdn. Bhd.				
Maxland Sdn. Bhd.	Malaysia	Timber extraction and land development	100	100
Cabaran Cerdas Sdn. Bhd.	Malaysia	Investment holding	100	100
Rimbunan Gagah Sdn. Bhd.	Malaysia	Manufacture and sale of processed wood products	64.5	64.5
Held through Cabaran Cerdas Sdn. Bhd.				
Maxland (SI) Limited	Solomon Islands	Dormant	100	-
PWP (SI) Limited	Solomon Islands	Dormant	100	-
Held through Maxland Sdn. Bhd.				
Ligreen (PNG) Limited	Papua New Guinea	Dormant	100	-

(a) Acquisition of subsidiary in 2010

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)
Net cash outflow on acquisition	(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 .

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

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

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.

18. Investment in subsidiaries (continued)

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 24)	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 in 2010

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 financial year ended 30 June 2010:

	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)

18. Investment in subsidiaries (continued)

(c) Disposal of subsidiary in 2011

The Group disposed of its 100% equity interest in Ligreen Enterprise Sdn. Bhd. for a total cash consideration of RM500,000.

The disposal had the following effects on the financial position of the Group as at the end of year:

	2011 RM
Plant and equipment	91
Other receivables	20,627
Cash and bank balances	2,203
Trade and other payables	(16,978)
Current tax payable	(200,000)
Amount due from a related company	682,097
Net assets disposed	488,040
Attributable negative goodwill	(678,719)
Total disposal proceeds	(500,000)
Gain on disposal to the Group	(690,679)
Cash inflow arising on disposals:	
Cash consideration	500,000
Cash and cash equivalents of subsidiary disposed of	(2,203)
Net cash inflow on disposal	497,797

19. Inventories

	Group 2011 RM	Group 2010 RM
Cost		
Logging contract work-in-progress	25,296,317	30,518,067
Raw materials	2,893,585	5,787,676
Work-in-progress	393,846	824,456
Finished goods	24,495,246	21,791,637
Consumable goods	2,593,689	4,073,937
Production supplies	5,606,711	5,002,390
Nursery	290,130	199,572
Timber logs	4,756,130	585,669
	66,325,654	68,783,404

20. Trade and other receivables

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current				
Trade receivables				
Amount due from a company in which a director of the Company is also a director and has financial interest	277,244	-	-	-
Third parties	41,624,218	37,578,038	-	-
	41,901,462	37,578,038	-	-
Other receivables				
Amounts due from subsidiary companies	-	-	136,174,303	137,582,200
Deposits for log supplies	6,596,252	11,453,038	-	-
Other deposits	1,414,353	1,230,349	50,278	50,923
Sundry receivables	14,300,663	19,470,027	14,501	364,337
	22,311,268	32,153,414	136,239,082	137,997,460
	64,212,730	69,731,452	136,239,082	137,997,460
Total trade and other receivables	64,212,730	69,731,452	136,239,082	137,997,460
Add: Cash and bank balances (Note 21)	7,717,607	12,921,915	145,505	5,607,550
Total loans and receivables	71,930,337	82,653,367	136,384,587	143,605,010

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2010: 60 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2011 RM	2010 RM
Neither past due nor impaired	15,992,546	15,883,626
1 to 30 days past due not impaired	11,749,877	3,754,601
31 to 60 days past due not impaired	1,517,109	2,364,704
61 to 90 days past due not impaired	12,474,877	15,575,107
91 to 120 days past due not impaired	7,338	-
More than 120 days past due not impaired	159,715	-
	25,908,916	21,694,412
	41,901,462	37,578,038

20. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM25,908,916 (2010: RM21,694,412) that are past due at the reporting date but not impaired. The receivables that are past due but not impaired are unsecured in nature.

(b) Deposits for log supplies

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

(c) Amounts due from subsidiary companies

Amounts due from subsidiary companies are unsecured, non-interest bearing and are repayable upon demand.

21. Cash and bank balances

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Cash at banks and on hand	7,587,123	7,209,841	-	23,483
Deposits with licensed banks	130,484	5,712,074	145,505	5,584,067
Cash and bank balances	7,717,607	12,921,915	145,505	5,607,550
Cash and short term deposits	7,717,607	12,921,915	145,505	5,607,550
Bank overdrafts (Note 22)	-	(1,290,997)	-	(1,290,997)
Cash and cash equivalents	7,717,607	11,630,918	145,505	4,316,553

Included in deposits with licensed banks of the Group and the Company amounting to RM10,907(2010: RM19,000) are pledged to bank to secure bank guarantees granted to the government departments and hence, are not available for general use.

22. Loans and borrowings

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Current				
Secured:				
Obligations under finance leases (Note 29(c))	27,309,779	28,223,773	-	-
Term loan	12,699,390	13,769,839	12,699,390	11,769,839
	40,009,169	41,993,612	12,699,390	11,769,839
Unsecured:				
Bank overdrafts (Note 21)	-	1,290,997	-	1,290,997
	40,009,169	43,284,609	12,699,390	13,060,836

22. Loans and borrowings (continued)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Non-current				
Secured:				
Obligations under finance leases (Note 29(c))	32,502,079	53,801,229	-	-
Term loan	135,500,175	146,770,443	135,500,175	146,770,443
	168,002,254	200,571,672	135,500,175	146,770,443
Total loan and borrowings	208,011,423	243,856,281	148,199,565	159,831,279

<u>Obligations under finance leases</u>

These obligations are secured by a charge over the leased assets (Note 14). The average discount rate implicit in the leases is 4.78% p.a. (2010: 4.78% p.a.).

<u>Term loan: RM bank loan at COF + 2.5% p.a.</u>

This loan is secured by:

(i) a first legal charge over leasehold land of its subsidiary companies (Note 14);
(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.

23. Trade and other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	44,546,780	51,131,030	-	-
Other payables				
Accruals	2,248,400	4,266,673	-	-
Deposits	381,193	963,192	-	-
Other payables	14,549,258	23,127,450	584,864	861,022
	17,178,851	28,357,315	584,864	861,022
Total trade and other payables	61,725,631	79,488,345	584,864	861,022
Add: Loans and borrowings (Note 22)	208,011,423	243,856,281	148,199,565	154,831,279
Total financial liabilities carried at amortised cost	269,737,054	323,344,626	148,784,429	160,692,301

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 to 90 days (2010: 60 to 90 days) term.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an 60 to 90 days (2010: 60 to 90 days) term.

24. Deferred tax liabilities

Deferred income tax as at 30 June relates to the following:

	As at 1 July 2009 RM	At date of acquisition of a subsidiary RM	Recognised in profit or loss (Note 11) RM	As at 30 June 2010 RM	Recognised in profit or loss (Note 11) RM	As at 30 June 2011 RM
Deferred tax liabilities:						
Timber rights	-	7,558,056	-	7,558,056	(1,470,172)	6,087,884
Property, plant and equipment	30,804,007	-	7,108,545	37,912,552	4,234,871	42,147,423
Land use rights	3,216,780	-	(47,326)	3,169,454	(47,326)	3,122,128
Inventories	-	-	-	-	375,920	375,920
	34,020,787	7,558,056	7,061,219	48,640,062	3,093,293	51,733,355
Deferred tax assets:						
Unabsorbed tax losses and capital allowances	(3,949,807)	-	(6,353,884)	(10,303,691)	(3,479,808)	(13,783,499)
Unabsorbed reinvestment allowances	(14,258,956)	-	(34,592)	(14,293,548)	(99,045)	(14,392,593)
	(18,208,763)	-	(6,388,476)	(24,597,239)	(3,578,853)	(28,176,092)
	15,812,024	7,558,056	672,743	24,042,823	(485,560)	23,557,263

Unrecognised tax losses and unabsorbed capital and reinvestment allowances

At the reporting date, the Group has tax losses and unabsorbed capital and reinvestment allowances of approximately RM27,161,025 (2010: RM44,395,213) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses and unabsorbed capital and reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

25. 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 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	-	2,756,268	-	-	-	2,266,067
At 30 June 2010	186,278,118	(12,561,832)	93,139,059	59,890,697	153,029,756	(10,324,101)
Purchase of treasury shares	-	(1,000)	-	-	-	(511)
At 30 June 2011	186,278,118	(12,562,832)	93,139,059	59,890,697	153,029,756	(10,324,612)

25. Share capital, share premium and treasury shares (continued)

	Number of ordinary shares of RM0.50 each		Amount	
	2011	2010	2011	2010
	RM	RM	RM	RM
Authorised share capital				
At 1 July	200,000,000	200,000,000	100,000,000	100,000,000
Created during the year	200,000,000	-	100,000,000	-
At 30 June	400,000,000	200,000,000	200,000,000	100,000,000

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry on vote per share without restrictions and rank equally with regard to the Company's residual assets.

(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 2010, 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.

Of the total 186,278,118 (2010: 186,278,118) issued and fully paid ordinary shares as at 30 June 2011, 12,562,832 (2010: 12,561,832) are held as treasury shares by the Company. As at 30 June 2011, the number of outstanding ordinary shares in issue after the setoff is therefore 173,715,266 (2010: 173,716,288) ordinary shares of RM0.50 each.

26. Retained earnings

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.

As at 30 June 2011, the Company has tax exempt profits available for distribution of approximately RM64,308,346 (2010: RM64,308,346), subject to the agreement of the Inland Revenue Board.

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 2011 and 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2011 and 2010, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

27. Other reserves

	Warrant reserve RM	Foreign currency translation reserve RM	Total RM
Group			
At 1 July 2010	-	-	-
Other comprehensive income:			
Foreign currency translation	-	2,523	2,523
Transactions with owners:			
Issuance of warrants	4,342,882	-	4,342,882
At 30 June 2011	4,342,882	2,523	4,345,405
Company			
At 1 July 2010	-	-	-
Transaction with owners:			
Issuance of warrants	4,342,882	-	4,342,882
At 30 June 2011	4,342,882	-	4,342,882

(a) Warrant reserve

This represents the residual amount of warrant reserve. This amount is presented net of transaction costs.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

28. Related party transactions

(a) Sale and purchase of goods and services:

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2011 RM	2010 RM
Transactions with companies in which one of the directors, Lim Nyuk Foh has interest:		
Mujur Bakat Sdn. Bhd.		
Sale of logs	-	649,125
Maxland Enterprise Sdn. Bhd.		
Rental of premises	20,100	21,600
Nadi Hasil Sdn. Bhd.		
Sale of wood products	75,844	37,726
Green Edible Oil Sdn. Bhd.		
Sale of wood products	201,400	43,000
Transactions with a director of the Company, Lim Nyuk Foh:		
Rental of land	36,000	36,000

28. Related party transactions (continued)

(b) Compensation of key management personnel

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Short-term employee benefits	797,566	655,110	234,000	261,750
Defined contribution plan	59,160	52,864	-	-
	856,726	707,974	234,000	261,750

29. Commitments

(a) Capital commitments

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Capital expenditure				
Approved and contracted for:				
Acquisition of plant and equipment	1,599,257	2,230,000	-	6,600

(b) Operating lease commitments – as lessee

Details of land use rights and the amortisation of land use rights recognised in profit or loss are disclosed in Note 16 to the financial statements.

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2011 RM	**2010 RM**
Minimum lease payments:		
Not later than 1 year	31,825,294	33,900,841
Later than 1 year and not later than 2 years	27,586,143	28,819,253
Later than 2 years and not later than 5 years	7,894,285	31,592,909
Total minimum lease payments	67,305,722	94,313,003
Less: Amounts representing finance charges	(7,493,864)	(12,288,001)
Present value of minimum lease payments	59,811,858	82,025,002
Present value of payments:		
Not later than 1 year	27,309,779	28,223,773
Later than 1 year and not later than 2 years	25,068,604	24,974,345
Later than 2 years and not later than 5 years	7,433,475	28,826,884
Present value of minimum lease payments	59,811,858	82,025,002
Less: Amount due within 12 months (Note 22)	(27,309,779)	(28,223,773)
Amount due after 12 months (Note 22)	32,502,079	53,801,229

30. Contingent liabilities

	Company	
	2011	**2010**
	RM	**RM**
Unsecured:		
Corporate guarantees given to banks for hire purchase financing facilities granted to a subsidiary	132,000,000	132,000,000

31. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	20
Trade and other payables (current)	23
Loans and borrowings (current)	22
Loans and borrowings (non-current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Finance lease obligations and fixed rate bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

32. Financial risk management objectives and policies (continued)

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Finance Department overseen by an Executive Director. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. 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 with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of Managing Director.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and
- A nominal amount of RM132,000,000 (2010: RM132,000,000) relating to corporate guarantees provided by the Company to the banks to secure banking facilities granted to a subsidiary.

Credit risk concentration profile

At the reporting date, almost 11% (2010: 19%) of the Group's trade receivables were due from overseas customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 19% (2010: 17%) of the Group's loans and borrowings and approximately 8% (2010: 8%) of the Company's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

32. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2011			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities:				
Trade and other payables	61,725,631	-	-	61,725,631
Loans and borrowings	55,635,854	152,238,161	59,168,453	267,042,468
Total undiscounted financial liabilities	117,361,485	152,238,161	59,168,453	328,768,099
Company				
Financial liabilities:				
Trade and other payables, excluding financial guarantees *	584,864	-	-	584,864
Loans and borrowings	23,810,560	114,090,867	59,168,453	197,069,880
Total undiscounted financial liabilities	24,395,424	114,090,867	59,168,453	197,654,744

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of at least 6 months (2010: less than 6 months) from the reporting date.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM294,125 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

32. Financial risk management objectives and policies (continued)

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group, primarily United States Dollar ("USD").

Approximately 60% (2010: 49%) of the Group's sales are denominated in foreign currencies. The Group's trade receivable balances at the reporting date have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM289,974 (2010: RM270,509).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Papua New Guinea and Solomon Islands. These investments are not hedged as currency positions in PGK and SBD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		2011 RM Profit net of tax
USD/RM	- strengthened 5% (2010: 5%)	(206,476)
	- weakened 5% (2010: 5%)	206,476

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2011 and 30 June 2010.

The Group monitors capital using a gearing ratio, which is total loans and borrowings, trade and other payables, less cash and bank balances divided by equity attributable to equity owners of the parent. The Group's policy is to maintain the gearing ratio within 50% which is one of the loan covenants imposed by a lending bank. The calculations of the Group's and Company's gearing ratios are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade and other payables (Note 23)	61,725,631	79,488,345	584,864	861,022
Loans and borrowings (Note 22)	208,011,423	243,856,281	148,199,565	159,831,279
Less: Cash and bank balances (Note 21)	(7,717,607)	(12,921,915)	(145,505)	(5,607,550)
	262,019,447	310,422,711	148,638,924	155,084,751
Equity attributable to the owners of the parent	277,178,339	269,140,655	148,585,988	144,110,533
Capital and net debt	539,197,786	579,563,366	297,224,912	299,195,284
Gearing ratio	49%	54%	50%	52%

34. Segmental information

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

35. Significant events

(i) 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 Papua New Guinea, for a total cash consideration of PGK100 (approximately RM118), resulting in the latter becoming a wholly-owned subsidiary of the Group.

(ii) On 24 January 2011, the Group through its wholly-owned subsidiary company, Cabaran Cerdas Sdn. Bhd., subscribed for 100 ordinary shares in Maxland (SI) Limited and PWP (SI) Limited, companies incorporated in Solomon Islands, for a total cash consideration of SBD100 (approximately RM41) each, resulting in the latter becoming a wholly-owned subsidiary of the Group.

(iii) On 5 June 2011, a wholly-owned subsidiary of the Company, PWP (SI) Limited entered into two Management and Technology agreements with DP Development Limited to carry out logging activities on two concession areas situated in Isabel Province, Solomon Islands.

36. Events occurring after the reporting date

(i) On 10 August 2011, the Group through its wholly-owned subsidiary company, Cabaran Cerdas Sdn. Bhd., subscribed for 100 ordinary shares in Ligreen (SI) Limited, a company incorporated in Solomon Islands, for a total cash consideration of SBD100 (approximately RM41), resulting in the latter becoming a wholly-owned subsidiary of the Group.

(ii) On 16 August 2011, a wholly-owned subsidiary company, Ligreen (SI) Limited entered into a Logging Management and Technology agreement with Success Company Limited to carry out logging activities on one concession area situated in Lolobo, Kolombangara, Western Province, Solomon Islands.

(iii) On 30 September 2011, the Group through its wholly-owned subsidiary company, Cabaran Cerdas Sdn. Bhd., subscribed for 100 ordinary shares in Priceworth Sawmill (SI) Limited, a company incorporated in Solomon Islands, for a total cash consideration of SBD100 (approximately RM41), resulting in the latter becoming a wholly-owned subsidiary of the Group.

37. Comparatives

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the reclassifications of other income and selling expenses of the Group effected during the financial year.

The comparative amounts of the Group as at 30 June 2010 have been reclassified in the current financial statements for comparative purposes. The effects of the reclassifications are as follows:

	As previously stated RM	**Reclassifications RM**	**As restated RM**
Group			
Other income	13,312,347	(1,838,844)	11,473,503
Selling expenses	23,883,420	(1,838,844)	22,044,576

38. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 20 October 2011.

39. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- Realised	192,631,235	1,537,962
- Unrealised	(13,653,241)	-
	178,977,994	1,537,962
Less: Consolidation adjustments	(48,850,204)	-
Retained earnings as per financial statements	130,127,790	1,537,962

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	6,575
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	6,289
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	4,692
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	1,896
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	179
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	1,488
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	1,101

List of Properties
(continued)

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	12,414
		- 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	2,203
	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	803
		- 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	

Analysis of Shareholdings
As at 31 October 2011

Authorised share capital	:	RM100,000,000
Issued and fully paid shares	:	RM 93,139,059
Treasury shares	:	12,562,832 ordinary shares of RM0.50 each
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights		
- on show of hands	:	One vote
- on a poll	:	One vote for each ordinary share held

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Shareholders	Shareholdings	Total shares held	% of issued share capital
269	less than 100	10,483	0.01
187	100 to 1,000	61,831	0.03
2,606	1,001 to 10,000	10,361,990	5.56
1,402	10,001 to 100,000	38,726,222	20.79
151	100,001 to less than 5% of issued shares	59,393,860	31.89
4	5% and above of issued shares	77,723,732	41.72
4,619	Total	186,278,118	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	No. of Shares Held Direct	%	Deemed Interest	%
Lim Nyuk Foh	53,258,611	30.66	-	-
Lee Kian Vui	14,148,150	8.14		

Note: The % shareholding is adjusted by excluding 12,562,832 treasury shares from the total paid-up share capital.

DIRECTORS' SHAREHOLDINGS

Name of Director	No. of Shares Held Direct	%	Deemed Interest	%
Tan Sri Sabbaruddin Chik	763,000	0.41	-	-
Datuk Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	53,258,611	30.66	-	-
Koo Jenn Man	510	0.00	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

Note: The % shareholding is adjusted by excluding 12,562,832 treasury shares from the total paid-up share capital.

Analysis of Shareholdings
As at 31 October 2011 (continued)

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.	Lee Kian Vui	14,148,150	8.14
4.	Sukmah Binti Bidu	8,048,150	4.63
5.	Continental Premium Sdn Bhd	4,488,000	2.58
6.	Lee See Jin	3,133,200	1.80
7.	Zulkifli Bin Hussain	2,152,200	1.24
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	2,040,000	1.17
9.	HDM Nominees (Asing) Sdn Bhd [DBS Vickers Secs (S) Ltd for River Estates Incorporated]	2,040,000	1.17
10.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lau Kheng Tong]	1,148,700	0.66
11.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Credit Suisse]	1,133,220	0.65
12.	OSK Nominees (Asing) Sdn Bhd [OSK Securities Hong Kong Limited for Sinospell Inc.]	1,015,500	0.58
13.	Chia Beng Tat	1,000,000	0.58
14.	RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chong Vun Kon @ Chung Vun Kon]	970,000	0.56
15.	Zulkifli Bin Hussain	826,200	0.48
16.	Tan Kok Sing	813,500	0.47
17.	Yeoh Kean Hua	780,000	0.45
18.	Tan Sri Sabbaruddin Chik	763,000	0.44
19.	HLG Nominees (Tempatan) Sdn Bhd [Pledged securities account for Goh Ee Lik @ Goey Mee Pheng]	760,400	0.44
20.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee Kua Siah]	667,600	0.38

Analysis of Shareholdings
As at 31 October 2011 (continued)

LIST OF 30 LARGEST SHAREHOLDERS (continued)

No.	Name	No. of Shares	%
21.	Chang Hee Foon	560,000	0.32
22.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee Yok Koon]	528,100	0.30
23.	HLB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Choo Lai Ee]	500,000	0.29
24.	Lau Kheng Tong	500,000	0.29
25.	Saw Lai Choo	500,000	0.29
26.	Soo Sing Huat	500,000	0.29
27.	Soo Sing Kong	500,000	0.29
28.	Low Fui Teck	494,000	0.28
29.	Ang Lai Hee	450,840	0.26
30.	Choo Keng Kit	450,000	0.26

Note: The % shareholding is adjusted by excluding 12,562,832 treasury shares from the total paid-up share capital.

Analysis of Warrantholdings
As at 31 October 2011

No. of Warrants 2011/2016 issued	:	RM86,857,643
Excercise Rights	:	Each Warrant entitles the holder to subcribe for one (1) new Ordinary Share of RM0.50 each in the Company
Voting rights		
- on show of hands	:	One vote
- on a poll	:	One vote for each warrant held

DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS

No. of Warrantholders	Warrantholdings	Total warrants held	% of outstanding warrants
12	less than 100	331	0.00
205	100 to 1,000	140,179	0.16
762	1,001 to 10,000	3,279,564	3.78
484	10,001 to 100,000	16,264,052	18.72
92	100,001 to less than 5% of issued warrants	34,593,067	39.83
3	5% and above of issued warrants	32,580,450	37.51
4,619	Total	86,857,643	100.00

DIRECTORS' WARRANTHOLDINGS

	No. of warrants held			
Name of Director	Direct	%	Deemed Interest	%
Tan Sri Sabbaruddin Chik	381,500	0.44	-	-
Datuk Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	26,629,305	30.66	-	-
Koo Jenn Man	-	-	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

LIST OF 30 LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB Bank for Lim Nyuk Foh]	15,816,375	18.21
2.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	9,690,000	11.16
3.	Lee Kian Vui	7,074,075	8.14
4.	Sukmah Binti Bidu	4,024,075	4.63
5.	Continental Premium Sdn Bhd	2,244,000	2.58
6.	HDM Nominees (Tempatan) Sdn Bhd [Pledged securities account for Tan Chin Hock]	1,510,000	1.74
7.	Seng Shun Mun	1,200,000	1.38
8.	Chiew Boon Chin	1,160,000	1.34

Analysis of Warrantholdings
As at 31 October 2011 (continued)

LIST OF 30 LARGEST WARRANTHOLDERS (continued)

No.	Name	No. of Warrants	%
9.	Zulkifli Bin Hussain	1,076,100	1.24
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	1,020,000	1.17
11.	HDM Nominees (Asing) Sdn Bhd [DBS Vickers Secs (S) Ltd for River Estates Incorporated]	1,020,000	1.17
12.	Daniel Chew Vun Pao	800,000	0.92
13.	Cimsec Nominees (Asing) Sdn Bhd [Exempt AN for CIMB Securities (Singapore) Pte Ltd Clients]	751,300	0.86
14.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Liew Wai Kong]	750,000	0.86
15.	Wendy Poh Ai Lin	600,000	0.69
16.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Credit Suisse]	555,900	0.64
17.	Chong Yui Lap	510,000	0.59
18.	Ngoi Leong Ee	500,000	0.58
19.	Ong Kook Liong	500,000	0.58
20.	Tan Yu Wei	500,000	0.58
21.	Wong Boon Siang	500,000	0.58
22.	Ng Bee Wee	440,000	0.51
23.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ooi Swee Aun]	421,600	0.49
24.	Zulkifli Bin Hussain	413,100	0.48
25.	HLG Nominees (Asing) Sdn Bhd [Hong Leong Bank Bhd for Choo Chin Hoong]	408,900	0.47
26.	HDM Nominees (Tempatan) Sdn Bhd [Pledged securities account for Kwek Hean Leong]	401,000	0.46
27.	Hong Yu Thai	400,000	0.46
28.	Mayban Securities Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chiew Boon Pau]	400,000	0.46
29.	SJ Sec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Wong Choi Khow]	393,200	0.45
30.	Yeoh Kean Hua	390,000	0.45

Proxy Form

No. of shares held	

I/We,………..

of……

being a Member of **Priceworth International Berhad** (Formerly known as Priceworth Wood Products Bhd) hereby appoint ………

……

of ………

………..

or failing him/her ……….

of……
as my/our proxy to vote for me/us on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Sabah Oriental Hotel, Lorong Karamunsing, Kota Kinabalu, Sabah on Monday, 19 December 2011 at 2.00 p.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 Lim Nyuk Foh as Director		
Resolution 3	Re-election of Mr Koo Jenn Man as Director		
Resolution 4	Re-appointment of Tan Sri Sabbaruddin Chik		
Resolution 5	Re-appointment of Auditors		
Resolution 6	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 ……………………………………… 2011

…………………………………………………….
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 INTERNATIONAL BERHAD
[Formerly known as 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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