PWI

PRICEWORTH INTERNATIONAL 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.
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PRICEWORTH INTERNATIONAL BERHAD (399292-V)

Annual Report 2013

PWI

PRICEWORTH INTERNATIONAL BERHAD (399292-V)

(Incorporated in Malaysia)

Annual Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Lim Nyuk Foh
(Managing Director)

Koo Jenn Man
(Executive Director)

Dato' Sri Chee Hong Leong, JP
(Independent Non-Executive Director)

Kwan Tack Chiong
(Independent Non-Executive Director)

Ooi Jit Huat
(Independent Non-Executive Director)

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

CORPORATE HEAD OFFICE

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4
Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah
Tel No. : 089 221170/223767/221211
Fax No. : 089 221213/227823
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
Kuwait Finance House (Malaysia) Berhad

AUDITORS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

	Stock Name	Stock Code
Shares	PWORTH	7123
Warrants	PWORTH-WA	7123WA

Chairman's Statement

On behalf of the Board of Directors ("the Board"), I am pleased to present to you the Annual Report and Audited Financial Statements of Priceworth International Berhad ("PIB" or "the Group") for the financial year ended 30 June 2013.

Financial Results

For the financial year ended 30 June 2013, the Group recorded a total gross revenue of RM 188.4 million and a loss after taxation of RM 57.3 million. The current year's revenue was lower compared to RM 275.7 million in the preceding financial year. In the current year the Group incurred a loss after taxation of RM 57.3 million compared to a profit after tax of RM 1.5 million in the preceding financial year.

The lower revenue and loss after taxation were incurred as the expected recovery in the global demand for processed wood products did not materialized in the current financial year. The Group and the timber industry in Sabah generally also experienced shortage and irregular supply of logs, adverse weather conditions and labour shortages. The loss for the year is also due to under utilization of the capacity of its mills, with fixed depreciation charge on property, plant & equipment of RM 40.9 million.

Prospects

The Board anticipates another challenging and competitive year in 2013/2014 in view of the uncertain global economic conditions and the demand for timber and processed wood products are not expected to increase significantly in the current financial year. The Group is now seeking for a more stable supply of raw materials by securing timber concessions. The Group is also looking at operational efficiencies, strengthening cost controls, and improving its marketing and distribution network.

During the year the Group has also undertaken multiple corporate proposals to secure new timber concessions and raising funds to reduce its bank borrowing. These corporate proposals are expected to be completed in the current financial year and have a positive impact on the Group's performance.

Acknowledgement

On behalf of the Board, I wish to thank our valued shareholders, customers, suppliers, 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 growth and success.

Dato Sri Chee Hong Leong
Chairman

Sandakan
28th November 2013

Directors' Profile

Lim Nyuk Foh

Malaysian, aged 49
Managing Director

Mr Lim founded the PIB and group of companies ("PIB Group") and was appointed to the Board of directors of PIB 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 24 years of extensive experience in the timber industry.

He has no directorship in other public company. However he is a substantial shareholder of Kretam Holdings Berhad which is listed on Bursa Securities.

Koo Jenn Man

Malaysian, aged 40
Executive Director

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

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

Dato' Sri Chee Hong Leong, JP

Malaysian, aged 49
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit and Nomination Committees

Dato' Sri Chee joined the Board on 10 February 2009. He graduated with a Bachelor of Engineering (Computer) in 1987 and a Master of Business Administration in 1989 both from McMaster University, Hamilton, Ontario, Canada. He began his career in 1990 coordinating the development in corporate and annual strategic plants for Leisure Holidays Group of Companies. In 1992, he ventured into various businesses which involved designing and building individual bungalows for landowners at various housing projects in the Klang Valley as well as building and operating a 100,000 square feet Information Technology Incubation Centre in 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 all listed on Bursa Securities.

Directors' Profile
(continued)

Kwan Tack Chiong

Malaysian, aged 50
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination and Remuneration Committees

Mr Kwan was appointed to the Board 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 admitted to the board of directors of Priceworth Industries Sdn Bhd from 1994 to 1995. He is also appointed as director of several private companies.

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

Ooi Jit Huat

Malaysian, aged 62
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Audit and Remuneration Committees

Mr Ooi was appointed to the Board 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 on 1981, he was a Manager at Peat Marwick Mitchell & Co of Kuala Lumpur until 1982. In 1983, he became a Financial Controller for Zemex Corporation before he founded his own public accounting firm, Russ Ooi & Associates in 1985. He has over 28 years of experience in the financial industry having carved areas of expertise in corporate consultancy, financial management, management information systems and auditing and investigations. His professional assignments covered flotations exercises, investigations and due diligence reporting and the reverse take-overs of several companies on the Bursa Securities. He is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation.

Mr Ooi is also a director of Kwantas Corporation Berhad, a listed company.

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**

   The Directors have not been convicted of any offence within the past ten (10) years other than traffic offences.

4. **Shareholdings**

   The particulars of the Directors' shareholding are set out on page 20 to 77 of this Annual Report.

5. **Details of Attendance of Board Meetings held during the financial year ended 30 June 2013**

Name of Directors	No. of Meetings Attended	%
Dato' Sri Chee Hong Leong	6/6	100
Mr Lim Nyuk Foh	6/6	100
Mr Koo Jenn Man	6/6	100
Mr Kwan Tack Chiong	5/6	83
Mr Ooi Jit Huat	6/6	100

Statement Of Corporate Governance

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

The Corporate Governance Statement is to provide an overview of the Company's corporate governance practices for the financial year ended 30 June 2013 and the extent of compliance with the principles and best practices of the Code.

BOARD OF DIRECTORS

Roles and Responsibilities

The Board recognized that the importance to set out the strategic intent, key values, principles and ethical standards of the Company as policies and strategies are developed based on these considerations. The Board has formalized the Board Charter of the Company subsequent to financial year 2013. The Board Charter has defined the roles, duties and division of responsibilities between the Board and those delegated to the management, the Board Committees.

The role and responsibilities of the Board is to oversee the business and affairs of the Company with responsibilities and duties stipulated in the Company's Articles of Association, the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable rules, laws and regulation. The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulating the policies, strategic action plans and stewardship of the Company's resources. The Board regularly reviews the Company's business operations identifying risks and ensuring the existence of adequate internal controls and management systems to measure and manage risks and maintains full and effective control over management of the Company.

The Board is assisted by the Audit Committee, Nomination Committee and Remuneration Committee that operate within the defined terms of reference of each committee.

The Managing Director as the key personnel is responsible to develop and put the operation plan into actions, monitors actual results on a weekly basis with the senior management teams from various department and implements corrective actions, where necessary.

Board Composition and Balance

The present Board comprises of members of good mix with different backgrounds, expertise and diverse skill to effectively lead and control the Company. As at the date of this report, there are five (5) Directors in total that consist of two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Board is of the opinion that the current size and composition constitute an effective Board of the Company in view of the nature of business and the scale of its Group's business operation. The profile of Directors and their other information are set out in "Directors' Profile" and "Other Information of Directors".

The Board is led by the Chairman whose role is clearly separated from the role of the Managing Director to ensure a balance of power and authority. The Executive Directors are responsible for implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Non-Executive Directors are independent of management and free from any business relationship that could materially interfere with the exercise of their independent judgement and play an important role in ensuring that the strategies proposed by the management is objectively evaluated, thus provide a capable check and balance for the Executive Directors.

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 least once in every three (3) years at each Annual General Meeting and that all Directors shall retire and be eligible for re-election.

Tenure of Independent Director

The Code recommends that the tenure of Independent Directors exceeds a cumulative period of nine (9) years, such director should be re-designated as Non-Independent Director. The Code further recommends that if the Board desires to retain such director as an Independent Director, it may justify and seek the shareholders' approval.

The Board is of the view that the length of tenure should not be a criterion affecting a director's independence. As long serving directors, they have proved that their working experiences, networking and familiarization with the business operations and are able to contribute actively in the Board or Committee Meetings without compromising their independent judgement. The Board will undertake an assessment on the director to ascertain the independent issue of the director objectively and hence makes recommendation whether such director be retained as an Independent Director.

Subsequent to the financial year, the Board conducted an assessment on Mr Kwan Tack Chiong and Mr Ooi Jit Huat who served for more than nine (9) years. The Board would recommend the retention of Mr Kwan Tack Chiong and Mr Ooi Jit Huat as Independent Directors of the Company for the approval of shareholders at the forthcoming annual general meeting.

Gender Diversity

The Board does not have a gender diversity policy. Nevertheless, the Board of the view that appointment of directors should based on merits and not racial or gender The Company is an equal opportunity employer as

Board Meetings

The Board meets at least four (4) times a year at quarterly intervals on scheduled basis with additional meetings convened, whenever necessary.

During the year under review, the Board has met on a total of six (6) occasions. All Directors' are committed and had devoted sufficient time to discharge their duties as reflected in their attendance of more than half in number of board meetings held during the financial year. The attendance record of each Director is set out in "Other Information of Directors" in this report.

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

Ethical Standards

The Group's Codes of Ethics and Conduct are set out in the Employee Handbook and the Codes of Ethics and Conduct for Directors. These two documents are expected to govern the standards of ethics and good conduct expected of the Directors and the employees of the Group.

Supply of Information

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

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

Directors' Training

All the Directors had fulfilled the Mandatory Accreditation Programme stipulated by Bursa Securities. 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.

Directors' Training (continued)

During the financial year 2013, the Directors attended the following training programme/seminar:

Director	Mode of Training	Title of Training	Duration (Day)
Dato' Sri Chee Hong Leong	Seminar	Seminar Percukaian Kebangsaan 2012 by Lembaga Hasil Dalam Negeri ("LHDN")	1
Mr Lim Nyuk Foh	Seminar	Seminar Percukaian Kebangsaan 2012 by LHDN	1
Mr Koo Jenn Man	Seminar	Seminar Percukaian Kebangsaan 2012 by LHDN	1
		2013 Budget Proposals and Recent Tax Development	½
Mr Kwan Tack Chiong	Seminar	Seminar Percukaian Kebangsaan 2012 by LHDN	1
Mr Ooi Jit Huat	Seminar	Seminar Percukaian Kebangsaan 2012 by LHDN	1
	Conference	MIA Conference 2012 by Malaysian Institute of Accountants	2
	Conference	National Tax Conference 2012	2

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

Board Committee

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

1. Audit Committee

The composition of the Audit Committee and its terms of reference of the Audit Committee are presented in "Audit Committee Report" of this Annual Report.

2. Nomination Committee

A Nomination Committee is represented by the members, all of whom are Independent Non-Executive Directors:

Chairman : Mr Ooi Jit Huat
Member : Mr Kwan Tack Chiong
Dato' Sri Chee Hong Leong

The Nomination Committee had one (1) meeting during the financial year. The Committee is responsible for making recommendations to the Board on re-election of retiring Directors, and review on the required mix of skills and experience, assessment on the effectiveness of the Board and evaluating the Board as a whole, individual director and Board committees.

3. Remuneration Committee

The Remuneration Committee is made up members of whom are Independent Non-Executive Directors:

Chairman	:	Dato' Sri Chee Hong Leong
Member	:	Mr Kwan Tack Chiong
		Mr Ooi Jit Huat

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

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

Directors' Remuneration

The determination of the remuneration packages of Directors is a matter for the Board as a whole and individual is abstained from deliberation and voting on decision in respect of own remuneration. The Board, in its opinion of the band disclosure on the Directors' remuneration as allowed by the Listing Requirements is acceptable and appropriate. The band disclosure of on Directors' remuneration can be found in Note 11 of the audited financial statements of this Annual Report.

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 financial results to shareholders as well as the Chairman's statement and review of the operations in this Annual Report.

Internal Control

The Group has an in-house internal audit function reports directly to the Audit Committee. Its role is to assist the Audit Committee in monitoring risks with independent review. The internal auditor carries out independent systematic assessment on adequacy of the internal control system to provide objective feedback and reports 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 audits that are consistent with the Group's established framework in designing, implementing and monitoring of its internal control systems.

Details of the activities carried out by the internal auditors during the year under review are set out in "the Audit Committee Report" of this Annual Report.

Directors' Responsibility for preparing the Financial Statements

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 Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year.

Directors' Responsibility for preparing the Financial Statements (continued)

In preparing the financial statements the Group and of the Company, the Directors 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 Group and of the Company, and which enable them to ensure that the financial statements are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965.

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

Risk Management and Internal Control

"The Statement on Risk Management and Internal Control" provides an overview of the Company's risk management framework and the state of internal controls within the Group presented in the Annual Report.

Relationship with the Auditors

The Company has established a formal and transparent relationship with the auditors in line with the auditors' professional requirements ensuring compliance with the accounting standards in Malaysia. One of the many functions of the Audit Committee especially with regard to the external auditors is highlighted in "the Audit Committee Report" of this Annual Report.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting and Extraordinary General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities.

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 PIB Group is broadly divided into four (4) focal areas as follows:

1. **The Workplace**

   PIB Group places an importance to its human capital as the most valuable asset. The Group has conducted various in-house training programme which are job-related in nature for the required skills, knowledge and experience. PIB 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 contributes an added value to Group as a whole.

2. **The Community**

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

3. **The Environment**

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

4. **The Marketplace**

   At the marketplace, PIB 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.

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to present this Statement on Risk Management and Internal Control pursuant to the requirements of Bursa Malaysia Securities Berhad. In making this Statement, the Board is guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

Board's Responsibility

The Board acknowledges their responsibility for the Group's system of internal control, and for reviewing the adequacy and integrity of this system. However, in view of the limitations inherent in any system, it should be noted that such system of internal control is designed to manage, rather than to eliminate the risks of failure to achieve the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurances against material misstatements, frauds, losses or breaches of laws and regulations.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The Board is supported in its risk management and internal control oversight responsibilities by its Executive Director and Audit Committee.

Risk Management Framework

The Board's responsibilities for the governance of risks and controls include:
- Setting the culture for effective risk management and internal control systems,
- Ensuring risk management is embedded in all aspects of the Group's daily business and operational activities and processes,
- Endorsing acceptable risk appetite, and
- Reviewing the risk management framework, processes and responsibilities to ensure it provides reasonable assurance that risks management has been effective to keep it within tolerable levels.

Internal Control System

The following are key elements of the Group's internal control system:

Independence of the Audit Committee

The Audit Committee is wholly comprised of Non-Executive Board members and has full access to both internal and external auditors. It meets with the external auditors without the Management presence at least twice a year or where necessary. The Internal Audit function of the Group reports directly to the Audit Committee. The activities undertaken by the Audit Committee during the financial year under review are set out in the Audit Committee Report.

Clearly defined organisational structure

Properly defined organisation structure with clear reporting lines, formalized responsibilities and delegation of authority has been established as a control mechanism in terms of lines of reporting and accountability.

Clearly defined policies and procedures and authority limits

Approved limits of authority are imposed on the Management in respect of the day to day operations, acquisitions and disposal of assets as a control to minimize any risk of abuse of authority.

Regular performance review

The Board emphasizes on regular reporting of financial results and operational performance at timely intervals to ensure subsistence of managerial controls and consistent exercise of performance review processes. Systems are also in place within the Group to facilitate output of materially accurate and timely financial data. The system also accommodate production of relevant reports for measurement of performance against prescribed targets and post-mortem reviews of key results as well as supporting benchmarking processes for upcoming years. Budgets and management reports of subsidiaries are reviewed by the senior management team and are thereafter tabled to the Board for consideration, comments, corrective inputs and adoption.

Statement on Risk Management and Internal Control (continued)

Review with the external auditors

The annual statutory audit of the Group by the external auditors includes a general review of the internal control systems of the Group. Weaknesses, limitations and deficiencies are identified via Management Letters and proposals for appropriate remedies are presented for consideration by the Board. In addition, material concerns are also highlighted in the Audit Review Memorandum which is tabled to and discussed with the Audit Committee.

Assurance to the Board

The Managing Director and the Executive Director are responsible for ensuring that the Group's risk management and internal control processes are systematically assessed and continuously improved by means of independent and objective evaluations.

The Board has been assured by the Managing Director and Executive Director that these processes are adequately established and effectively implemented, and nothing has come to their attention which may render the financial results presented and information provided to be false and misleading in any material respect.

Audit Committee Report

The Audit Committee of PIB is pleased to present the Audit Committee Report for the financial year ended 30 June 2013.

Composition

The Audit Committee is presently comprising of the following members:

Chairman	:	Mr Kwan Tack Chiong	(Independent Non-Executive Director)
Members	:	Mr Ooi Jit Huat	(Independent Non-Executive Director)
	:	Dato' Sri Chee Hong Leong	(Independent Non-Executive Director)

The Board evaluates the performance of members of the Audit Committee and all members of Audit Committee satisfied the test of independence based on the Main Market Listing Requirements. The Board assessed the Audit Committee members annually to ensure that they are able discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee.

Key Functions and Roles of Audit Committee and Attendance

The functions of the Audit Committee are to assist the Board in fulfilling its fiduciary responsibilities, particularly in relation to the Group's financial reporting and to examine the adequacy the Group's internal control systems and corporate governance. The Audit Committee also performs the role as focal point of communication between the Board, external auditor, internal auditor and the management.

The duties of the Audit Committees shall be to review and report to the Board on matters as follows:

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

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;

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

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.

6. the quarterly results and year end financial statements, prior to the approval by the Board, 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;

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;

8. such other duties and responsibilities as may be prescribed by the Board from time to time;

Audit Committee Report
(continued)

There were six (6) Audit Committee meetings held during the financial year. The attendance record of the Audit Committee members was as follows:

Name of Members	Designation	No. of Meetings Attended	%
Mr Kwan Tack Chiong	Chairman	5/6	83
Mr Ooi Jit Huat	Member	6/6	100
Dato' Sri Chee Hong Leong	Member	6/6	100

Other Board members and senior management staff attended the meetings upon invitation of the Committee to seek clarification on audit issues and information in relation to the operation of the Group. The internal auditor was present at the Audit Committee meetings to table the internal audit plan and internal audit reports and hence briefed on matters arising from the reports.

The Audit Committee met the external auditors at least on two (2) occasions of the Audit Committee Meetings during the financial year under review.

Issues deliberated and decisions arrived at during the Audit Committee meetings were recorded. The minutes of preceding Audit Committee meetings were tabled for confirmation at the following Audit Committee meeting, of which it is presented at the Board for notation.

Summary Activities of the Audit Committee

During the financial year, the Audit Committee discharged its duties by reviewing the following:

(a) audit plan, scope and nature of audit for the Group with external auditors;
(b) evaluation of the system of internal controls of the Group with external auditor;
(c) problems and reservations arising from the interim and final audit, and any matter the external auditors wished to discuss;
(d) the external auditors' management letter and management response with the external auditors;
(e) the auditors' report and discussed significant matters highlighted by the external auditors in the absence of management where necessary;
(f) the quarterly results and year end financial statements of the Group to be presented to the Board for approval;
(g) recommendation on the re-appointment of external auditors;
(h) with internal auditors on internal audit plan and its scope, processes, findings of internal audit, recommendations and whether appropriate action is taken by the management;
(i) internal audit report and discussed matters highlighted by internal auditor;
(j) review the competency of the internal auditor;
(k) review the Statement of Internal Control and Audit Committee Report in respect of the financial year ended 30 June 2012 and presented to the Board for approval.
(l) any related party transaction and situation of conflict of interest which may arise within the Group;

Internal Audit Activities

The activities carried out by the internal auditor during the financial year ended 30 June 2013 are as follows:

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

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

The total cost incurred for the Group's internal audit function amounted to approximately RM50,000.

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 20 December 2012 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 RM1.00 each.

There was no purchase of own shares from the open market during the financial year. As at 30 June 2013, the Company held a total of 12,562,832 treasury 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 2013 and the unaudited results released for the quarter ended 30 June 2013 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 of the Company and its subsidiaries involving the interest of directors or major shareholders interests, either still subsisting at the end of the financial year ended 30 June 2013 or entered into since the end of the previous financial year.

Financial Statements

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements.

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

Results

	Group RM	Company RM
(Loss)/profit net of tax	(57,274,263)	51,949
Profit attributable to:		
Owners of the parent	(56,941,210)	51,949
Non-controlling interests	(333,053)	-
	(57,274,263)	51,949

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:

Dato' Sri Chee Hong Leong
Lim Nyuk Foh
Koo Jenn Man
Kwan Tack Chiong
Ooi Jit Huat

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares 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 11 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 29 to the financial statements.

Directors' report
(continued)

Warrants 2011/2016

The Warrants 2011/2016 are constituted by a Deed Poll dated 17 March 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 exercise 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			
	1.7.2012	**Acquired**	**Sold**	**30.6.2013**
Name of director				
Direct interest:				
Lim Nyuk Foh	53,258,611	-	(16,417,100)	36,841,511
Koo Jenn Man	510	-	-	510

Interest in Warrants

	Number of Warrants 2012/2016				
	1.7.2012	**Acquired**	**Sold**	**Exercised**	**30.6.2013**
Name of director					
Lim Nyuk Foh	26,629,305	-	(25,590,000)	-	1,039,305

Lim Nyuk Foh by virtue of his interest in shares and warrants 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.

Treasury shares

As at 30 June 2013, 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 26 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 all known bad debts had been written off 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.

Other statutory information (continued)

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

(i) it necessary to make a provision for doubtful debts in respect of the financial statements of the Group and of the Company or the amount written off for bad debts inadequate to any substantial extent; 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) 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.

Significant Events

In addition to the significant events disclosed elsewhere in this report, other significant 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 29 October 2013.

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 25 to 74 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 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 29 October 2013.

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 25 to 74 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 29 October 2013

Koo Jenn Man

Before me –

HAMZAH HJ. ABDULLAH
Commissioner for Oaths
S 088

Independent auditors' report
to the members of PRICEWORTH INTERNATIONAL 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 2013 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 25 to 74.

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 is 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 2013 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

(Incorporated in Malaysia) (continued)

Other matters

The supplementary information set out in Note 38 on page 74 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
2944/01/15 (J)
Chartered Accountant

Sandakan, Malaysia
31 October 2013

Statements of comprehensive income
For the financial year ended 30 June 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	4	188,420,052	275,746,494	11,600,000	14,508,574
Cost of sales		(205,473,101)	(222,215,861)	-	-
Gross (loss)/profit		(17,053,049)	53,530,633	11,600,000	14,508,574
Other items of income					
Interest income	5	4,838	9,118	-	-
Other income	6	18,421,182	9,898,601	-	-
Other items of expense					
Other operating expenses	7	(17,321,200)	(470,058)	-	-
Administrative expenses		(20,305,206)	(22,261,839)	(1,205,369)	(2,652,627)
Selling expenses		(15,758,933)	(25,351,200)	-	-
Finance costs	8	(20,115,981)	(21,026,252)	(10,342,682)	(11,716,647)
(Loss)/profit before tax	9	(72,128,349)	(5,670,997)	51,949	139,300
Income tax expense	12	14,854,086	7,219,739	-	59,003
(Loss)/profit net of tax		(57,274,263)	1,548,742	51,949	198,303
Other comprehensive income/(loss)		196,105	(199,131)	-	-
Total comprehensive (loss)/income		(57,078,158)	1,349,611	51,949	198,303
Profit attributable to:					
Owners of the parent		(56,941,210)	1,544,423	51,949	198,303
Non-controlling interests		(333,053)	4,319	-	-
		(57,274,263)	1,548,742	51,949	198,303
Total comprehensive income attributable to:					
Owners of the parent		(56,745,105)	1,345,292	51,949	198,303
Non-controlling interests		(333,053)	4,319	-	
		(57,078,158)	1,349,611	51,949	198,303
(Loss)/earnings per share attributable to owners of the parent (sen per share):					
Basic	13	(33)	0.89		

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

Statements of financial position
As at 30 June 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Assets					
Non-current assets					
Property, plant and equipment	14	338,739,378	374,838,778	11,101	19,615
Biological assets	15	21,189,886	14,975,274	-	-
Land use rights	16	4,763,279	4,834,817	-	-
Intangible assets	17	16,032,667	30,655,300	-	-
Investments in subsidiaries	18	-	-	284,341,920	289,341,920
Deferred tax assets	19	7,500,000	7,500,000	-	-
Prepayments	20	2,961,384	-	-	-
		391,186,594	432,804,169	284,353,021	289,361,535
Current assets					
Inventories	21	32,898,543	55,054,520	-	-
Income tax refundable		26,751	16,253	-	-
Trade and other receivables	22	36,089,356	51,167,734	3,668,375	3,046,953
Prepayments	20	2,265,737	2,832,417	-	-
Cash and bank balances	23	3,269,547	1,842,331	94,621	92,049
		74,549,934	110,913,255	3,762,996	3,139,002
Total assets		465,736,528	543,717,424	288,116,017	292,500,537
Equity and liabilities					
Current liabilities					
Loans and borrowings	24	6,761,869	51,373,222	-	13,735,325
Trade and other payables	25	59,545,881	47,719,754	1,025,305	4,386,435
Income tax payable		381,661	962,832	-	-
		66,689,411	100,055,808	1,025,305	18,121,760
Net current assets/(liabilities)		7,860,523	10,857,447	2,737,691	(14,982,758)
Non-current liabilities					
Loans and borrowings	24	168,176,805	140,852,233	138,254,472	125,594,486
Deferred tax liabilities	19	8,872,402	23,733,315	-	-
		177,049,207	164,585,548	138,254,472	125,594,486
Total liabilities		243,738,618	264,641,356	139,279,777	143,716,246
Net assets		221,997,910	279,076,068	148,836,240	148,784,291

Statements of financial position
As at 30 June 2013 (continued)

		Group		Company	
	Note	**2013**	**2012**	**2013**	**2012**
		RM	**RM**	**RM**	**RM**
Equity attributable to owners of the parent					
Share capital	26	93,139,059	93,139,059	93,139,059	93,139,059
Share premium	26	59,890,697	59,890,697	59,890,697	59,890,697
Treasury shares	26	(10,324,612)	(10,324,612)	(10,324,612)	(10,324,612)
Retained earnings	27	74,376,003	131,317,213	1,788,214	1,736,265
Other reserves	28	4,342,379	4,146,274	4,342,882	4,342,882
		221,423,526	278,168,631	148,836,240	148,784,291
Non-controlling interests		574,384	907,437	-	-
Total equity		221,997,910	279,076,068	148,836,240	148,784,291
Total equity and liabilities		465,736,528	543,717,424	288,116,017	292,500,537

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 2013

	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	Non-controlling interests RM
			Attributable to owners of the parent								
				Non-Distributable			Distributable		Non-Distributable		
2013											
Group											
Opening balance at 1 July 2012		279,076,068	278,168,631	93,139,059	59,890,697	(10,324,612)	131,317,213	4,146,274	4,342,882	(196,608)	907,437
Total comprehensive income		(57,078,158)	(56,745,105)	-	-	-	(56,941,210)	196,105	-	196,105	(333,053)
Closing balance at 30 June 2013		221,997,910	221,423,526	93,139,059	59,890,697	(10,324,612)	74,376,003	4,342,379	4,342,882	(503)	574,384
Opening balance at 1 July 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
Total comprehensive income		1,349,611	1,345,292	-	-	-	1,544,423	(199,131)	-	(199,131)	4,319
Transactions with owners											
Dividend on ordinary shares		(355,000)	(355,000)	-	-	-	(355,000)	-	-	-	-
Total transactions with owners		(355,000)	(355,000)	-	-	-	(355,000)	-	-	-	-
Closing balance at 30 June 2012		279,076,068	278,168,631	93,139,059	59,890,697	(10,324,612)	131,317,213	4,146,274	4,342,882	(196,608)	907,437

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 2013

	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
2013								
Company								
Opening balance at 1 July 2012		148,784,291	148,784,291	93,139,059	59,890,697	(10,324,612)	1,736,265	4,342,882
Total comprehensive income		51,949	51,949	-	-	-	51,949	-
Closing balance at 30 June 2013		148,836,240	148,836,240	93,139,059	59,890,697	(10,324,612)	1,788,214	4,342,882
2012								
Company								
Opening balance at 1 July 2011		148,585,988	148,585,988	93,139,059	59,890,697	(10,324,612)	1,537,962	4,342,882
Total comprehensive income		198,303	198,303	-	-	-	198,303	-
Closing balance at 30 June 2012		148,784,291	148,784,291	93,139,059	59,890,697	(10,324,612)	1,736,265	4,342,882

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 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Operating activities					
((Loss)/profit before tax		(72,128,349)	(5,670,997)	51,949	139,300
Adjustments for:					
Amortisation of land use rights	9	71,538	71,536	-	-
Amortisation of timber rights	9	14,622,633	10,334,069	-	-
Biological assets written off	9	-	53,721	-	-
Depreciation of property, plant and equipment	9	40,923,018	41,113,466	8,514	48,803
Impairment loss on aircraft	9	1,700,000	-	-	-
Impairment loss on other receivables	9	53,907	-	-	-
Property, plant and equipment scrapped	9	1,671	4,916	-	-
Net gain on disposal of property, plant and equipment	6	(14,368,000)	(494,799)	-	-
Unrealised gain on foreign exchange		(537,761)	(58,985)	-	-
Interest income	5	(4,838)	(9,118)	-	-
Interest expense	8	20,115,981	21,026,252	10,342,682	11,716,647
Total adjustments		62,578,149	72,041,058	10,351,196	11,765,450
Operating cash flows before changes in working capital		(9,550,200)	66,370,061	10,403,145	11,904,750
Changes in working capital					
Decrease in inventories		22,155,977	11,271,134	-	-
Decrease/(increase) in receivables		15,024,471	9,647,071	(621,422)	8,192,129
(Increase)/decrease in prepaid operating expenses		(2,394,704)	6,789,860	-	634,495
Increase/(decrease) in payables		8,924,578	(14,879,182)	(4,115,062)	3,801,571
Total changes in working capital		43,710,322	12,828,883	(4,736,484)	12,628,195
Cash flows from operations		34,160,122	79,198,944	5,666,661	24,532,945
Interest paid		(16,676,672)	(20,093,962)	(9,588,750)	(11,716,647)
Income taxes refunded		16,351	25,002	-	-
Income taxes paid		(614,846)	(1,527,022)	-	-
Net cash flows from/(used in) operating activities		16,884,955	57,602,962	(3,922,089)	12,816,298

Statements of cash flows
For the financial year ended 30 June 2013 (continued)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Investing activities					
Repayment from a subsidiary company		-	-	5,000,000	-
Additional investment in a subsidiary company		-	-		(4,000,000)
Addition of land use rights		-	(52,279)	-	-
Purchase of property, plant and equipment	14	(23,380,810)	(46,808,809)	-	-
Payment for forest planting expenditure	15	(5,866,181)	(6,414,631)	-	-
Proceeds from disposal of property, plant and equipment		30,875,090	6,128,462	-	-
Interest received		4,838	9,118	-	-
Net cash flows from/(used in) investing activities		1,632,937	(47,138,139)	5,000,000	(4,000,000)
Financing activities					
Dividend paid		-	(355,000)	-	-
Proceeds from term loans		1,164,071	8,085,460	-	-
Repayment of loans and borrowings		(18,190,402)	(24,131,878)	(1,075,339)	(8,869,754)
Net cash flows used in financing activities		(17,026,331)	(16,401,418)	(1,075,339)	(8,869,754)
Net increase/(decrease) in cash and cash equivalents		1,491,561	(5,936,595)	2,572	(53,456)
Effect of exchange rate changes on cash and cash equivalents		196,105	(199,131)	-	-
Cash and cash equivalents at beginning of year		1,581,881	7,717,607	92,049	145,505
Cash and cash equivalents at end of year	23	3,269,547	1,581,881	94,621	92,049

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

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 disclosed 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 and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2012 as described fully in Note

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 2012, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2012.

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 124: Related Party Disclosures	1 January 2012
Amendments to FRS 9 (IFRS 9(2009), FRS 9 (IFRS9(2010)), and FRS 7 - Mandatory Effective Date of FRS 9 and Transition Disclosures	1 March 2012
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
FRS 10: Consolidated Financial Statements	1 January 2013
FRS 11: Joint Arrangements	1 January 2013
FRS 12: Disclosure of interests in Other Entities	1 January 2013
FRS 13: Fair Value Measurement	1 January 2013
FRS 119: Employee Benefits	1 January 2013

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
FRS 127: Separate Financial Statements	1 January 2013
FRS 128: Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2013
Amendments to FRS 7: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to FRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to FRS 12: Disclosure of interests in Other Entities: Transition Guidance	1 January 2013
Improvements to FRS issued in 2012	1 January 2013
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities1 January 2014	
Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
FRS 9: Financial Instruments	1 January 2015

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

<u>FRS 10: Consolidated Financial Statements</u>

FRS 10 replaces part of FRS 127: Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127: Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

Based on the preliminary analyses performed, FRS 10 is not expected to have any impact on the currently held investments in the Group.

<u>FRS 12: Disclosures of Interests in Other Entities</u>

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

<u>FRS 127: Separate Financial Statements</u>

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

FRS 13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

FRS 9: Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including the parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer the adoption of the new MFRS for additional three years. Consequently, the adoption of the MFRS Framework by the Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

As one of the subsidiaries of the Group falls within the scope of Transitioning Entities, the Group will adopt the MFRS Framework for the financial year beginning 1 July 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 30 June 2013 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2016.

2. Summary of significant accounting policies (continued)

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 noncontrolling 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(a). 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.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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 Group'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.

a) 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 cashgenerating 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.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

a) Goodwill (continued)

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.

b) Timber rights

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

Timber rights are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

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

2.10 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 (cashgenerating 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 mbeen 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)

Trade and other receivables and other financial assets carried at amortised cost (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 mamount 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 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.

2.17 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.

2.18 Government grants

Grants are recognised initially at their fair value in the balance sheet as a deduction in arriving at the carrying value of the assets where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as a deduction in arriving at the carrying value of the assets.

2. Summary of significant accounting policies (continued)

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

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) Dividend income

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

iii) Revenue from services

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

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 nonoccurrence 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 15 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 3% (2012: 113%) variance in the Group's (loss)/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 to the extent that it is probable that taxable profit will be available against which the losses 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.

3. Significant accounting estimates (continued)

Key sources of estimation uncertainty (continued)

c) Deferred tax assets (continued)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

During the last financial year, a subsidiary of the Group has recognised RM30,685,085 of unrecognised tax losses on 30 June 2011 as management considered that it is probable that taxable profits will be available against which the losses can be utilised.

The carrying value of deferred tax assets of the Group at 30 June 2013 was RM187,733,402 (2012: RM131,225,205) and recognised tax losses, capital and reinvestment allowances at 30 June 2013 was RM159,027,784 (2012: RM125,722,044) and the unrecognised tax losses at 30 June 2013 was RM28,705,618 (2012: RM5,503,161).

4. Revenue

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sale of processed wood products	135,357,863	213,151,277	-	-
Sale of logs	23,015,565	30,561,926	-	-
Contract fees	22,974,205	28,994,308	-	-
Road tolls	1,657,182	2,330,406	-	-
Barge hire income	227,714	708,577	-	-
Gross dividend from a subsidiary	-	-	11,600,000	14,508,574
Services income	5,187,523	-	-	-
	188,420,052	275,746,494	11,600,000	14,508,574

5. Interest income

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income from:				
Deposits with licensed banks	-	4,077	-	-
Repos	4,838	5,041	-	-
	4,838	9,118	-	-

6. Other income

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Net gain on disposal of property, plant and equipment	14,368,000	494,799	-	-
Gain on foreign exchange	584,505	1,475,890	-	-
Gate pass income	494,290	437,163	-	-
Insurance claim	236,087	1,692,937	-	-
Rental income	610,912	879,836	-	-
Miscellaneous income	877,849	2,279,059	-	-
Sale of scrap iron	49,109	292,838	-	-
Sale of saw dust	1,169,335	2,346,079	-	-
Handling charges	31,095	-	-	-
	18,421,182	9,898,601	-	-

7. Other operating expenses

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Amortisation of timber rights (Note 17)	9,374,986	-	-	-
Backpayment of royalty	1,334,461	-	-	-
Depreciation of property, plant and equipment (Note 14)	4,616,553	-	-	-
Impairment loss on aircraft	1,700,000	-	-	-
Loss on foreign exchange	82,752	427,893	-	-
Sundry expenses	212,448	42,165	-	-
	17,321,200	470,058	-	-

8. Finance costs

Interest expense on:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Bank loans	10,342,682	11,716,647	10,342,682	11,716,647
Obligations under finance leases	4,582,369	6,294,235	-	-
Others	5,190,930	3,015,370	-	-
	20,115,981	21,026,252	10,342,682	11,716,647

9. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Employee benefits expense (Note 10)	27,573,127	34,746,038	139,079	279,705
Non-executive directors' remuneration (Note 11)	114,000	252,000	114,000	252,000
Auditors' remuneration:				
- statutory audits				
- current year	180,500	160,300	55,000	50,000
- under/(over)provided in prior years	900	(26,840)	-	(6,000)
- other services	119,500	51,500	9,000	9,000
Amortisation of timber rights (Note 17)	5,247,647	10,334,069	-	-
Depreciation of property, plant and equipment (Note 14)	40,923,018	41,113,466	8,514	48,803
Amortisation of land use rights (Note 16)	71,538	71,536	-	-
Impairment loss on other receivables	53,907	-	-	-
Biological assets written off	-	53,721	-	-
Hire of equipment	27,403	-	-	-
Impairment loss on aircraft (Note 14)	1,700,000	-	-	-
Rental expenses	626,236	461,629	-	-
Property, plant and equipment scrapped	1,671	4,916	-	-

10. Employee benefits expense

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Wages and salaries	27,050,558	33,814,642	123,099	246,600
Social security contributions	119,308	150,917	1,365	1,670
Contributions to defined contribution plan	1,075,002	1,229,457	14,615	31,435
	28,244,868	35,195,016	139,079	279,705
Capitalised in biological assets (Note 15)	(671,741)	(448,978)	-	-
Recognised in statements of comprehensive income (Note 9)	27,573,127	34,746,038	139,079	279,705

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM692,851 (2012: RM800,250) and RM62,100 (2012: RM66,800) respectively.

11. Directors' remuneration

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Executive:				
Salaries and other emoluments	651,101	666,330	62,100	66,800
Bonus	-	92,400	-	-
Defined contribution plan	41,750	41,520	-	-
Total executive directors' remuneration	692,851	800,250	62,100	66,800
Non-Executive:				
Fees	108,000	225,600	108,000	225,600
Other emoluments	6,000	26,400	6,000	26,400
Total non-executive directors' remuneration (Note 9)	114,000	252,000	114,000	252,000
Total directors' remuneration	806,851	1,052,250	176,100	318,800

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	
	2013	**2012**
Executive directors:		
RM100,001 to RM150,000	1	1
RM400,001 to RM450,000	1	-
RM500,001 to RM550,000	-	1
Non-executive directors:		
Below RM50,000	3	3
RM100,001 to RM150,000	-	1

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2013 and 2012 are:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	5,500	121,745	-	-
- Under/(over)provision in respect of previous years	1,327	(17,536)	-	(59,003)
	6,827	104,209	-	(59,003)
Deferred income tax (Note 19):				
- Reversal of temporary differences	(11,982,895)	(7,625,788)	-	-
- (Over)/underprovision in respect of previous years	(2,878,018)	301,840	-	-
	(14,860,913)	(7,323,948)	-	-
Income tax expense recognised in profit or loss	(14,854,086)	(7,219,739)	-	(59,003)

12. Income tax expense (continued)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
(Loss)/profit before tax	(72,128,349)	(5,670,997)	51,949	139,300
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	(18,032,087)	(1,417,749)	12,987	34,825
Adjustments:				
Income not subject to taxation	(4,433,760)	(501,390)	(2,900,000)	(3,627,144)
Non-deductible expenses	6,032,944	5,639,695	2,887,013	3,592,319
Benefits from previously unrecognised tax losses and unabsorbed reinvestment allowances	(665,669)	(11,227,107)	-	-
Deferred tax assets not recognised	5,121,177	2,508	-	-
(Over)/underprovision of deferred tax in respect of previous years	(2,878,018)	301,840	-	-
Under/(over) provision of income tax in respect of previous years	1,327	(17,536)	-	(59,003)
	(14,854,086)	(7,219,739)	-	(59,003)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable (loss)/profit for the year.

Tax savings during the financial year arising from:

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Utilisation of current year tax losses	24,223	-	-	-
Utilisation of previously unrecognised tax losses and unabsorbed reinvestment allowances	1,294,847	27,333	-	-

13. (Loss)/earnings per share

a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 30 June:

	2013 RM	**2012 RM**
(Loss)/profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	(56,941,210)	1,544,423
Weighted average number of ordinary shares for basic earnings per share computation	173,715,286	173,715,286
Basic (loss)/earnings per share for the year (sen)	(33)	0.89

b) Diluted

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

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 and slipway RM	Assets under construction RM	Total RM
Cost										
At 1 July 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
Additions	476,507	7,724	17,511,052	158,364	1,028,869	-	4,803,508	14,100,906	8,721,879	46,808,809
Disposals	-	-	(15,204,039)	(3)	(2,000)	-	-	-	-	(15,206,042)
Scrapped	-	(2,108,975)	-	(6,960)	-	-	-	-	-	(2,115,935)
Reclassifications	-	282,868	30,674	652,868	-	-	(16,323)	-	(950,087)	-
At 30 June 2012	32,871,306	110,812,677	180,872,203	214,275,721	11,336,744	16,433,565	10,281,733	41,011,053	16,310,764	634,205,766
Representing:										
At cost	10,224,202	85,137,275	180,872,203	214,275,721	11,336,744	16,433,565	10,281,733	41,011,053	16,310,764	585,883,260
At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
At 30 June 2012	32,871,306	110,812,677	180,872,203	214,275,721	11,336,744	16,433,565	10,281,733	41,011,053	16,310,764	634,205,766
Additions	1,759,815	458,446	6,107,368	790,453	290,847	-	284,479	3,972,018	9,717,384	23,380,810
Disposals	-	-	(28,300,553)	(6,768,415)	(65,610)	-	(5,548,813)	(1,417,347)	(1,012,631)	(43,113,369)
Scrapped	-	(3,000)	-	(3,200)	(13,810)	-	-	-	-	(20,010)
Reclassifications	-	995,454	4,634,176	5,231,176	-	-	283,731	1,998,764	(13,143,301)	-
Foreign exchange	24,152	5,518	(350,689)	1,323	(20,205)	-	-	29,268	(1,985)	(312,618)
Revenue expenditure recognised in income statement	-	-	-	-	-	-	-	-	(153,827)	(153,827)
At 30 June 2013	34,655,273	112,269,095	162,962,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,716,404	613,986,752
Representing:										
At cost	12,008,169	86,593,693	162,962,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,716,404	565,664,246
At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
At 30 June 2013	34,655,273	112,269,095	162,962,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,716,404	613,986,752

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 and slipway RM	Assets under construction RM	Total RM
Accumulated depreciation and impairment losses										
At 1 July 2011	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
Depreciation charge for the year	710,999	2,548,928	17,195,867	13,441,720	747,150	1,643,356	1,257,824	3,828,558	-	41,374,402
Disposals	-	-	(9,572,379)	-	-	-	-	-	-	(9,572,379)
Scrapped	-	(2,108,971)	-	(2,048)	-	-	-	-	-	(2,111,019)
At 30 June 2012 and 1 July 2012	2,437,022	15,744,578	106,595,538	94,263,686	8,397,396	7,692,461	1,520,794	22,715,513	-	259,366,988
Depreciation charge for the year	537,344	2,534,294	16,839,061	13,397,860	778,980	1,643,356	805,595	4,734,956	-	41,271,446
Disposals	-	-	(22,876,248)	(2,286,401)	(54,610)	-	(754,561)	(1,102,380)	-	(27,074,200)
Scrapped	-	(2,998)	-	(1,576)	(13,765)	-	-	-	-	(18,339)
Foreign exchange	(210)	(35)	1,136	(43)	(3,581)	-	-	4,212	-	1,479
Impairment loss	-	-	-	-	-	1,700,000	-	-	-	1,700,000
At 30 June 2013	2,974,156	18,275,839	100,559,487	105,373,526	9,104,420	11,035,817	1,571,828	26,352,301	-	275,247,374
Net carrying amount										
At cost	9,030,781	87,635,996	74,276,665	120,012,035	2,939,348	8,741,104	8,760,939	18,295,540	16,310,764	346,003,172
At valuation	21,403,503	7,432,103	-	-	-	-	-	-	-	28,835,606
At 30 June 2012	30,434,284	95,068,099	74,276,665	120,012,035	2,939,348	8,741,104	8,760,939	18,295,540	16,310,764	374,838,778
At cost	10,604,231	86,606,396	62,403,018	108,153,532	2,423,546	5,397,748	3,729,302	19,241,455	11,716,404	310,723,072
At valuation	21,076,886	7,386,860	-	-	-	-	-	-	-	28,463,746
At 30 June 2013	31,681,117	93,993,256	62,403,018	108,153,532	2,423,546	5,397,748	3,729,302	19,241,455	11,716,404	338,739,378

14. Property, plant and equipment (continued)

	Motor vehicles RM	Furniture, fittings and equipment RM	Assets under construction RM	Total RM
Company				
Cost				
At 1 July 2011 and 30 June 2012	348,600	234,742	-	583,342
At 1 July 2012 and 30 June 2013	348,600	234,742	-	583,342
Accumulated depreciation				
At 1 July 2011	313,740	201,184	-	514,924
Depreciation charge for the year (Note 9)	34,859	13,944	-	48,803
At 30 June 2012 and 1 July 2012	348,599	215,128	-	563,727
Depreciation charge for the year (Note 9)	-	8,514	-	8,514
At 30 June 2013	348,599	223,642	-	572,241
Net carrying amount				
At 30 June 2012	1	19,614	-	19,615
At 30 June 2013	1	11,100	-	11,101

<u>Assets under construction</u>

The Group's assets under construction represent expenditure for buildings, plant and machinery under construction.

Depreciation charge for the year is recognised as follows:

Charged to statements of comprehensive income under (Note 9):

	Group 2013 RM	Group 2012 RM
Cost of sales	36,306,465	41,113,466
Other operating expenses	4,616,553	-
	40,923,018	41,113,466
Capitalised under biological assets (Note 15(ii))	348,428	260,936
	41,271,446	41,374,402

14. Property, plant and equipment (continued)

Revaluation of buildings

The leasehold land and buildings in certain subsidiaries 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 RM10,672,176 (2012: RM10,874,802).

Long term leasehold land of the Group has not been revalued since it was 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 leases at the reporting date were as follows:

	Group	
	2013	**2012**
	RM	**RM**
Buildings	801,031	819,058
Heavy equipment	1,069,147	23,756,276
Plant and machinery	54,624,600	61,702,078
Aircraft	-	8,741,104
	56,494,778	95,018,516

Assets pledged as security

In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of RM52,543,837 (2012: RM55,800,793) are mortgaged to secure the Group's bank loans (Note 24).

15. Biological assets

Forest planting expenditure

	Group
	RM
Cost	
At 1 July 2011	8,353,428
Additions	8,532,133
Written off	(53,721)
Government grant	(1,856,566)
At 30 June 2012	14,975,274
Additions	6,364,472
Government grant	(149,860)
At 30 June 2013	21,189,886

15. Biological assets (continued)

Forest planting expenditure (continued)

i) The forest planting expenditure is in respect of expenditure incurred on the development of the Group's sustainable Forest Management Project of 1,798 hectares of timber land under a sustainable Forest Management License Agreement with the State Government of Sabah at Pinangah Forest Reserve with 50 years concession.

ii) The Group has been granted a loan of RM13,232,000 for the purpose of development of forest plantation by the Forest Plantation Development Sdn. Bhd.(FPD) at an interest rate of 3% per annum. FPD is a special purpose vehicle incorporated by Malaysian Timber Industry Board (Incorporation) Act 1973 for managing funds allocated by the Government of Malaysia for the implementation of forest plantation development programme. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The amount of the loan drawn down during the financial year was RM782,610 (2012: RM7,972,939). The difference between the initial carrying amount of the loan determined in accordance with FRS 139 and the proceeds of the loan received of RM149,860 (2012: RM1,856,566) has been deducted against the carrying amount of the biological assets.

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

	2013 RM	2012 RM
Depreciation of property, plant and equipment (Note 14)	348,428	260,936
Staff costs (Note 10)	671,741	448,978
Interest on bank loan	132,491	233,461

16. Land use rights

	Group 2013 RM	2012 RM
Cost:		
At beginning of year	5,114,634	5,062,355
Additions	-	52,279
At end of year	5,114,634	5,114,634
Accumulated depreciation:		
At beginning of year	279,817	208,281
Amortisation for the year (Note 9)	71,538	71,536
At end of year	351,355	279,817
Net carrying amount	4,763,279	4,834,817
Amount to be amortised:		
- Not later than one year	71,538	71,536
- Later than one year but not later than five years	286,152	286,144
- Later than five years	4,405,589	4,477,137
	4,763,279	4,834,817

Leasehold land of the Group has been pledged as part of the securities for borrowings granted to the Company as disclosed in Note 24 to the financial statements.

17. Intangible assets

	Goodwill RM	Timber rights RM	Total RM
Group			
Cost			
At 1 July 2011 and 30 June 2013	20,323,572	30,232,223	50,555,795
Accumulated amortisation			
At 1 July 2011	5,155,905	4,410,521	9,566,426
Amortisation for the year (Note 9)	-	10,334,069	10,334,069
At 30 June 2012	5,155,905	14,744,590	19,900,495
Amortisation for the year (Note 9)	-	14,622,633	14,622,633
At 30 June 2013	5,155,905	29,367,223	34,523,128
Net carrying amount			
At 30 June 2012	15,167,667	15,487,633	30,655,300
At 30 June 2013	15,167,667	865,000	16,032,667

Amortisation for the year is recognised as follows:

	Group 2013 RM	Group 2012 RM
Charged to statements of comprehensive income under (Note 9):		
Cost of sales	5,247,647	10,334,069
Other operating expenses	9,374,986	-
	14,622,633	10,334,069

Timber rights of the Group have been pledged to bank as part of the security for borrowings granted to the Company as disclosed in Note 24 to the financial statements.

<u>Impairment test of goodwill</u>

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 2013 %	Growth rate 2012 %	Discount rate 2013 %	Discount rate 2012 %
Timber operation	6.4	6.4	13.7	12.2

Notes to the financial statements
For the financial year ended 30 June 2013 (continued)

17. Intangible assets (continued)

Key assumptions used in value-in-use calculations (continued)

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	
	2013	**2012**
	RM	**RM**
Unquoted shares at cost:		
At beginning of year	164,341,92	160,341,920
Acquisition during the year	-	4,000,000
At end of year	164,341,920	164,341,920
Amounts due from subsidiary companies	120,000,000	125,000,000
	284,341,920	289,341,920

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
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
Maxland Shipyard Sdn. Bhd.	Malaysia	Operation of shipyard	100	100
Cergas Kenari Sdn. Bhd.	Malaysia	Timber extraction and trading of logs	100	100

18. Investment in subsidiaries (continued)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
Held by the Company:				
Sinora Sdn. Bhd.	Malaysia	Manufacture and sale of plywood and sawn timber and trading of logs	100	100
Innora Sdn. Bhd.	Malaysia	Manufacture and sale of moulded wood products and trading of logs	100	100
Maju Sinar Network Sdn. Bhd.	Malaysia	Timber extraction and trading of logs	100	100
Held through Priceworth Industries Sdn. Bhd.				
Maxland Sdn. Bhd.	Malaysia	Timber extraction and forest planting	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	Extraction and sale of logs and hire of barges	100	100
PWP (SI) Limited *	Solomon Islands	Trading of logs	100	100
Ligreen (SI) Limited *	Solomon Islands	Extraction and sale of logs	100	100
Priceworth Sawmill (SI) Limited *	Solomon Islands	Manufacture and sale of processed wood products	100	100
Held through Maxland Sdn. Bhd.				
Ligreen (PNG) Limited *	Papua New Guinea	Dormant	100	100

* Audited by Ernst & Young, Malaysia for consolidation purposes.

19. Deferred tax

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

	As at 1 July 2011 RM	Recognised in income statement (Note 12) RM	As at 30 June 2012 RM	Recognised in income statement (Note 12) RM	As at 30 June 2013 RM
Deferred tax liabilities:					
Timber rights	6,463,804	(2,309,954)	4,153,850	(3,655,659)	498,191
Property, plant and equipment	42,147,423	(1,632,329)	40,515,094	(2,244,978)	38,270,116
Land use rights	3,122,128	(53,654)	3,068,474	(707,433)	2,361,041
Inventories	-	(73,592)	(73,592)	73,592	-
	51,733,355	(4,069,529)	47,663,826	(6,534,478)	41,129,348
Deferred tax assets:					
Unabsorbed tax losses and capital allowances	(13,783,499)	(11,453,684)	(25,237,183)	(9,208,138)	(34,445,321)
Unabsorbed reinvestment allowances	(14,392,593)	8,199,265	(6,193,328)	881,703	(5,311,625)
	(28,176,092)	(3,254,419)	(31,430,511)	(8,326,435)	(39,756,946)
	23,557,263	(7,323,948)	16,233,315	(14,860,913)	1,372,402

	Group 2013 RM	2012 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	7,500,000	7,500,000
Deferred tax liabilities	8,872,402	23,733,315
	1,372,402	16,233,315

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 RM28,705,618 (2012: RM5,503,161) 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.

20. Prepayments

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current				
Prepaid expenses	2,265,737	2,832,417	-	-
Non-current				
Prepayment for acquisition of timber rights timber rights	2,961,384	-	-	-
	5,227,121	2,832,417	-	-

21. Inventories

	Group	
	2013	2012
	RM	RM
Cost		
Consumable goods	6,077,249	5,249,308
Finished goods	7,710,043	11,555,438
Goods in transit	52,675	-
Logging contract work-in-progress	8,486,100	23,980,510
Nursery	503,995	413,005
Packing materials	28,498	-
Production supplies	5,371,108	5,578,748
Raw materials	3,914,755	5,794,777
Timber logs	-	1,471,872
Trading inventories	221,759	390,286
Work-in-progress	438,782	565,115
	32,804,964	54,999,059
Net realisable value		
Finished goods	93,579	55,461
	32,898,543	55,054,520

22. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current				
Trade receivables				
Amount due from a company in which a director of the Company is also a director and has financial interest	1,194,705	85,301	-	-
Amount due from a company in which a close family member of a director of the Company is a director and has financial interests	135,554	6,000	-	-
Third parties	9,168,061	28,362,462	-	-
	10,498,320	28,453,763	-	-

22. Trade and other receivables (continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Other receivables				
Amount due from subsidiary companies	-	-	3,469,124	2,919,660
Deposits for log supplies	-	9,077,454	-	-
Other deposits	2,105,204	1,850,772	137,454	50,298
Sundry receivables	23,485,832	11,785,745	61,797	76,995
	25,591,036	22,713,971	3,668,375	3,046,953
Total trade and other receivables	36,089,356	51,167,734	3,668,375	3,046,953
Add: Cash and bank balances (Note 23)	3,269,547	1,581,881	94,621	92,049
Total loans and receivables	39,358,903	52,749,615	3,762,996	3,139,002

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2012: 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:

	2013	**2012**
	RM	**RM**
Neither past due nor impaired	6,389,654	8,509,694
1 to 30 days past due not impaired	815,071	1,433,329
31 to 60 days past due not impaired	46,246	1,329,189
61 to 90 days past due not impaired	116,288	573,663
91 to 120 days past due not impaired	393,283	1,179,946
More than 120 days past due not impaired	2,737,778	15,427,942
	4,108,666	19,944,069
	10,498,320	28,453,763

<u>Receivables that are neither past due nor impaired</u>

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.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to RM4,108,666 (2012: RM19,944,069) that are past due at the reporting date but not impaired. The receivables that are past due but not impaired are unsecured in nature.

22. Trade and other receivables (continued)

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.

23. Cash and bank balances

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Cash at banks and on hand	3,149,172	1,721,806	94,621	92,049
Deposits with licensed banks	120,525	120,525	-	-
Cash and bank balances	3,269,697	1,842,331	94,621	92,049
Cash and short term deposits	3,269,697	1,842,331	94,621	92,049
Bank overdrafts (Note 24)	(150)	(260,450)	-	-
Cash and cash equivalents	3,269,547	1,581,881	94,621	92,049

Included in deposits with licensed banks of the Group and the Company amounting to RM19,000 (2012: RM19,000) are pledged to bank to secure bank guarantees granted to the government departments and hence, are not available for general use.

24. Loans and borrowings

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Current				
Secured:				
Obligations under finance leases (Note 30(c))	6,761,869	37,377,447	-	-
RM bank loan at *BFR + 0.00% to 3.50%	-	13,735,325	-	13,735,325
	6,761,869	51,112,772	-	13,735,325
Unsecured:				
Bank overdrafts (Note 23)	150	260,450	-	-
	6,762,019	51,373,222	-	13,735,325
Non-current				
Secured:				
Obligations under finance leases (Note 30(c))	22,408,427	8,907,912	-	-
Bank loans:				
RM bank loan at *BFR + 0.00% to 3.50%	138,254,472	125,594,486	138,254,472	125,594,486
RM loan at 3% p.a.	7,513,906	6,349,835	-	-
	168,176,805	140,852,233	138,254,472	125,594,486
Total loans and borrowings	174,938,824	192,225,455	138,254,472	139,329,811

* Base Funding Rate

24. Loans and borrowings (continued)

Obligations under finance leases

During the financial year, a subsidiary of the Group has rescheduled certain of its finance leases amounting to RM22,291,232 with the lessor. Under the revised terms and conditions, the tenure of the leases have been extended for another two to seven years with a new monthly installment. Subsequent to year end, the subsidiary also successfully rescheduled another finance lease amounting to RM7,450,404.

These obligations are secured by a charge over the leased assets (Note 14). The average discount rate implicit in the leases is 10.82% (2012: 9.49%).

Term loan: RM bank loan BFR + 0.00% to 3.50%

During the financial year, the Company has rescheduled its term loan with the lender. Under the revised terms and conditions, the lender has granted the Company a grace period of 34 months whereby the Company is only required to serve interest payment for the term loan. Principal repayment of this loan is due on 1 January 2016.

The loan is secured by:

i) a first legal charge over leasehold land (Note 14) and timber rights (Note 17) of certain subsidiary companies;
ii) a debenture over fixed and floating assets of a third party; and
iii) a debenture over all fixed and floating assets of certain subsidiary companies.

Term loan: RM bank loan at 3% p.a.

The loan is secured by:

i) a corporate guarantee by the Company; and
ii) first party deed of assignment assigning to the lender all its harvesting rights of the planted timber in favour of the lender.

25. Trade and other payables

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Current				
Trade payables				
Third parties	27,690,905	38,922,076	-	-
Other payables				
Amount due to a subsidiary company	-	-	-	4,000,000
Accruals	11,139,235	5,531,385	-	-
Deposits	1,466,223	372,794	-	-
Other payables	19,249,518	2,893,499	1,025,305	386,435
	31,854,976	8,797,678	1,025,305	4,386,435
Total trade and other payables	59,545,881	47,719,754	1,025,305	4,386,435
Add: Loans and borrowings (Note 24)	174,938,824	192,225,455	138,254,472	139,329,811
Total financial liabilities carried at amortised cost	234,484,705	239,945,209	139,279,777	143,716,246

25. Trade and other payables (continued)

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 to 90 days (2012: 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 (2012: 60 to 90 days) term.

c) Amount due to a subsidiary company

Amount due to a subsidiary company is non-interest bearing and has no fixed terms of repayment.

(c) Financial guarantees

The fair value of financial guarantees provided by the Company to banks to secure obligations under finance lease granted to certain subsidiaries with nominal amount of RM36,684,202 (2012: RM44,267,244) are negligible because the outstanding borrowings are adequately secured by plant and equipment of the subsidiaries in which their market values upon realisation are expected to be higher than the outstanding borrowing amounts.

26. Share capital, share premium and treasury shares

	Number of ordinary shares of RM0.50 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 2012 and 30 June 2013	186,278,118	(12,562,832)	93,139,059	59,890,697	153,029,756	(10,324,612)

	Number of ordinary shares of RM0.50 each		**Amount**	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Authorised share capital				
At 1 July and 30 June	400,000,000	400,000,000	200,000,000	200,000,000

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 one vote per share without restrictions and rank equally with regard to the Company's residual assets.

b) Treasury shares

Of the total 186,278,118 (2012: 186,278,118) issued and fully paid ordinary shares as at 30 June 2013, 12,562,832 (2012: 12,562,832) are held as treasury shares by the Company. As at 30 June 2013, the number of outstanding ordinary shares in issue after the setoff is therefore 173,715,286 (2012: 173,715,286) ordinary shares of RM0.50 each.

27. 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 2013, the Company has tax exempt profits available for distribution of approximately RM88,091,763 (2012: RM88,091,763), 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 the108 balance as at 30 June 2013 and 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2013 and 2012, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

28. Other reserves

	Warrant reserve RM	Foreign currency translation reserve RM	Total RM
Group			
At 1 July 2012	4,342,882	(196,608)	4,146,274
Other comprehensive income:			
Foreign currency translation	-	196,105	196,105
At 30 June 2013	4,342,882	(503)	4,342,379
Company			
At 1 July 2012 and 30 June 2013	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.

29. 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	
	2013	**2012**
	RM	**RM**
Transactions with companies in which one of the directors of the Company, Lim Nyuk Foh has financial interests:		
Contract income	4,355,859	-
Freight charges	1,773,700	-
Purchase of wood products	239,608	-
Services income	90,473	-
Sale of wood products	-	9,457
Rental income	-	94,500
Rental of premises	-	156,600
Sale of sawn dust	-	5,972
Transportation expense	-	450
Transactions with a director of the Company, Lim Nyuk Foh:		
Rental of land	36,000	36,000

Transactions with companies in which a close family member of a director of the Company is a director and has financial interests:

	Group	
	2013	**2012**
	RM	**RM**
Sale of wood products	568,266	43,916
Rental income	75,542	-
Barge charges	30,000	-
Transactions with a subsidiary:		
Dividend income	11,600,000	14,508,574

b) Compensation of key management personnel

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	651,101	758,730	62,100	66,800
Defined contribution plan	41,750	41,520	-	-
	692,851	800,250	62,100	66,800

30. Commitments

a) Capital commitments

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Capital expenditure				
Approved and contracted for: Acquisition of plant and equipment	1,487,876	4,656,250	-	-
Acquisition of timber rights	1,338,615	-	-	-

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	
	2013	**2012**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	8,104,522	40,950,512
Later than 1 year and not later than 2 years	7,608,764	9,295,533
Later than 2 years and not later than 5 years	11,401,801	-
Later than 5 years	5,265,079	-
Total minimum lease payments	32,380,166	50,246,045
Less: Amounts representing finance charges	(3,209,870)	(3,960,686)
Present value of minimum lease payments	29,170,296	46,285,359
Present value of payments:		
Not later than 1 year	6,761,869	37,377,447
Later than 1 year and not later than 2 years	6,697,919	8,907,912
Later than 2 years and not later than 5 years	10,603,101	-
Later than 5 years	5,107,407	-
Present value of minimum lease payments	29,170,296	46,285,359
Less: Amount due within 12 months (Note 24)	(6,761,869)	(37,377,447)
Amount due after 12 months (Note 24)	22,408,427	8,907,912

31. Contingent liabilities

On 30 December 2010, a wholly owned subsidiary of the Company, Maxland Sdn. Bhd. (Maxland) was served with a Writ of Summons by Timatch Sdn. Bhd. (Timatch) claiming against Maxland for trespass and damages to the raw water transmission pipeline and valve chamber which was used by Timatch for the supply of raw water to its water treatment plant along Jalan Ulu Sibuga in the District of Sandakan. Timatch sought relief for damages and a restraining order together with interest and cost arising from Maxland's abovementioned wrongful action.

On 16 February 2011, a judgment in default of appearance was issued by the High Court of Sabah and Sarawak at Sandakan that Maxland to pay Timatch the damages to be assessed. On 3 June 2011, Maxland's application to set aside the judgment in default of appearance was dismissed by the High Court of Sandakan. On 7 June 2011, Maxland had submitted an appeal to the Court of Appeal of Malaysia for the aforementioned judgment to be set aside with costs. The appeal was dismissed by the Court of Appeal of Malaysia on 19 June 2012.

On 16 July 2012, Maxland had submitted an application for leave to appeal to the Federal Court. The current status of this suit is that Maxland's application for stay of the hearing of the assessment of damages at the High Court was granted by the Federal Court and is now pending the date of hearing to be fixed by the High Court.

32. 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)	22
Trade and other payables (current)	25
Loans and borrowings (current)	24
Loans and borrowings (non-current)	24

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.

33. 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.

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.

<u>Exposure to credit risk</u>

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 RM36,684,202 (2012: RM44,267,244) relating to corporate guarantees provided by the Company to the banks to secure obligations under finance lease granted to certain subsidiaries.

<u>Credit risk concentration profile</u>

At the reporting date, almost 3% (2012: 11%) of the Group's trade receivables were due from overseas customers.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

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.

33. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

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 4% (2012: 10%) of the Group's loans and borrowings and approximately Nil (2012: 27%) of the Company's loans and borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements.

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 amounts.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2013				
Financial assets:				
Trade and other receivables	36,089,356	-	-	36,089,356
Total cash and bank balances	3,269,547	-	-	3,269,547
Total undiscounted financial assets	39,358,903	-	-	39,358,903
Financial liabilities:				
Trade and other payables	(59,545,881)	-	-	(59,545,881)
Loans and borrowings	(17,278,250)	(169,979,782)	(54,183,789)	(241,441,821)
Total undiscounted financial liabilities	(76,824,131)	(169,979,782)	(54,183,789)	(300,987,702)
Total net undiscounted financial liabilities	(37,465,228)	(169,979,782)	(54,183,789)	(261,628,799)
2012				
Financial assets:				
Trade and other receivables	51,167,734	-	-	51,167,734
Total cash and bank balances	1,581,881	-	-	1,581,881
Total undiscounted financial assets	52,749,615	-	-	52,749,615
Financial liabilities:				
Trade and other payables	(47,719,754)	-	-	(47,719,754)
Loans and borrowings	(64,761,072)	(141,878,760)	(24,254,584)	(230,894,416)
Total undiscounted financial liabilities	(112,480,826)	(141,878,760)	(24,254,584)	(278,614,170)
Total net undiscounted financial liabilities	(59,731,211)	(141,878,760)	(24,254,584)	(225,864,555)

33. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Company	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2013				
Financial assets:				
Trade and other receivables	3,668,375	-	-	3,668,375
Total cash and bank balances	94,621	-	-	94,621
Total undiscounted financial assets	3,762,996	-	-	3,762,996
Financial liabilities:				
Trade and other payables, excluding financial guarantees *	(1,025,305)	-	-	(1,025,305)
Loans and borrowings	(9,173,728)	(153,234,711)	(36,388,107)	(198,796,546)
Total undiscounted financial liabilities	(10,199,033)	(153,234,711)	(36,388,107)	(199,821,851)
Total net undiscounted financial liabilities	(6,436,037)	(153,234,711)	(36,388,107)	(196,058,855)
2012				
Financial assets:				
Trade and other receivables	3,046,953	-	-	3,046,953
Total cash and bank balances	92,049	-	-	92,049
Total undiscounted financial assets	3,139,002	-	-	3,139,002
Financial liabilities:				
Trade and other payables, excluding financial guarantees *	(4,386,435)	-	-	(4,386,435)
Loans and borrowings	(23,810,560)	(132,583,227)	(14,881,320)	(171,275,107)
Total undiscounted financial liabilities	(28,196,995)	(132,583,227)	(14,881,320)	(175,661,542)
Total net undiscounted financial liabilities	(25,057,993)	(132,583,227)	(14,881,320)	(172,522,540)

* 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 (2012: less than 6 months) from the reporting date.

33. Financial risk management objectives and policies (continued)

c) Interest rate risk (continued)

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 loss net of tax would have been RM258,567 (2012: RM292,916) lower/higher, 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.

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 72% (2012: 75%) of the Group's sales are denominated in foreign currencies. The Group's trade receivable balances at the reporting date have similar exposures.

d) Foreign currency risk

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 RM71,306 (2012: RM45,904).

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/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.

		2013 RM Profit net of tax	2012 RM Profit net of tax
USD/RM	- strengthened 5% (2012: 5%)	(55,592)	(231,280)
	- weakened 5% (2012: 5%)	55,592	231,280

34. 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 2013 and 30 June 2012.

34. Capital management (continued)

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 calculations of the Group's and Company's gearing ratios are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Trade and other payables (Note 25)	59,545,881	47,719,754	1,025,305	4,386,435
Loans and borrowings (Note 24)	174,938,824	192,225,455	138,254,472	139,329,811
Less: Cash and bank balances (Note 23)	(3,269,697)	(1,842,331)	(94,621)	(92,049)
	231,215,008	238,102,878	139,185,156	143,624,197
Equity attributable to the owners of the parent	221,423,526	278,168,631	148,836,240	148,784,291
Capital and net debt	452,638,534	516,271,509	288,021,396	292,408,488
Gearing ratio	51%	46%	48%	49%

35. Segmental information

a) No segmental information has been presented on operating segment as the Group is principally involved in the production and sale of wood products.

b) Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Total Assets	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Malaysia	41,537,381	77,676,525	422,892,987	512,493,933
Solomon Islands	386,370	866,363	42,842,864	31,222,665
Papua New Guinea	-	-	677	826
Korea	9,732,703	14,042,335	-	-
Thailand	20,136,374	23,879,922	-	-
Japan	63,160,613	78,737,349	-	-
Taiwan	2,957,358	7,761,552	-	-
Hong Kong	44,898,583	57,067,208	-	-
India	-	28,450	-	-
USA	586,913	598,492	-	-
Singapore	214,932	574,541	-	-
Philipine	-	37,155	-	-
UK	-	75,182	-	-
China	4,808,825	14,401,420	-	-
	188,420,052	275,746,494	465,736,528	543,717,424

36. Significant events

On 1 April 2013 the Company proposed to undertake a multiple corporate exercise, hereinafter, collectively referred to as the Proposals. The details of the Proposals are set out below:

i) proposed reduction of the par value of each existing ordinary share of RM0.50 each to RM0.10 each in the Company pursuant to section 64 of the Companies Act 1965 (Proposed Par value Reduction);

ii) proposed amendment to the Memorandum of Association of the Company to facilitate the implementation of the proposed par value reduction (Proposed MA Amendment);

iii) proposed acquisition of the entire issued and paid-up ordinary shares of Beta Bumi Sdn Bhd (BBSB) by the Company for a purchase consideration of RM25,000,000 to be satisfied by way of a cash consideration of RM2,000,000 and the balance of RM23,000,000 to be satisfied via issuance of 65,714,285 new ordinary shares of RM0.10 each in the company at an issue price of RM0.35 per Share (Proposed Acquisition); and

iv) proposed issuance of Unsecured Redeemable Convertible Notes (RCN) with an aggregate principal amount of up to RM50.0 million (Proposed RCN Issue).

The Proposals are subject to the following approvals being obtained:

i) approval from Bursa Securities for the listing of and quotation for the Company Shares to be issued as consideration pursuant to the Proposed Acquisition;

ii) approval from Bursa Securities for the listing and quotation for Conversion Shares to be issued pursuant to conversion of the Notes from the Proposed RCN Issue;

iii) approval from Securities Commission (SC) for the issuance of the Notes under the Guidelines on the Offering of Private Debt Securities;

iv) approval from the shareholders of the Company at an Extraordinary General Meeting (EGM) to be convened;

v) approval from BBSB's board of directors and/or shareholders (where applicable) for the disposal of the shares;

vi) order from the High Court of Malaya sanctioning the Proposed Par Value Reduction; and

vii) approval from any other regulatory authorities and/or third parties, if required.

The Proposals are inter-conditional upon each other.

The Proposed Acquisition is conditional upon the fulfilment of Conditions Precedent as set out in the Conditional Share Sale agreement.

The Proposed Acquisition and Proposed RCN Issue are conditional upon obtaining sanction from the High Court for the Proposed Par Value Reduction.

Bank Negara Malaysia has on 4 September 2013 approved the issuance of RCN.

37. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 29 October 2013.

38. 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 2013 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.

	2013		2012	
	Group RM	**Company RM**	**Group RM**	**Company RM**
Total retained earnings of the Company and its subsidiaries				
- Realised	148,147,871	197,681,428	1,788,214	1,736,265
- Unrealised	(5,761,769)	(9,005,788)	-	-
	142,386,102	188,675,640	1,788,214	1,736,265
Less: Consolidation adjustments	(68,010,099)	(57,358,427)	-	-
Retained earnings as per financial statements	74,376,003	131,317,213	1,788,214	1,736,265

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, Sabah	- Generating Sets Room - Kiln Dry - Sawmill & Sawroom - Warehouse	15.12	3,858 65,000 32,620 121,000	01-01-1979/ 31-12-2077	17 17 17 16	5,409
2.	CL 075203726 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	Moulding Plant Main Factory	11.64	104,840	01-01-1964/ 31-12-2063	17	4,818
3.	CL 075365785 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	- Impregnation Plant - Warehouse - Workshop	15.29	4,500 20,000 4,800	01-01-1979/ 21-12-2077	14 16 16	4,520
4.	CL 075170277 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	Labour Quarters	14.06	54,000	01-01-1960/ 31-12-2059	17	1,740
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	175
6.	CL 075170286 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	Labour Quarters	7.03	12,000	01-01-1961/ 31-12-2060	17	212
7.	CL 085318485 Kolapis, District of Labuk & Sugut Beluran, Sabah	- 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	19 19 19 19 19	1,079
8.	CL 075170268 Mile 3.4 JalanUlu Sibuga, Kuala Seguntor, Sandakan, Sabah	- Lake	15.03	-	06-12-1961/ 06-12-2060	N/A	14

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)
	Priceworth Industries Sdn Bhd						
9.	CL 075170062 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	-Labour Quarter - Lake	9.89	-	02-02-1962/ 02-02-2061	17	14
	Maxland Sdn Bhd						
10.	CL 075313398 Mile 17, Labuk Road, Sandakan	Agriculture Land	14.24	-	01-01-1970/ 31-12-2069	N/A	131
	Sinora Sdn Bhd						
11.	CL 075376153 Mile 6.5 Batu Sapi, Sandakan	- Plywood Main Factory - 2nd Plywood Factory - Warehouse - Boiler House - Workshop - Main sawmill + Office - Main Office - Canteen - Moulding Factory - Moulding Warehouse - Kiln Drying Building	38.28	103,950 37,446 3,228 507 1,226 25,500 10,734 6,642 4,828 84,872 17,743	01-01-1980/ 31-12-2078	31 18 23 31 31 31 31 31 21 21 21	12,115
12.	CL 075472338 Mile 6.5 Batu Sapi, South-West of Sandakan	Log Pond	80.46	-	01-01-1994/ 31-12-2053	N/A	1,801
	Rimbunan Gagah Sdn Bhd						
13.	CL 085319820 Off Mile 78, Labuk Sugut Telupid – Sandakan Road	- Sawmill/ Timber Storage Factory - 2 storey dwelling house - OfficeBuilding - 2 storeyLabour Quarters with Kitchen, Dining & Canteen - 4 Blocks Labour Quarters - Sawdoctoring House - Generator House & Store	38.45	121,426 4,064 1,368 5,758 4,116 3,025 1,025	01-01-1982/ 31-12-2080	20 20 20 20 20 20 20	771
	Priceworth Sawmill (SI) Limited						
14.	Lot No. 785, Noro, Western Province Solomon, Island	- Land (currently under construct of Sawmill/Veneer Mill Factory)	21.23	-	27-06-2005/ 26-06-2055	N/A	1,062

Analysis of Shareholdings
As at 11 November 2013

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
331	less than 100	12,680	0.01
173	100 to 1,000	53,673	0.03
2,307	1,001 to 10,000	9,232,485	4.96
1,401	10,001 to 100,000	42,227,866	22.67
211	100,001 to less than 5% of issued shares	92,225,682	49.5
3	5% and above of issued shares	42,525,732	22.83
4,426	Total	186,278,118	100.00

SUBSTANTIAL SHAREHOLDER

	No. of Shares Held			
Name of Shareholder	Direct	%^	Deemed Interest	%
Lim Nyuk Foh	36,841,511	21.21	-	-

DIRECTORS' SHAREHOLDINGS

	No. of Shares Held			
Name of Director	Direct	%^	Deemed Interest	%
Dato' Sri Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	36,841,511	21.21	-	-
Koo Jenn Man	510	0.00	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

Analysis of Shareholdings
As at 11 November 2013 (continued)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	19,380,000	10.40
2.	Lim Nyuk Foh	10,582,900	5.68
3.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Sukmah Binti Bidu]	8,048,150	4.32
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	4,838,076	2.60
5.	Continental Premium Sdn Bhd	4,488,000	2.41
6.	Low Fui Teck	4,471,200	2.40
7.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt an for UOB Kay Hian Pte Ltd]	2,583,318	1.39
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	2,040,000	1.10
9.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Toh Pik Chai]	1,859,900	1.00
10.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Joan Yong Mun Ching]	1,719,600	0.92
11.	Citigroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Joan Yong Mun Ching]	1,595,400	0.86
12.	Low Fui Teck	1,560,000	0.84
13.	Zulkifli Bin Hussain	1,559,100	0.84
14.	Chia Beng Tat	1,500,000	0.81
15.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lau Kheng Tong]	1,350,000	0.72
16.	Te Kim Leng	1,200.000	0.64
17.	HLIB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Goh Ee Lik @ Goey Mee Pheng]	1,114,100	0.60
18.	HSBC Nominees (Asing) Sdn Bhd [Exempt an for credit Suisse]	1,111,800	0.60
19.	Maybank Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chai Min Foh]	1,050,000	0.56

Analysis of Shareholdings
As at 11 November 2013 (continued)

LIST OF 30 LARGEST SHAREHOLDERS (continued)

No.	Name	No. of Shares	%
20.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Jega Devan A/L M Nadchatiram]	1,029,300	0.55
21.	RHB capital Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chong Vun Kon @ Chung Vun Kon]	970,000	0.52
22.	Lee See Jin	891,800	0.48
23.	Choo Keng Kit	842,400	0.45
24.	Zulkifli Bin Hussain	826,200	0.44
25.	HLB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Choo Lai Ee]	780,000	0.42
26.	Yeoh Kean Hua	780,000	0.42
27.	Cimsec Nominees (Tempatan) Sdn Bhd [CIMB for Tan Sri Sabbaruddin Chik]	763,000	0.41
28.	Heng Ah Lik	747,700	0.40
29.	Goh Ee Lik @ Goey Mee Pheng	729,100	0.39
30.	Lee Chai Eng	693,000	0.37

Note:

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

Analysis of Warrantholdings
As at 11 November 2013

No. of Warrants issued	:	86,857,643
Exercise rights	:	Each warrant entitles the warrantholder to subscribe for one (1) new share at the exercise price during exercise period subject to adjustment in accordance with the Deed Poll.

DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS

No. of Warrantholders	Warrantholdings	Total warrants held	% of outstanding warrants
16	less than 100	416	0.00
199	100 to 1,000	134,424	0.15
703	1,001 to 10,000	2,950,054	3.40
487	10,001 to 100,000	16,916,033	19.48
98	100,001 to less than 5% of issued warrants	36,173,604	41.64
3	5% and above of issued warrants	30,683,113	35.33
1,506	Total	86,857,643	100.00

DIRECTORS' WARRANTHOLDINGS

	No. of warrants held			
Name of Director	Direct	%	Deemed Interest	%
Dato' Sri Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	1,039,305	1.20	-	-
Koo Jenn Man	-	-	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

LIST OF 30 LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Amsec Nominees (Tempatan) Sdn Bhd	2,483,400	2.86
2.	Continental Premium Sdn Bhd	2,244,000	2.58
3.	HLIB Nominees (Tempatan) Sdn Bhd [Hong Leong Bank Bhd for Tan Yoek Tin]	1,800,000	2.07
4.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ting Hua Kiong]	1,216,000	1.40
5.	Mohd Fauzi Bin Mohd Anuar	1,200,000	1.38
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt an for UOB Kay Hian Pte Ltd]	1,168,009	1.34

Analysis of Warrantholdings
As at 11 November 2013 (continued)

LIST OF 30 LARGEST WARRANTHOLDERS (continued)

No.	Name	No. of Warrants	%
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chiew Boon Chin]	1,160,000	1.34
8.	Maybank Nominees (Tempatan) Sdn Bhd [Lee Ah Beng]	1,137,100	1.31
9.	HLIB Nominees (Tempatan) Sdn Bhd [Hong Leong Bank Bhd for Choo Chian Hoong]	1,100,000	1.27
10.	Voon Sze Lin	1,099,100	1.27
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	1,020,000	1.17
12.	Cimsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Tan Chin Kok]	1,000,000	1.15
13.	Maybank Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ang Piang Kok]	1,000,000	1.15
14.	Zulkifli Bin Hussain	900,000	1.04
15.	Lee Hooi Fung	880,000	1.01
16.	Maybank nominees (Tempatan) Sdn Bhd	856,700	0.99
17.	Hong Yu Thai	844,000	0.97
18.	Ong Kim Hin	779,700	0.90
19.	Ser Kong Lam	777,500	0.90
20.	Chai Beng Hock	700,000	0.81
21.	Ho Thean Hock	700,000	0.81
22.	Ngoi Leong Ee	700,000	0.81
23.	Chang Hee Foon	610,000	0.70
24.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Liow Chee Woon]	600,000	0.69
25.	Loh Choon Yow	575,000	0.66
26.	HSBC Nominees (Asing) Sdn Bhd [Exempt an for credit suise]	555,900	0.64
27.	Lam Ah Chong	518,300	0.60
28.	Chong Yui Lap	510,000	0.59
29.	HLB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Choo Lai Ee]	500,000	0.58
30.	Ooi Leng Hwa	500,000	0.58

Notice of Seventeenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the Company will be convened and held at Sabah Oriental Hotel, Lorong Karamunsing, Kota Kinabalu, Sabah on Friday, 20 December 2013 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 2013 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 2013. **Resolution 1**

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

   (i) Mr Koo Jenn Man **Resolution 2**
   (ii) Mr Ooi Jit Huat **Resolution 3**

4. To appoint Messrs PKF as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young who has indicated their intention of not seeking for re-appointment. **Resolution 4**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed on Page 85 of the Annual Report has been received by the Company nominating Messrs PKF for appointment as Auditors and of the intention to propose the following ordinary resolution:

   "THAT Messrs PKF be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors."

5. **Special Business**

   To consider and if thought fit, to pass the following resolutions:

   (a) Ordinary Resolution **Resolution 5**
   - **Proposed new mandate for authority to issue shares pursuant to Section 132D of the Companies Act,1965**

   THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution in any one (1) financial year does not exceed 10% of the total issued share capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   (b) 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);

5. **Special Business (continued)**

(b) 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 (continued)

(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 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 annual general meeting 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;

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 to take all such steps as are necessary and to enter into any agreements and arrangements with any party or parties to implement, finalized and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities."

(c) Ordinary Resolution **Resolution 7**

- Proposed Retention of Independent Director Mr Kwan Tack Chiong

"THAT Mr Kwan Tack Chiong be and is hereby retained as an Independent Director of the Company until the conclusion of the next annual general meeting in accordance with the Recommendation 3.3 of the Malaysian Code on Governance 2012."

(d) Ordinary Resolution **Resolution 8**

- Proposed Retention of Independent Director Mr Ooi Jit Huat

"THAT subject to passing of Resolution 3 above, Mr Ooi Jit Huat be and is hereby retained as an Independent Director of the Company until the conclusion of the next annual general meeting in accordance with the Recommendation 3.3 of the Malaysian Code on Governance 2012."

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

BY ORDER OF THE BOARD

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Sandakan
28 November 2013

Notes:

1. *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. 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 to the Company.*

2. *A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and that such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*

3. *In the case of a corporate member, the instrument appointing a proxy shall either under its Common Seal or under the hand of an officer or attorney duly authorised.*

4. *Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

5. *To be valid, this form duly completed 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 for holding the meeting or any adjournment thereof.*

6. *Only a depositor whose name appears on the Record of Depositors as at 16 December 2013 shall be regarded as member of the Company entitled to attend, speak and vote at the Seventeenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

7. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

   <u>Ordinary Resolution (Resolution 5)</u>

   The proposed Resolution 5 is a new general mandate for the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 for the shareholders to consider and approve at forthcoming Annual General Meeting. The Resolution 5 if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purpose as the Directors may deem fit and in the interest of the Company provided it does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked and varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The purpose of this general mandate is to provide flexibility to the Company to issue new shares without the need to seek shareholders' approval at separate general meeting and hence saving of additional cost and time. This general mandate is for possible fund-raising exercises and placement of shares for purpose of funding future investment projects, working capital or acquisition.

   Ordinary Resolution (Resolution 6)

   The proposed Resolution 6 is to renew the shareholders' mandate for share buy-back by the Company, 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.

   <u>Ordinary Resolution (Resolutions 7 and 8)</u>
   - *Retention as Independent Directors*

   The proposed Resolutions 7 and 8, if passed, will enable the Company to retain Mr Kwan Tack Chiong and Mr Ooi Jit Huat as Independent Directors of the Company in accordance with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012 and hence compliance with paragraph 3.04 of the Main Market Listing Requirements.

   Mr Kwan Tack Chiong and Mr Ooi Jit Huat were appointed as Independent Directors on 2 November 2001. Both of them have served the Company for more than twelve (12) years as at the date of this Notice of Annual General Meeting.

   Accordingly they have satisfied with the test of independence based on guidelines set out in the Main Marketing Listing Requirements. The Board, therefore, would like to recommend Mr Kwan Tack Chiong and Mr Ooi Jit Huat that they remain as Independent Directors for the following reasons:

   (i) their networking, working experience and familiarization with the business operations will provide a check and balance to the Executive Directors and management team of the Company; and

   (ii) they have devoted sufficient time to carry out their duties and responsibilities as Independent Directors and act in the interest of the Company and shareholders through active participation in deliberations with independent judgement free from being influenced by the operational management.

Notice of Nomination of Auditors

LIM NYUK FOH
House No. 56
Taman Tyng
Mile 5, Jalan Labuk
90000 Sandakan
Sabah

12 November 2013

The Board of Directors
PRICEWORTH INTERNATIONAL BERHAD
1st Floor, Lot 5, Block No. 4
Bandar Indah
Mile 4, Jalan Utara
P. O. Box 2848
90732 Sandakan
Sabah

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

I, being a shareholder of Priceworth International Berhad ("the Company") holding 21.21% of the total voting shares of the Company, hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my intention to nominate of Messrs PKF as new Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young and to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:

> "THAT Messrs PKF be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully

LIM NYUK FOH
Shareholder

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Proxy Form

No. of shares held	

I/We,……..

of………

being a Member of **Priceworth International Berhad** hereby appoint ………………………………………………………………

………

of ………

………..

or failing him/her …….

of………
as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Sabah Oriental Hotel, Lorong Karamunsing, Kota Kinabalu, Sabah on Friday, 20 December 2013 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 Koo Jenn Man as Director		
Resolution 3	Re-election of Mr Ooi Jit Huat as Director		
Resolution 4	Appointment of Messrs PKF as new Auditors of the Company in place of retiring Auditors, Messrs Ernst & Young.		
Resolution 5	Proposed new mandate for the authority to issue shares under Section 132D of the Companies Act,1965		
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		
Resolution 7	Proposed retention of Mr Kwan Tack Chiong as Independent Director		
Resolution 8	Proposed retention of Mr Ooi Jit Huat as Independent Director		

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 ……………………………………… 2013

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

Notes:

1. *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. 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 to the Company.*
2. *A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and that such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
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6. *Only a depositor whose name appears on the Record of Depositors as at 16 December 2013 shall be regarded as member of the Company entitled to attend, speak and vote at the Seventeenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

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Affix
stamp

The Company Secretary
PRICEWORTH INTERNATIONAL 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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