PRICEWORTH INTERNATIONAL BERHAD
(Company No. 399292-V)

(Head Office)
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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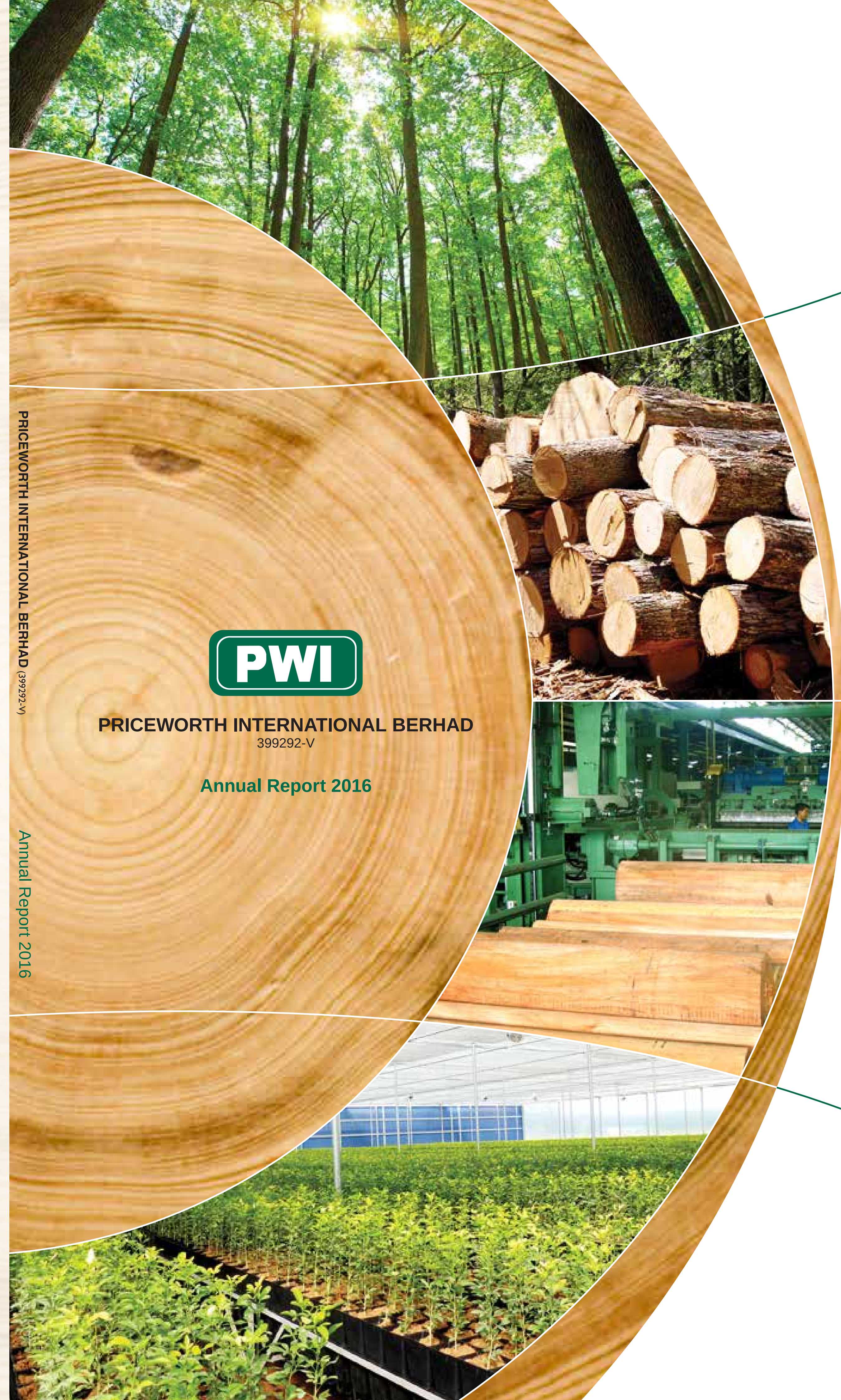
PRICEWORTH INTERNATIONAL BERHAD (399292-V)

Annual Report 2016



PRICEWORTH INTERNATIONAL BERHAD
399292-V

Annual Report 2016

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Corporate Information

BOARD OF DIRECTORS

Lim Nyuk Foh
(Managing Director)

Koo Jenn Man
(Executive Director)

Dato' Sri Chee Hong Leong, JP
(Chairman, 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
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CORPORATE HEAD OFFICE

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Fax No. : 089-221213/227823
Email : pworth@pwibhmalaysia.com.my
Website : www.pwibhmalaysia.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
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
AmBank (M) Berhad
AmBank Islamic Berhad

AUDITORS

PKF
Chartered Accountants
Lot 23-1 & 25-1
1st Floor, Lintas Plaza
Lorong Lintas Plaza
88300 Kota Kinabalu
Sabah

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

	Stock Name	**Stock Code**
Shares	PWORTH	7123

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and audited Financial Statements of Priceworth International Berhad ("PIB" or "the Group") for the financial year ended 30 June 2016 ("FY 2016").

The Group has been operating under a very competitive environment as being affected by the shortage of raw materials supply for downstream processing amidst the structural challenge in the timber industry, which has adversely affected the operations of the Group in spite of the strengthening of the US Dollar.

This adverse effect has been compounded by the less favourable economic conditions both locally and globally, arising from the continuing low crude oil prices and slowing Asian markets, particularly China.

Financial Results

The Group recorded a Profit of RM0.9 million for the financial year ended 30th June 2016 (FY 2015: RM1.8 million) mainly attributable to the favourable change of exchange rate on the Group's export products and lower fuel costs.

Future Prospects

Despite the gloomy financial results of the Group and looming threats in the timber industry, there are still great opportunities for the Group given the knowledge, capacity and competency it has acquired and built up over the years.

The Group is leveraging on its recently-developed skill in operating two sustainable forest units of 8,000 hectares and 20,000 hectares, and it intends to further expand into sustainable forest units to ensure the adequacy of logs supply for downstream processing.

Realising these opportunities and having assessed the inherent strengths of the PIB Group, the Board of Directors of PIB has been considering expansion plans and financial restructuring schemes so as to achieve production cost efficiency.

In October, PIB announced its wholly-owned Singapore subsidiary GSR Pte Ltd proposed to acquire Rumpun Capaian Sdn Bhd and its 99.9 percent-owned subsidiary Anika Desiran Sdn Bhd ("ADSB") for RM260 million. Through this acquisition, PIB will acquire Timber and Forestry Rights over 101,161 hectares located within the TrusMadi Forest Reserve in Sabah.

This major acquisition will be a game changer and will catapult PWI into one of the largest timber companies in the country through ADSB's 100-year concession under a Sustainable Forest Management Licence Agreement ("SFMLA").

PIB will also be transformed into a forestry management company, as the SFMLA requires ADSB to plant, rehabilitate and harvest forests under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposes.

With a long time horizon to manage more than 100,000 hectares of forest, PIB will be able to implement a long-term forest management plan to ensure the health and sustainability of the forest. Doing so will also safeguard PWI's future and its economic viability.

Managing the lands as Industrial Tree Plantation ("ITP") and Natural Forest Management ("NFM"), PWI would be assured of a steady supply of sustainable logs for the foreseeable future. The area is expected to yield some 6.5 million cubic metres of timber over the 81 years remaining on the concession.

As part of the acquisition, ADSB has agreed for PIB subsidiary, Sinora Sdn Bhd ("Sinora"), to extract commercial logs and merchantable timber in the Licenced Area with sustainable forestry management methods. Sinora as contractor must replant the Licensed Area with trees of approved species and implement the objectives of the SFMLA and the new Forestry Management Plan ("FMP"), as well as comply with the terms and conditions imposed by the authorities.

At RM260 million, the purchase consideration is at a discount to the market valuation of RM390 million for the Timber and Planting Rights under the SFMLA as valued by VPC Alliance (Sabah) Sdn Bhd, and the future prospects and earnings potential of ADSB.

PIB intends to list GSR – which will comprise Rumpun, ADSB as well as Sinora – on the Singapore Exchange as part of the acquisition. The listing is expected to raise proceeds of about RM200 million through making at least 20 percent of the shares available to the public for subscription.

The rights issue is expected to be completed by the first quarter of 2017, while the listing of GSR in Singapore is targeted to be completed by the second half of 2017, subject to approvals. PIB is aiming to achieve a market capitalisation of RM800 million for GSR's listing based on a conservative price-earnings multiple of 8 times.

This acquisition is the key to completing our transformation into a serious player in sustainable renewable forest products. Securing a continuous supply of sustainable timber will improve our capacity utilisation to 90%, from about 40% currently due to the shortage of renewable logs. Increased production rates will improve PIB's financial performance and profitability.

We began this journey in 2007 when we entered our first SFMLA, and bolstered in 2011 when we obtained Forest Stewardship Council ("FSC") certification. We reinvested in high-tech machinery and equipment to minimise the impact of timber extraction operations within our Forest Management Units ("FMU") and to maximise efficiency and reduce waste in processing sustainable timber.

Forest plantations are the new commodity sector, and PIB has reinvented its business model as an integrated supplier of sustainable timber. We see great prospects in the demand for legal, certified timber from Sabah's forests. Sustainable forest management will ensure both the future of Sabah's forests as well as a continuous supply of sustainable renewable logs.

Overview of the Overall Economy and the Timber Industry

China, Japan and other Asian countries have always been the major purchasers of round logs, plywood and sawn timber of the Group. Despite global economic conditions becoming increasingly challenging, these economies have maintained modest growth thanks to their domestic demand. The outlook for timber demand from China, Japan and other Asian countries is still promising with growth expected to arise from various positive factors and stabilizing economies.

In the wake of "significant" fiscal and monetary stimulus policies, the rating agency Moody's Investors Service raised its forecasts for mainland China's economic growth to 6.6 percent for 2016 from 6.3% previously, and to 6.3% in 2017, up from 6.1% before. Moody's also raised its economic growth forecasts for Japan, forecasting that GDP would grow 0.7% in 2016, and 0.9 percent in 2017, against its previous estimate of 0.4% for both years.

Exports of timber and timber products in Malaysia continue to be the most important commodity after palm oil and rubber. The Malaysian government expects the timber industry to contribute RM53 billion to export earnings by 2020, which is more than twice the present revenue. The outlook for the Malaysian timber industry remains stable with steady selling prices in China and Japan as well as other Asian countries.

The Board of Directors is giving their best effort to enable the Group to sustain its current performance and, in the future, attain better achievements in creating value for its stakeholders upon the completion of the proposed acquisition and listing.

Acknowledgement

On behalf of the Board of Directors, I wish to thank our valued shareholders, customers, suppliers, business associates, the regulatory authorities and financiers for the continuous support.

I would like to extend my appreciation to my fellow Board Members for their invaluable advice and contributions.

To the management and employees, I give you my highest appreciation for your dedication and commitment in the company, especially in these challenging times.

Dato' Sri Chee Hong Leong, J.P.
Chairman

Directors' Profile

Lim Nyuk Foh

Male, Malaysian, aged 52
Managing Director

Mr Lim founded the PIB and group of companies ("PIB Group") and was appointed to the Board of Directors of PIB ("Board") on 2 November 2001.

He holds a Degree in Finance majoring in Investment from the University of Toledo, United States of America. Coming from a family involved in the timber business, he ventured into the trading of timber for the domestic and foreign market in 1989. In 1990 he founded Priceworth Industries Sdn. Bhd. to undertake the sawmilling and timber extraction business. He has more than 27 years of extensive experience in the timber industry.

Mr Lim also sits on the boards of Bertam Alliance Berhad and Sarawak Consolidated Industries Berhad, both listed on Bursa Securities.

Koo Jenn Man

Male, Malaysian, aged 43
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. He joined PIB (the then Priceworth Wood Products Berhad) as an Accountant in 2003 and subsequent he was promoted as the Group Accountant overseeing the financial management of PIB Group. His other job function also covers the overall management of the operations of the PIB Group.

Mr Koo also sits on the board of Bertam Alliance Berhad, a company listed on Bursa Securities.

Dato' Sri Chee Hong Leong, JP

Male, Malaysian, aged 52
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 plans 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 board of SYF Resources Berhad, a company listed on Bursa Securities.

Directors' Profile
(continued)

Kwan Tack Chiong

Male, Malaysian, aged 53
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. Since then, he is a business entrepreneur and presently involves in food and beverage industry.

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

Ooi Jit Huat

Male, Malaysian, aged 64
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.

Mr Ooi started his career at Peat Marwick Mitchell & Co in London and Kuala Lumpur from 1980 to 1982. He then founded his own public accounting firm, Russ Ooi & Associates in 1985. He has more than 31 years of experience in the financial industry specializing in corporate finance consultancy, auditing and investigations, corporate exercises involving public listed companies. 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 company listed on Bursa Securities.

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 have any conflict of interest with the Company.

3. **Convictions of Offences**

   Other than traffic offences, none of the Directors have been convicted of any offence within the past 5 years or public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Statement Of Corporate Governance

The Board of Directors of Priceworth International Berhad 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 in respect of the financial year ended 30 June 2016 ("FY2016") and the extent of compliance with the key principles and supporting recommendations set out in the Malaysian Code on Corporate Governance 2012 ("Code"). Except where specifically identified and explained in this statement, the Company has substantially complied with the Code.

BOARD OF DIRECTORS

Board Composition and Balance

The present Board comprises of members of good mix with different backgrounds, expertise in entrepreneurship, economics, administration and management, finance/accounting, internal audit, computer engineering and marketing with diverse skill to effectively lead and control the Company. As at the date of this report, there are 5 Directors in total that consist of 2 Executive Directors and 3 Independent Non-Executive Directors. The Board is of the opinion that the current size and composition constitute an effective Board 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 who is an Independent Non-Executive Director 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.

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 which 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, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and applicable rules, laws and regulations. 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. A formal schedule of matters has been adopted by the Board where matters reserved for the Board and those for management have been clearly defined. This is to ensure clear division of responsibilities between the Board and the management to ensure accountability of both parties, balancing the powers between the Board and management and also serve to manage expectation.

The Board regularly undertakes duties, which broadly includes:

- reviewing and adoption of the overall strategic plan for the Company and the Group;
- assessing and monitoring the cash flow requirements of the Group;
- overseeing the conduct of the Company's business operations;
- identifying principal risks and ensuring the existence of adequate internal controls and management systems to measure and manage the risks;
- overseeing the succession planning of senior management;
- monitor compliance with all relevant statutory and legal obligations; and
- maintaining full and effective control over management of the Company.

The aforesaid responsibilities and duties are performed by the Board by ensuring the relevant matters are discussed or included in the agenda of the regular Board and Board Committees meetings. Besides receiving the presentation of the Group's financial performance at the regular meetings held throughout the year, the Board also discusses with senior management on key developments in the industry. Due deliberations are made on announcements and press releases to ensure the disclosures are factual and meaningful and material information are released on a timely basis. The Board has delegated the function of succession planning of the senior management staff of the business units to the MD and Executive Director as they are in the best position to plan and decide given their direct and close working relationship with the business units.

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. He monitors actual results on a weekly basis with the senior management team from various departments and where planned performance are not met, strategies are re-assessed and remedial actions taken to address the variances. Marketing strategies for both local and overseas markets are discussed at these weekly meetings.

The Directors are required to notify the Chairman before accepting any new directorship and indication of time that will spend on the new appointment, in fostering commitment to the Board that the Directors devote sufficient time to carry out their responsibilities effectively.

Board Charter

The Company's Board Charter sets out:

- the Board structure and protocols;
- the Board's strategic intent;
- key values, principles and ethos of the Company;
- the Board's roles and responsibilities, outlining the division of the responsibilities and powers between Board and management; the different Board committees and between the Chairman and Managing Director; and
- the processes and procedures for convening Board meetings.

The Board will periodically review the Board Charter to ensure that it remains consistent with the Board's objectives, meet the needs of the Company and is in line with applicable laws and regulatory requirements. The Board Charter was last reviewed by the Board on 20 October 2016.

The Code recommends that the Board Charter be published on the Company's website. However, the Board has concluded that there is no commercial benefit to publicise such self-governance document. Instead, an abridged version of the current Charter is posted on the Company's website at www.pwibhmalaysia.com.my.

Re-election of Directors

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Directors, including Managing Director are subject to retirement by rotation at each Annual General Meeting and that all Directors shall retire and be eligible for re-election at least once in 3 years. The Nomination Committee conducts an assessment of the contribution of the retiring directors and makes their recommendations to the Board on the eligibility for re-election of the retiring directors.

Tenure of Independent Director

The Code recommends that if the tenure of Independent Directors exceeds a cumulative period of 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, through the Executive Directors, undertakes annual assessment of the independence of the affected Independent Directors as it believes the Executive Directors who have intimate working relationship amongst the Directors are well placed to ascertain their independence.

Subsequent to the financial year end, the Nomination Committee conducted an appraisal on the independence of Mr Kwan Tack Chiong and Mr Ooi Jit Huat, who have served more than nine years as Independent Directors and concluded that they met the independence criteria as set out in the Main Market Listing Requirements ("MMLR"). Both Mr Kwan Tack Chiong and Mr Ooi Jit Huat continue to maintain independent and objective views in rendering their services. The Board views that they can continue to contribute to the Board as independent directors and hence will be seeking shareholders' approval at the forthcoming Annual General Meeting to retain them in this position.

Board Diversity

The Board is of the view that appointment of directors should refer on merit rather than through positive discrimination. To maintain an appropriate balance around the board table, it is clear that a diverse mix of skills, experience, knowledge and background is of paramount importance. Therefore, the Board is not establishing a diversity policy on gender, ethnicity and age or setting any target.

Board Meetings

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

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.

During the year under review, the Board has met on a total of 5 occasions and the attendance of the Directors is as follows:

Name of Directors	No. of Meetings Attended	%
Dato' Sri Chee Hong Leong, JP	5/5	100
Mr Lim Nyuk Foh	5/5	100
Mr Koo Jenn Man	5/5	100
Mr Kwan Tack Chiong	4/5	80
Mr Ooi Jit Huat	5/5	100

The Board in the meetings during the year under review deliberated on amongst others:

- the strategic business plan and directions of the Group;
- business development activities;
- performance of the Company and its operating subsidiaries;
- the interim and year-end financial results;
- communications with shareholders; and
- compliance with the principles of corporate governance.

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 Code of Ethics and Conduct for Directors as references to govern the standards of ethics and good conduct expected of the Directors and the employees of the Group. The Code of Ethics and Conduct for Directors sets out the expected conduct of the Directors' personal behaviour, communication with other Board members and employees, conflict of interest and the use of public resources. It also sets out the Board's commitment to take responsibility for reporting improper conduct or misconduct which has been, or may be occurring in the workplace, reporting the details to the relevant people or agency, as well as to take responsibility for contributing in a constructive, courteous and positive way to enhance good governance and the reputation of the Board of Priceworth International Berhad.

The Company did not make available its code of conduct on its website as the Board views that it is not commercially beneficial to publish such information publicly.

Supply of Information

The Notice of meetings, setting out the agenda and accompanied by the Board and/or Committee meeting papers are given to the Directors/members of Board Committee prior to the meeting. This is to enable the Directors and members of Board Committee to have sufficient time to peruse, obtain further information and/or seek further clarification on the matters to be deliberated either from the management of the Company Secretary. Urgent matters that need to be discussed by the Board/members of Board Committee will be presented and tabled under supplemental agenda. The Directors will be provided with additional financial-related information on operational, development and performance of the Group, explanation of pertinent issues and recommendations by the management. The matter will then be deliberated and discussed in detail by the Board before making decision that is favourable to the Company.

All information within the Group is accessible to the Directors in further to the discharge of their duties. Every Director has unhindered to the advice and services of the company secretary. They are also permitted to seek independent professional advice as and when deemed appropriate, at the Group's expense.

Qualified and Competent Secretary

The Board is supported by a professionally qualified company secretary who has experience in handling public listed companies. She is accountable to the Board on all matters connected with the proper functioning of the Board and her responsibility includes:

- assisting the Chairman and the chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders,
- acting as liaision to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Companies Act, 1965, the MMLR and the Articles of Association of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

Every Director has full access to the advice and services of the company secretary. The Company Secretary and the senior management proactively monitor and guide the Board on the corporate disclosure requirements stipulated in the MMLR to ensure the Company is in compliance and makes timely disclosures.

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. The Board does not intend to set a training budget as they view it may limit the type of training courses which the Directors can participate in. The Directors are encouraged to attend trainings to develop their skills and competencies

During the FY2016, the Directors attended the following training programme/seminar:

Director	Mode of Training	Title of Training	Duration (Day)
Dato' Sri Chee Hong Leong, JP *(Chairman)*	IACS Seminar	Seminar on GST Updates & 2016 Budget Major Highlights	1
	Bursa Workshop	Corporate Governance Disclosures "What makes good, bad and ugly corporate governance reporting?"	½
Mr Lim Nyuk Foh	IACS Seminar	Seminar on GST Updates & 2016 Budget Major Highlights	1
Mr Koo Jenn Man	IACS Seminar	Seminar on GST Updates & 2016 Budget Major Highlights	1
Mr Kwan Tack Chiong	IACS Seminar	Seminar on GST Updates & 2016 Budget Major Highlights	1
	Bursa Workshop	Corporate Governance Disclosures "What makes good, bad and ugly corporate governance reporting?"	½
Mr Ooi Jit Huat	MAICSA Seminar	The Board Role in Governance & Audit Committee Oversight Responsibilities- Passion Beyond Numbers	1
	MIA Conference	Forensic and Fraud Investigation Conference 2015	1
	IRB Conference	National Tax Conference 2015	1

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 summary of activities under taken are presented in the Audit Committee Report of this Annual Report. The terms of reference of the Audit Committee are made available on the Company's website.

2. Nomination Committee

The Nomination Committee comprises solely members who are Independent Non-Executive Directors:

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

The Nomination Committee had 1 meeting during the financial year with full attendance of all members. The Nomination Committee discharged its duties as follows:

- Reviewed on the Directors' retirement by rotation and nominate the re-election;
- Reviewed the composition of the Board in reference to its size and mix of skills;
- Evaluated the effectiveness of the Board as a whole and the Board Committee;
- Appraised the core competencies and contribution of each individual Director;
- Reviewed the training programmes attended by the Directors, and recommend where necessary; and
- Reviewed the independence appraisal on Independent Director.

During the year under review, the Board had conducted a number of and the criteria of assessment made are set out but not limited to the below:

- Directors Self Assessment
  - » The competencies assessed are integrity & ethics, governance, strategic prospective, business acument, judgement and decision making, teamwork, communication and leadership.

- Assessment of Independence of Independent Director
  - » The assessment were based on the role of Independent Director and if there were any relationship with the Executive Directors, related or acting as nominee for major shareholder. It also assess on the ability to continue to exercise independent judgement during the Board's deliberation and acting in the Company's best interest.

- Assessment of Board as a Whole
  - » Assessment on Adding Value includes if the Board actively demonstrate and promote the values of transparency, accountability and responsibility, review on the Company's goals, values, core business and the strategy to achieve its purpose, the regular monitoring and evaluation on implementation and success of strategies, policies and business plans, the meeting of targets agreed in plans and budget and monitoring of results against Key Performance Indicators.
  - » Assessment on Conformance that includes regularly ensure compliance with relevant laws and regulations, consistently meet reporting deadlines and requirements and regular monitoring on the impact of actual and potential conflict of interest.
  - » Assessment on Stakeholder Relationship, which assess if the Board communicates effectively with its stakeholders and is Board maintaining good relationship with internal and external stakeholders.
  - » Assessment on Performance Management that includes the continuous assessment on own performance and effectiveness of individual Directors and the Chairman, implementation of effective induction process or orientation programme for the newly appointed Director, conduct or arrange training programme for Directors continuous development, development and implementation on appropriate succession plan, review performance of management team, ensure adequate training for management and employee and regular identification and monitoring of key risk areas.

- Review on Audit Committee
  - » Review on policies, procedures and processes of the internal control function and risk assessment.
  - » Assessing on the internal audit function, which includes scope, function and resources.
  - » Appraise the function of External Auditors that includes the scope of audit plan, the independent and objectively of external auditors, the related party transaction that may arise within the Company and the channel of communication.

- Review on Remuneration Committee
  - » Appraise on the participation of Executive Directors in discussion on remuneration.
  - » Seeking professional advice, when necessary.
  - » Review the remuneration package that consists of short-terms and long-term rewards.
  - » Review the employment/service contract of Executive Directors and termination benefits with competitive compensate package.

- Review on Nomination Committee
  - » Recommendations to propose or identify suitable candidates for appointment.
  - » Ensure assessments of the Board and Committees are in place.
  - » Review on succession plan for Executive Directors.
  - » Recommendation on re-election for Directors

The Committee is responsible for making recommendations to the Board on re-election of retiring Directors and it annually reviews the required mix of skills and experience, assess the effectiveness of the Board and evaluating the Board as a whole, individual director and Board committees. The Terms of Reference of the Nomination Committee defining the scope of authority, responsibilities and duties are made available on the Company's website.

The Secretary was in attendance to record the proceedings of the meeting.

3. Remuneration Committee

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

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

The Board has established remuneration policies and procedures which provide for:

- periodic review;
- competitive compensation package for Executive Directors that reflects market rate, individual's performance, job responsibilities and at levels that are sufficient to attract and retain the Executive Directors needed to run the Group successfully; and
- Non-Executive Directors are paid a basic fee as ordinary remuneration and additional allowances for attendance at meetings, with the Chairman of the Board provided with additional fees.

The Committee is responsible to review and recommend to the Board on the remuneration packages and benefits for Executive Directors, and if necessary, the Committee is empowered to seek external advice on the prevailing market practices to determine the remuneration packages of directors. The Directors' fees for the Non-Executive Directors are recommended by the Remuneration Committee to the Board for tabling to the shareholders for approval at the Annual General Meeting. Individual Director is not allowed to participate in discussion of his own remuneration.

The Remuneration Committee held 1 meeting during the financial year to carry out its function as stated within the Terms of Reference.

The Secretary was in attendance to record the proceedings of the meeting.

Directors' Remuneration

The determination of the remuneration packages of Directors is a matter for the Board as a whole and individual Director is to abstain from deliberation and voting on decision in respect of their 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 10 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.

Directors' Responsibility for preparing the Financial Statements

The Directors are responsible for ensuring the Group and of the Company that 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.

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 are also responsible 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 Board acknowledges its responsibility for the Group's system of internal controls which cover not only financial controls but also controls in relation to operations, compliance and risk management.

The Group has outsourced its internal audit function which 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. The responsibilities of the internal auditors include planning the scope of internal audit and audit schedules in consultation with the management, presenting the scope of audit reviews to the Audit Committee, conducting audits, submitting the audit reports to the Audit Committee on their findings and recommendations on the Group's systems of internal control.

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.

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

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.

Prior to the provision of any engagement of non-audit services by the external auditor, the Audit Committee will review and approve the acceptance of such engagements. Non-audit services provided by the external auditors in FY2016 were in respect of the services rendered for the review of the Statement of Risk Management and Internal Control (as required under the MMLR).

In FY2016, the Audit Committee, in consultation with the Board, had established a questionnaire form setting out the criterions that would be employed to assess the external auditor's suitability and independence. The criterions set out in questionnaire covered areas such as:

- calibre of external audit firm in terms of standing, international capabilities, technical expertise and knowledge;
- size and expertise of audit team in terms of ability to provide effective audit service;
- audit scope and planning in terms of adequate geographical coverage and significant areas;
- understanding of audit expectations;
- audit communications in terms of availability, quality, candor and timeliness;
- quality processes/performance in terms of independence, quality, efficiency and timeliness of service delivery;
- audit fees in terms of reasonableness and sufficiency; and
- independence and objectivity in terms of performance, limit on engagement term, cooling off period of engagement partner and non-audit services rendered, in absolute terms and/or as a percentage of audit fee

The Audit Committee had reviewed the suitability and independence of Messrs PKF based on the criterions established by the Board and had recommended their re-appointment as external auditors of the Company for the financial year ending 30 June 2017. The Board, having considered the Audit Committee's recommendation, was satisfied with the competency, performance and independence of Messrs PKF and recommended their re-appointment as the Company's external auditors for shareholders' approval at the forthcoming Annual General Meeting.

In FY2016, the Audit Committee also relied on the written assurance obtained from the external auditors confirming their independence throughout the conduct of the audit engagement.

COMMUNICATION AND 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 the major development of the business activities. The shareholders and general public can access to the Company's website at www.pwibhmalaysia.com.my to retrieve information on the Group.

The Annual General Meeting and/or Extraordinary General Meeting serve as a platform for the shareholders to seek more information on the audited financial statements and other matters of interest. The Board at all times encourages active participation from shareholders at the general meetings.

Notice of Annual General Meeting in the Annual Report and/or Extraordinary General Meeting are issued to the shareholders at least 21 days before the meeting.

The special business in the Notice of Annual General Meeting is accompanied with a full explanatory of the effects of the proposed resolutions for to facilitate full understanding to help shareholders make informed decision at the general meeting.

The Code recommends putting substantive resolutions to vote by poll at Annual General Meeting and encourages electronic poll voting. The Board is of the view that the Company will not implement electronic poll voting as the cost out weights the benefits.

Corporate Social Responsibility

The Board recognises the importance of playing its role as a socially responsible corporate citizen in the workplace, community, environment and marketplace. The good corporate governance through practising accountability, honesty, transparency coupled with effective adoption of corporate social responsibility will ensure sustainability in the competitive corporate world and positive influence on the Group's business strategy and performance in the short-term and long-term. The Corporate Social Responsibility practised by Priceworth International Berhad ("PIB") Group is broadly divided into 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 had reinvented its business mode or renewable and sustainable timber logs supply through sustainable forest management practice. 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 and MS ISO 9001:2008 Certificates 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 Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In presenting 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 law and regulations.

Risk Management Framework

The process of identification, evaluation and management of significant risks faced by the Group is carried out as part of the Group's normal business operation and management activities. These processes are led by the Managing Director and Executive Director and supported by the senior management. Within the Group management team, the management organization structure and approval authority are defined by outlining the respective management areas of responsibility.

The Managing Director, Executive Director and senior management team conduct meeting every week. The weekly meetings serve as a monitoring tool and provide communication channel of reporting and feedback to all level of management, whereby, changes in business environment and operations are reviewed while operation performance is assessed with detailed corrective actions being identified and discussed. The above process has been in place for the year under review and up to the date of approval of this statement.

Group Internal Audit

The Board has outsourced its Internal Audit Function during the financial year to an independent accounting firm which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit Plan that was reviewed by the Audit Committee and approved by the Board of Directors. The amount of internal audit fees payable to the internal auditors for the year is RM42,000.

The next step to be undertaken is the overall review and assessment of the adequacy and effectiveness of the Company's risk management and internal control system, which is targeted to be performed in the next financial year.

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 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 organizational 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.

- ***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. 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)

Other key internal control

ISO 9001 : 2008 Quality Management System in certain subsidiaries of the Group forming the basis of operations and management procedures.

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.

This statement on Risk and Internal Control Management is made in accordance with the resolution of the Board of Directors dated 20 October 2016.

Audit Committee Report

The Audit Committee of Priceworth International Berhad ("PIB" or "the Company") is pleased to present the Audit Committee Report for the FY2016.

Composition

The Audit Committee presently comprises 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 Committee has clear written Terms of Reference defining its functions, qualifications for membership, scope of duties and responsibilities, governing the manner in which the Committee is to operated and how decisions are to be made.

The Terms of Reference are available on the Company's website.

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 Committee shall include the following:

1. To review the nomination, appointment and re-appointment of external auditor, the audit fee and any questions of resignation and dismissal.

2. To review 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. To discuss the external auditors' audit reports, areas of concern arising from the audit and any other matters the external auditors may wish to discuss (in the absence of management if necessary).

4. To review the extent of co-operation and assistance given by the employees to the external auditors.

5. To review the internal audit function on matters concerning:
   - the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work;
   - the internal audit programme and results of the internal audit processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   - the appraisal or assessment of the performance of members of the internal audit function;
   - the approval for any appointment or termination of senior staff members of the internal audit function; and
   - take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

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

7. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

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

Audit Committee Report
(continued)

There were 5 meetings of the Audit Committee held during the financial year under review. The attendance record of the Audit Committee members is as follows:

Name of Members	Designation	No. of Meetings Attended	%
Mr Kwan Tack Chiong	Chairman	4/5	80
Mr Ooi Jit Huat	Member	5/5	100
Dato' Sri Chee Hong Leong, JP	Member	5/5	100

Other Board members and senior management staff attended the meetings upon invitation of the Committee to provide clarifications on audit issues and information in relation to the operation of the Group. The internal auditor and the representatives of external auditors were also present in the meetings to provide inputs and advice.

Issues deliberated and decisions arrived at during the Audit Committee meetings were recorded by the Secretary. 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 FY2016, the Audit Committee:

Financial Reporting

- reviewed the external auditors on the audit for the financial year ended 30 June 2015. This is to ensure that the audited financial statements were prepared to give a true and fair view in compliance with the applicable Malaysian Financial Reporting Standards and the requirements of the Companies Act, 1965;
- discussed the audit findings and accounting issues arising from the audit together with the external auditors' recommendations and management's responses, consideration on management's response on impairment assessment, corrected and uncorrected misstatement and unadjusted audit differences;
- discussed with the external auditors on new accounting standards that are applicable to the Company for the Board's approval; and
- reviewed the external auditors' report in relation to the audit for the financial year ended 30 June 2015;
- reviewed and recommended the audited financial statements of the Company and of the Group for the Board's approval;
- reviewed and recommended to the Board for approval pertaining to the unaudited quarterly results of the Group to ensure compliance with applicable approved accounting standards and MMLR, appropriate accounting policies had been adopted and applied consistently and narrative disclosures made were correct;

External Auditors

- reviewed the Audit Planning Memorandum for the financial year ended 30 June 2016 for the Group focusing areas of audit emphasis, impairment assessment, audit engagement team and audit timeline;
- considered the management's feedback on the service delivery of the external auditors and their audit fees and recommended for their re-appointment;
- reviewed the external auditors' report on the Statement of Risk Management and Internal Control in respect of financial year ended 30 June 2015 to ascertain that the disclosure are consistent with the Company's system of risk management and internal control;
- reviewed the external auditors' confirmation of independence and was satisfied that the non-audit services rendered were immaterial to impair their independence; and
- met with the external auditors twice during the year under review without the presence of Executive Directors and/or senior management to enquire about the management's co-operation with the external auditors, sought clarification on certain issues arising from the final audit and to discuss significant weakness in the internal control and any fraud were noted during the course of audit.

Internal Audit

- reviewed the Internal Audit Plan that covered the reasonable systematic methodology on selected audit areas and the selected group of companies targeted for audit review;
- reviewed and discussed the internal audit reports which highlighted the risk profiles and assessments, the recommendations, management responses;
- enquired with the internal auditor and was satisfied that she received full information and co-operation from the management during the audit review; and
- conducted the annual assessment of competency and effectiveness of the internal auditors and was satisfied that audit team has the relevant qualification, adequate expertise and experience to conduct the audit competently;

Related Party Transaction

- reviewed the recurrent related party transactions ("RRPT") of the Group quarterly,
  (i) ascertain that they were entered in accordance with the Company's guidelines and procedures, and within the mandated limits on normal commercial terms and were not detrimental to the interest of the Company and its minority shareholders; and
  (ii) monitored the aggregate value transacted to determine if the threshold had been breached to warrant immediate announcement to Bursa Securities.
- submitted the RRPT to the Board for ratification.

Other

- reviewed the Audit Committee Report in respect of the financial year ended 30 June 2015 and presented to the Board for approval.

Summary of the Work of Internal Audit Function

The activities carried out by the internal auditor during the FY2016 are as follows:

- presented the internal audit plan for the Committee's approval;
- conducted the internal audit reviews according to the approved internal audit coverage on the following areas:
  (i) Purchases and Payments System
  (ii) Sales and Receivables System
- tabled the internal audit report to the Committee at the quarterly meeting.

The total cost incurred for the Group's internal audit function amounted to approximately RM42,000.00.

Additional Compliance Information

(a) Utilisation of Proceeds from the Corporate Proposals

During the financial year ended 30 June 2014, the Company issued Redeemable Convertible Notices ("RCN") of an aggregate principal amount up to RM50 million, comprising 5 equal tranches with multiple sub-tranches in each tranche. The convertible notes were convertible to ordinary shares of RM0.10 each in the Company, by dividing the aggregate principal amount of the note, held by either the fixed conversion price or floating conversion price. Tranche 1 of RCN amounting to RM10 million was issued during the financial year 2014.

As at the financial year ended 30 June 2015, Tranche 2 and Tranche 3 of RM10 million each were issued during the financial year 2015.

The remaining proceeds from the RCN of RM20 million from Tranche 4 and Tranche 5 of RM10 million each were fully issued during the financial year under review. The proceeds from the issue of RCN were utilized as follows:

Proposed Utilisation	**Issued during FY 30-06-2016 RM'million**	**Total Utilised RM'million**	**%**
Repayment of loan and borrowings	18.00	40.00	80.00
Working capital requirements	2.00	8.40	16.80
Estimated expenses relating to the corporate proposals	-	1.60	3.2
Total	20.00	50.00	100.00

(b) Audit and Non-Audit Fees

During the financial year under review:

<u>Audit Fees incurred by Company and on Group Basis</u>

The audit fees incurred by the Company and the amount on group basis are RM65,000 and RM218,900 respectively.

<u>Non-Audit Fees incurred by Company and on Group Basis</u>

The non-audit fees incurred by the Company and the amount on group basis are RM14,630 and RM17,460 respectively.

(c) Material Contracts

There were no material contracts of the Company and its subsidiaries involving the interest of directors or major shareholder interests, either still subsisting at the end of the financial year ended 30 June 2016 or entered into since the end of the previous financial year.

(d) Recurrent Related Party Transactions

The recurrent related party transactions entered during the financial year under review were disclosed in Note 31 of the audited financial statements.

Financial Statements

Directors' report

The Directors are pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 30 June 2016.

Results	**Group RM**	**Company RM**
Profit/(Loss) for the financial year attributable to:		
Owners of the Company	1,169,834	25,792,489
Non-controlling interests	(249,307)	-
	920,527	25,792,489
Total comprehensive profit/(loss) for the financial year attributable to:		
Owners of the Company	1,768,484	25,792,489
Non-controlling interests	(249,307)	-
	1,519,177	25,792,489

Reserves and provisions

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

Dividends

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 30 June 2016.

Directors

Directors who served since the date of the last report are:

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

Directors' interests in shares

The holdings and deemed holdings in the ordinary shares and warrants of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 134 of the Companies Act, 1965 are as follows:

	Number of ordinary shares of RM0.10 each			
Direct interest:	**At 1.7.2015**	**Bought**	**Sold**	**At 30.6.2016**
Lim Nyuk Foh	52,278,511	59,280,500	43,236,500	68,322,511
Koo Jenn Man	510	-	-	510

	Number of warrants 2011/2016				
Direct interest:	**At 1.7.2015**	**Bought**	**Sold**	**Lapsed**	**At 30.6.2016**
Lim Nyuk Foh	4,365,105	-	-	4,365,105	-

Lim Nyuk Foh and Koo Jenn Man by virtue of their interests in shares and warrants in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares and warrants of the Company and its related corporations.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the Financial Statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Issues of shares and debentures

There were no changes in the authorised share capital of the Company during the financial year.

During the financial year ended 30 June 2014, the Company issued Redeemable Convertible Notes (RCN) of an aggregate principal amount up to RM50,000,000, comprising Five (5) equal tranches with multiple sub-tranches in each tranche. The convertible notes are convertible to ordinary shares of RM0.10 each in the Company, upon the proposed par value reduction, by dividing the aggregate principal amount of the note, held by either the fixed conversion price or floating conversion price.

During the financial year, the Company increased its issued and paid-up share capital from 466,704,149 ordinary shares to 654,596,259 ordinary shares by way of issuance of 187,892,110 ordinary shares of RM0.10 each pursuant to the conversion of RM20,000,000 nominal value RCN converted at the following conversion price per ordinary share:

(i) Tranche 4

Conversion Date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
29 July 2015	7,892,659	0.128	1,000,000
10 August 2015	7,892,659	0.128	1,000,000
6 October 2015	10,000,000	0.100	1,000,000
21 October 2015	10,000,000	0.100	1,000,000
22 October 2015	10,000,000	0.100	1,000,000
16 November 2015	10,000,000	0.100	1,000,000
25 November 2015	12,500,000	0.100	1,250,000
2 December 2015	12,500,000	0.100	1,250,000
10 December 2015	14,851,485	0.101	1,500,000
	95,636,803		10,000,000

(ii) Tranche 5

Conversion Date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
22 December 2015	17,094,017	0.117	2,000,000
5 January 2016	20,161,290	0.124	2,500,000
15 February 2016	25,000,000	0.100	2,500,000
1 April 2016	30,000,000	0.100	3,000,000
	92,255,307		10,000,000

The new ordinary shares of RM0.10 each issued during the financial year rank *pari passu* in all aspects with the new ordinary shares of the Company, except that the conversion shares issued by the Company to the subscriber upon conversion will not be entitled to any dividends, rights, allotment and/or other forms of distribution that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the conversion shares.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Redeemable convertible notes

During the extraordinary general meeting held during the financial year ended 30 June 2014, the Company's shareholders approved the issuance of unsecured RCN with an aggregate principal amount up to RM50,000,000 nominal value of 2.0% equity-linked redeemable structured convertible notes, convertible into ordinary shares of RM0.10 each in the Company at a conversion price to be determined either by the fixed conversion price or floating conversion price.

The salient features of the RCN are as follows:

(i) The tenure of the program is Three (3) years, from the date of the first issue of RCN;

(ii) The notes may be converted into new ordinary shares of RM0.10 at the conversion price, during the conversion period and subject to the redemption term. The number of the conversion shares to which the subscriber is entitled on conversion of each of the sub-tranche notes shall be determined by dividing the aggregate principal conversion price, either by the fixed conversion price or floating conversion price;

(iii) The issuance of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes shall be at the option of the Company which option shall subsist during the relevant period as set out as follows:

(a) In respect of Tranche 2 Notes, the period commencing from and including the conversion date in relation to Tranche 1 of the last of the Notes comprised in the last sub-tranche of Tranche 1 Notes to and including the Tenth (10^{th}) market day thereafter;

(b) In respect of Tranche 3 Notes, the period commencing from and including the conversion date in relation to Tranche 2 of the last of the Notes comprised in the last sub-tranche of Tranche 2 Notes to and including the Tenth (10^{th}) market day thereafter;

(c) In respect of Tranche 4 Notes, the period commencing from and including the conversion date in relation to Tranche 3 of the last of the Notes comprised in the last sub-tranche of Tranche 3 Notes to and including the Tenth (10^{th}) market day thereafter; and

(d) Tranche 5 Notes, the period commencing from and including the conversion date in relation to Tranche 4 of the last of the Notes comprised in the last sub-tranche of Tranche 4 Notes to and including the Tenth (10^{th}) market day thereafter.

If the subscriber does not receive the exercise notice from the Company exercising its option within its relevant option period, the options shall lapse and cease to have any forces or effect whatsoever and the subscriber shall have no further obligation to subscribe and pay for the subsequent tranches.

Redeemable convertible notes (continued)

(iii) In the event that the Company opts to exercise the aforementioned option, the subscriber shall be obliged to subscribe, and the Company shall be obliged to issue, at the amount equivalent to 100% of the principal amount of the Notes for each sub-tranche:

(a) The first sub-tranche on or before the Fifth (5^{th}) Market Day following the date of the exercise notice, such date being the closing date for the first sub-tranche; and

(b) In respect of each subsequent sub-tranche, on or before the Fifth (5^{th}) market day after the conversion date in respect of the immediately preceding sub-tranche, such date being the closing date for such subsequent sub-tranche.

(iv) In relation to each sub-tranche of the Notes, the amount equivalent to 100% of the principal amount of the Notes for such sub-tranche;

(v) The conversion price shall, at the option of the subscriber, be either:

(a) The conversion price based on 130% of the average of the traded Volume Weighted Average Price (VWAP) per ordinary share for Forty Five (45) market days immediately prior to 1 April 2015 in respect of Tranche 1 Notes being RM0.28 and Forty Five (45) market days immediately prior to the closing date of the first sub-tranche in respect of Tranche 2, Tranche 3, Tranche 4 and Tranche 5 Notes, which are yet to be determined; or

(b) The floating conversion price based on 80% of the average of any Three (3) consecutive closing prices per share as selected by the Subscriber on any Three (3) consecutive market days immediately preceding the relevant conversion date of the Notes.

Provided always that the conversion price is above the par value of the Company of RM0.10.

The conversion shares to be issued arising from the conversion of the Notes will, upon allotment and issuance, rank *pari passu* in all aspects with the new ordinary shares of the Company, save and except that the conversion shares issued by the Company to the subscriber upon conversion will not be entitled to any dividends, rights, allotment and/or other forms of distribution that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the conversion shares.

Treasury shares

As at 30 June 2016, the Company held as treasury shares a total of 12,562,832 of its 654,596,259 issued ordinary shares. Such treasury shares are held at a carrying amount of RM10,324,612 and further relevant details are disclosed in Note 24 to the financial statements.

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 exercised at the date of maturity will lapse and cease to be valid for any purpose.

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

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, except as disclosed in Notes 13, 14 and 23 to the financial statements; or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Events after the reporting period

Details of significant events after the reporting period are disclosed in Note 37 to the financial statements.

Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

____
LIM NYUK FOH
Director

____
KOO JENN MAN
Director

Sandakan

Dated 28 October 2016

Statement by Directors/ Statutory Declaration

In the opinion of the Directors, the accompanying financial statements set out on pages 36 to 131 are drawn up in accordance with Financial Reporting Standards and the requirements of 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 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 38 to the financial statements has 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,

____
LIM NYUK FOH
Director

____
KOO JENN MAN
Director

Sandakan

Dated 28 October 2016

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 to the best of my knowledge and belief, the accompanying financial statements set out on pages 36 to 131 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed KOO JENN MAN)
at Sandakan in the state of Sabah)
on 28 October 2016)

____
KOO JENN MAN

Before me,

Salbiah Binti HJ. Sulaiman
No. S 069
Lot 5, Blok 25, Tingkat Bawah
Bandar Indah, Batu 4, Jalan Labuk
90009 Sandakan
____
COMMISIONER FOR OATHS

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 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 131.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation 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 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.

Independent auditors' report
to the members of PRICEWORTH INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2016 and of its financial performance and cash flows for the financial year ended 30 June 2016 in accordance the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the Financial Statements which discloses the premise upon which the Group has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 30 June 2016, the Group's current liabilities exceeded its current assets by RM71,115,547 and during the financial year, the Company has not complied with the repayment terms of its bank borrowings. Therefore, the Group is dependent upon the continued financial support, the indulgence from the lender and the approval of the Company's proposal which has been fully described in Note 1 to the Financial Statements, by the lender, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) The auditors' reports of the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

Independent auditors' report
to the members of PRICEWORTH INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(continued)

OTHER MATTERS

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

PKF AF 0911 CHARTERED ACCOUNTANTS	CHAU MAN KIT 2525/03/18(J/PH) CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 28 October 2016

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	3	166,938,291	203,770,877	40,000,000	11,800,000
Cost of sales		(127,297,067)	(158,659,897)	-	-
Gross profit		39,641,224	45,110,980	40,000,000	11,800,000
Interest income	4	88,927	23,435	67,876	-
Other operating income	5	15,731,833	16,468,792	-	76,310
Other operating expenses	6	(7,920,348)	(2,446,439)	-	-
Selling expenses		(11,702,530)	(17,440,071)	-	-
Administrative expenses		(16,916,032)	(26,734,851)	(890,632)	(1,117,271)
Finance costs	7	(17,281,985)	(14,920,494)	(13,384,755)	(11,104,477)
Profit/(Loss) before taxation	8	1,641,089	61,352	25,792,489	(345,438)
Income tax expense	11	(720,562)	1,781,008	-	-
Profit/(Loss) for the financial year		920,527	1,842,360	25,792,489	(345,438)
Other comprehensive income/(loss)					
Foreign currency translation		598,650	(358,787)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		598,650	(358,787)	-	-
Total comprehensive income/(loss) for the financial year		1,519,177	1,483,573	25,792,489	(345,438)
Profit/(Loss) attributable to:					
Owners of the Company		1,169,834	2,389,318	25,792,489	(345,438)
Non-controlling interests		(249,307)	(546,958)	-	-
		920,527	1,842,360	25,792,489	(345,438)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,768,484	2,030,531	25,792,489	(345,438)
Non-controlling interests		(249,307)	(546,958)	-	-
		1,519,177	1,483,573	25,792,489	(345,438)
Earning per share attributable to owners of the Company (sen per share)					
Basic	12	0.2	0.6		
Diluted	12	0.2	0.5		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		Group		Company	
ASSETS	**Note**	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Non-current assets					
Property, plant and equipment	13	246,942,992	297,569,298	37	37
Land use rights	14	13,761,722	14,029,282	-	-
Intangible assets	15	36,888,990	39,868,759	-	-
Investments in subsidiary companies	16	-	-	303,427,636	303,427,634
Biological assets	17	80,902,235	55,040,040	-	-
Deferred tax assets	18	14,159,000	14,159,000	-	-
		392,654,939	420,666,379	303,427,673	303,427,671
Current assets					
Inventories	19	40,540,755	39,643,155	-	-
Trade and non-trade receivables	20	72,528,276	53,106,830	41,416	48,221
Amounts due from subsidiary companies	21	-	-	66,000,949	28,262,931
Derivative assets	22	-	59,264	-	-
Tax recoverable		18,942	-	-	-
Cash and bank balances	23	12,719,528	3,815,463	3,584,130	20,409
		125,807,501	96,624,712	69,626,495	28,331,561
TOTAL ASSETS		518,462,440	517,291,091	373,054,168	331,759,232
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	24	65,459,626	46,670,415	65,459,626	46,670,415
Share premium	24	76,033,947	75,854,883	76,033,947	75,854,883
Treasury shares	24	(10,324,612)	(10,324,612)	(10,324,612)	(10,324,612)
Other reserves	25	74,585,892	78,330,124	74,511,248	78,854,130
Retained profits	26	69,018,944	63,506,228	30,622,538	487,167
		274,773,797	254,037,038	236,302,747	191,541,983
Non-controlling interests		(222,803)	26,504	-	-
Total equity		274,550,994	254,063,542	236,302,747	191,541,983
Non-current liabilities					
Loans and borrowings	27	23,211,725	148,519,542	-	127,059,271
Deferred tax liabilities	18	23,776,673	22,605,616	-	-
		46,988,398	171,125,158	-	127,059,271
Current liabilities					
Loans and borrowings	27	139,449,424	23,348,549	134,089,879	12,379,250
Trade and non-trade payables	28	57,420,177	68,257,048	2,661,542	778,728
Taxation		53,447	496,794	-	-
		196,923,048	92,102,391	136,751,421	13,157,978
Total liabilities		243,911,446	263,227,549	136,751,421	140,217,249
TOTAL EQUITY AND LIABILITIES		518,462,440	517,291,091	373,054,168	331,759,232

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Group	<— Attributable to owners of the Company						
	<— Non-distributable			—>	Distributable —>		
	Share capital RM	Share premium RM	Treasury shares RM	Other reserves RM	Retained profits RM	Non-controlling interests RM	Total equity RM
At 1 July 2014	32,276,381	71,248,917	(10,324,612)	78,688,911	61,116,910	573,462	233,579,969
Profit for the financial year	-	-	-	-	2,389,318	(546,958)	1,842,360
Other comprehensive loss	-	-	-	(358,787)	-	-	(358,787)
Total comprehensive (loss)/income for the financial year	-	-	-	(358,787)	2,389,318	(546,958)	1,483,573
Contributions by owners of the Company							
- Share issuance expense	-	(1,000,000)	-	-	-	-	(1,000,000)
- Conversion of redeemable convertible notes	14,394,034	5,605,966	-	-	-	-	20,000,000
Total transactions with owners of the Company	14,394,034	4,605,966	-	-	-	-	19,000,000
At 30 June 2015	46,670,415	75,854,883	(10,324,612)	78,330,124	63,506,228	26,504	254,063,542
Profit for the financial year	-	-	-	-	1,169,834	(249,307)	920,527
Other comprehensive profit	-	-	-	598,650	-	-	598,650
Total comprehensive income/(loss) for the financial year	-	-	-	598,650	1,169,834	(249,307)	1,519,177
Transferred	-	-	-	(4,342,882)	4,342,882	-	-
Contributions by owners of the Company							
- Share issuance expense	-	(1,031,725)	-	-	-	-	(1,031,725)
- Conversion of redeemable convertible notes	18,789,211	1,210,789	-	-	-	-	20,000,000
Total transactions with owners of the Company	18,789,211	179,064	-	-	-	-	18,968,275
At 30 June 2016	65,459,626	76,033,947	(10,324,612)	74,585,892	69,018,944	(222,803)	274,550,994

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)

Company	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM	Share premium RM	Treasury shares RM	Other reserves RM	Retained profits RM	Total equity RM
At 1 July 2014	32,276,381	71,248,917	(10,324,612)	78,854,130	832,605	172,887,421
Total comprehensive loss for the financial year	-	-	-	-	(345,438)	(345,438)
Contributions by owners of the Company						
- Share issuance expense	-	(1,000,000)	-	-	-	(1,000,000)
- Conversion of redeemable convertible notes	14,394,034	5,605,966	-	-	-	20,000,000
Total transactions with owners of the Company	14,394,034	4,605,966	-	-	-	19,000,000
At 30 June 2015	46,670,415	75,854,883	(10,324,612)	78,854,130	487,167	191,541,983
Total comprehensive loss for the financial year	-	-	-	-	25,792,489	25,792,489
Transferred	-	-	-	(4,342,882)	4,342,882	-
Contributions by owners of the Company						
- Share issuance expense	-	(1,031,725)	-	-	-	(1,031,725)
- Conversion of redeemable convertible notes	18,789,211	1,210,789	-	-	-	20,000,000
Total transactions with owners of the Company	18,789,211	179,064	-	-	-	18,968,275
At 30 June 2016	65,459,626	76,033,947	(10,324,612)	74,511,248	30,622,538	236,302,747

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 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from operating activities					
Profit/(Loss) before taxation		1,641,089	61,352	25,792,489	(345,438)
Adjustments for:					
Allowance for impairment on receivables		873,569	240,263	-	-
Amortisation of intangible asset		2,857,077	3,019,982	-	-
Amortisation of land use rights		267,560	267,560	-	-
Bad debts written off		259,285	4,324,928	-	21,527
Depreciation of property, plant and equipment		34,130,363	39,636,835	-	4,100
Fair value adjustment for forest planting expenditure		(401,258)	(289,255)	-	-
Gain on disposal of property, plant and equipment		(9,637,407)	(1,127,594)	-	-
Fair value loss/(gain) on derivative assets		59,264	(59,264)	-	-
Impairment loss on property, plant and equipment		7,797,656	2,405,119	-	-
Impairment loss on intangible assets		122,692	41,320	-	-
Interest expenses		17,281,985	14,920,494	13,384,755	11,104,477
Interest income		(88,927)	(23,435)	(67,876)	-
Inventories written off		727,274	-	-	-
Liabilities no longer in existence written back		(188,144)	(6,391,825)	-	(76,310)
Property, plant and equipment written off			19,200	-	-
Unrealised foreign exchange (gain)/loss		(771,054)	2,610,939	-	-
Operating profit before working capital changes		54,931,024	59,656,619	39,109,368	10,708,356
Increase in inventories		(1,624,874)	(2,136,935)	-	-
(Increase)/Decrease in receivables		(19,783,246)	(23,224,967)	6,805	29,503
Decrease in payables		(12,924,144)	(3,899,818)	(392,603)	(42,211)
Cash generated from operations		20,598,760	30,394,899	38,723,570	10,695,648
Income tax paid		(45,964)	(44,634)	-	-
Income tax refunded		34,170	-	-	-
Interest paid		(15,006,568)	(12,007,688)	-	-
Net cash generated from operating activities		5,580,398	18,342,577	38,723,570	10,695,648
Cash flows from investing activities					
Acquisition of intangible assets		-	(600,000)	-	-
Acquisition of property, plant and equipment	29	(9,347,925)	(18,211,208)	-	-
Interest received		21,051	23,435	-	-
Payment of forest planting expenditure		(21,272,254)	(17,457,132)	-	-
Proceeds from disposal of property, plant and equipment		26,295,558	2,316,269	-	-
Placement of fixed deposits with a licensed bank		(3,500,000)	-	(3,500,000)	-
Increase in investment of subsidiary company		-	-	(2)	-
Net cash used in investing activities		(7,803,570)	(33,928,636)	(3,500,002)	(1,000,000)
		(2,223,172)	(15,586,059)	35,223,568	9,695,648
Cash flows from financing activities					
Conversion of redeemable convertible notes		20,000,000	20,000,000	20,000,000	20,000,000
Share issuance expenses		(1,031,725)	(1,000,000)	(1,031,725)	(1,000,000)
Increase in amounts due from subsidiary companies		-	-	(37,738,018)	(19,040,243)
Interest paid		-	-	(11,109,338)	(10,786,413)
Repayment of loans and borrowings		(12,350,442)	(6,275,257)	(5,348,642)	-
Loans and borrowings drawndown		-	3,835,323	-	-
Net cash generated from financing activities		6,617,833	16,560,066	(35,227,723)	(9,826,656)
Net increase/(decrease) in cash and cash equivalents		4,394,661	974,007	(4,155)	(131,008)
Effect of exchange rate fluctuations on cash held		941,528	(358,101)	-	-
Cash and cash equivalents at beginning of financial year		3,815,313	3,199,407	20,409	151,417
Cash and cash equivalents at end of financial year	30	9,151,502	3,815,313	16,254	20,409

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

1. **Basis of preparation**

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial year unless otherwise stated.

The financial statements of the Group and of the Company are prepared on the historical cost convention, other than as disclosed in the notes to the financial statements, and in accordance with the Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act, 1965 in Malaysia.

As of 30 June 2016, the Group's current liabilities exceeded its current assets by RM71,115,547, and, as disclosed in Note 27 to the financial statements, the Company has not complied with the repayment terms of its bank borrowings and has short paid its instalments totalling RM8,400,000.

In view of the foregoing, the Company has:

(i) proposed a revised repayment scheme to the lender which is pending approval of the lender. Based on the revised repayment scheme, the Company has made payments in accordance thereof. As of the date of this report, the lender has not declared an event of default;

(ii) obtained a letter of offer for RM80,000,000 from United Overseas Bank (Malaysia) Berhad for a revolving credit facility to specifically refinance existing borrowings as highlighted in Note 37(a); and

(iii) commenced the implementation of a corporate exercise to further strengthen and improve its profitability and cash flows to put the Group on a stronger financial footing as highlighted in Note 37(c).

Presently, the lender has confirmed that they are considering an extension of time for the settlement of the facility and that they have no intention to recall or to declare an event of default on the facility. The Company's proposal to the lender which includes the proposed repayment of its bank borrowing out of RM80 million revolving credit secured from United Overseas Bank (Malaysia) Berhad, if approved, together with the expected financial results from the proposed corporate exercise as mentioned above, will enable the Group to generate sufficient cash flows to meet its obligations as and when they fall due and to improve the cash flows of the Group. For these reasons, the Directors are of the opinion that the Group will be able to continue in operational existence for the foreseeable future.

The ability of the Group to continue as a going concern is therefore dependent upon the continued financial support, the indulgence from the lender and approval of the Company's proposal as mentioned above by the lender, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and in such an event, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 19 November 2011, the 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 subject to the application of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including its parent, significant investor and venturer (herein called "Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS framework for an additional Six (6) years. Consequently, adoption of the MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

1. **Basis of preparation** (continued)

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS framework in their first MFRS financial statements for the financial year ended 30 June 2019. In presenting their first MFRS financial statements, the Group and the Company 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.

As at the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between FRSs 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 financial year ended 30 June 2016 could be different if prepared under the MFRS Framework. The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS framework in the financial year ended 30 June 2019.

The financial statements are prepared in Ringgit Malaysia (RM) which is the Group's and the Company's functional currency.

(a) **Standards issued but not yet effective**

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

Effective for annual periods commencing on or after 1 January 2016

- Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2012 – 2014 Cycle"
- Investment Entities: Applying the Consolidation Exemption (Amendments to FRS 10, FRS 12 and FRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to FRS 11)
- Regulatory Deferral Accounts (FRS 14)
- Disclosure Initiative (Amendments to FRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to FRS 116 and FRS 138)
- Equity Method in Separate Financial Statements (Amendments to FRS 127)

Effective for annual periods commencing on or after 1 January 2017

- Disclosure Initiative (Amendments to FRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

Effective for annual periods commencing on or after 1 January 2018

- Classification and Measurement of Share-based Payment Transaction (Amendments to FRS 2)
- Financial Instruments (FRS 9)

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

Deferred

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 10 and FRS 128)

A brief description on the Amendments to FRSs and new FRSs above that have been issued is set out below:

<u>Annual Improvements to FRSs 2012 – 2014 Cycle</u>

(i) FRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment introduces specific guidance in FRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.

(ii) FRS 7 Financial Instruments: Disclosures

FRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required. The amendments also clarify the applicability of the amendments to FRS 7 on offsetting disclosures to condensed interim financial statements.

(iii) FRS 119 Employee Benefits

The amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.

(iv) FRS 134 Interim Financial Reporting

The amendment clarifies the meaning of 'elsewhere in the interim financial report' as used in FRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to FRSs 2012 – 2014 Cycle is not expected to have any material impact on the financial statements of the Group and of the Company.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

Investment Entities: Applying the Consolidation Exemption

This change is aimed at clarifying the following aspects for investment entities:

(i) Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

(ii) A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

(iii) Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

(iv) Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by FRS 12.

The adoption of this is not expected to have any material impact on the financial statements of the Group and of the Company.

Accounting for Acquisitions of Interests in Joint Operations

Accounting for Acquisitions of Interests in Joint Operations (Amendments to FRS 11) amends FRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in FRS 3, is required to apply all of the principles on business combinations accounting in FRS 3 and other FRSs with the exception of those principles that conflict with the guidance in FRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated;
- disclose information required relevant for business combinations.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

Accounting for Acquisitions of Interests in Joint Operations (continued)

The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed the Group and the Company.

Regulatory Deferral Accounts

The objective of FRS 14 is to specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. FRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted FRS.

The adoption of this will not have any impact on the financial statements of the Group and the Company as they are not relevant to the business of the Company.

Disclosure Initiative

Disclosure Initiative (Amendments to FRS 101) makes the following changes:

(i) Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

(ii) Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

(iii) Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

Disclosure Initiative (continued)

Apart for possible changes to the disclosures, the adoption of this is not expected to have any material impact on the financial statements of the Group and of the Company.

Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to FRS 116 and FRS 138 clarify that the preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed the Group and the Company.

Equity Method in Separate Financial Statements

The amendments allow an entity to use the equity method in its separate financial statement to account for investments in subsidiary companies, joint ventures and associated companies, in addition to the existing cost method.

This adoption is not expected to have any impact on the financial statement of the Group and the Company as the Group and the Company will continue to use its existing cost method to account for its investment in subsidiary company.

Disclosure Initiative

The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

Apart for possible changes to the disclosures, the adoption of this is not expected to have any material impact on the financial statements of the Group and of the Company.

Recognition of Deferred Tax Assets for Unrealised Losses

The amendments are issued to clarify whether deferred tax assets should be recognised for unrealised losses on fixed-rate debt instrument measured at fair value.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

Recognition of Deferred Tax Assets for Unrealised Losses (continued)

The amendments clarify that decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable that the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assess whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed the Group and the Company.

Classification and Measurement of Share-based Payment Transaction

The amendments of FRS 2 provide requirements on the accounting for:

(i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed the Group and the Company.

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

FRS 9 Financial Instruments (continued)

(i) Classification and measurement

FRS 9 has two measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

(ii) Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months ("12 month ECL"). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

(iii) Hedge accounting

FRS 9 establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in FRS 139. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between hedge accounting and risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

1. **Basis of preparation** (continued)

(a) **Standards issued but not yet effective** (continued)

FRS 9 Financial Instruments (continued)

FRS 9 introduces significant changes in the way the Group and the Company account for financial instruments. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group and the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements of FRS 10 Consolidated Financial Statements and FRS 128 Investments in Associate and Joint Venture and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. Full gain or loss is recognised when a transaction involves a business whether it is housed in a subsidiary company or not, as defined in FRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary company.

The adoption of these amendments is not expected to have any material impact on the financial statements of the Group and of the Company.

(b) **Critical accounting estimates and judgments**

In the application of the Group's and of the Company's accounting policies, the Directors of the Group and of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's and the Company's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

1. **Basis of preparation** (continued)

(b) **Critical accounting estimates and judgments** (continued)

Critical judgements in applying accounting policies (continued)

(i) **Discount rates used**

In assessing the net realisable value of biological assets, the Group uses a discount rate of 6.00% (2015: 10.86%). Significant judgement is required in determining the appropriate rate to be used, which is based on the Company's weighted average cost of capital (WACC) for current financial year and capital asset pricing model (CAPM) for last financial year.

(ii) **Material non-controlling interests**

In determining whether a subsidiary of the Group has a material non-controlling interests (NCI), the Group takes into consideration the relative size and dispersion of other vote holders, potential voting rights held by them or others and rights from other contractual arrangements. An assessment of control was performed by the Group based on whether the NCI has the practical ability to influence the relevant activities of the relevant subsidiaries. The of subsidiary of the Group, Semaring MDE JV Sdn. Bhd. and Rimbunan Gagah Sdn. Bhd. are concluded as having material NCI in view of the fact that the proportion of voting rights equals to the proportion of ownership interest held.

(iii) **Operating segments**

The segments disclosed in Note 35 to the financial statement has been determined by distinguishing the business activities from which the Group earns revenues and incurs expenses. The economic characteristics of the operating segments have been reviewed and operating segments have been grouped based on the assessment made by the chief operating decision maker.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) **Depreciation of property, plant and equipment**

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. The management estimates the useful lives of the property, plant and equipment to be within Three (3) to Fifteen (15) years. These are common life expectancies applied in the timber operations.

1. **Basis of preparation** (continued)

(b) **Critical accounting estimates and judgments** (continued)

Key sources of estimation uncertainty (continued)

(i) **Depreciation of property, plant and equipment** (continued)

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) **Amortisation of timber rights**

The Group estimates the amortisation of timber rights based on budgeted production volume from the timber concession areas. The amortisation of the production volume is based on a professional valuation performed within estimate on the availability of logs to be harvested from concession areas. The future results of the operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated total production volume from the concession areas would increase the amortisation charge and decrease the carrying value of timber rights.

(iii) **Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iv) **Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statements of comprehensive income in the period in which actual realisation and settlement occurs.

1. **Basis of preparation** (continued)

(b) **Critical accounting estimates and judgements** (continued)

Key sources of estimation uncertainty (continued)

(v) **Impairment of non-financial assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) **Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine 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 disclosed in Note 15 to the financial statements.

(vii) **Carrying value of investments in subsidiary companies**

Investments in subsidiary companies are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 2 (n)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiary companies.

(ix) **Impairment of trade and non-trade receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses.

1. **Basis of preparation** (continued)

(b) **Critical accounting estimates and judgements** (continued)

Key sources of estimation uncertainty (continued)

(ix) **Impairment of trade and non-trade receivables** (continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(x) **Allowance for inventories**

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgment and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(xi) **Fair value estimates for certain financial assets and liabilities**

The Group and the Company carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

2. **Significant accounting policies**

(a) **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.

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. **Significant accounting policies**

(a) **Basis of consolidation** (continued)

(i) **Subsidiaries** (continued)

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

Investments in subsidiaries are measured in the Company's Statement of Financial Position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) **Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

2. **Significant accounting policies** (continued)

(a) **Basis of consolidation** (continued)

(ii) **Business combinations** (continued)

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

(v) **Transactions with non-controlling interests**

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners.

On acquisition of non-controlling interests, the difference between the consideration and the Group' share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2. **Significant accounting policies** (continued)

(a) **Basis of consolidation** (continued)

(vi) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(vii) **Joint venture**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss for the period in which the investment is acquired.

A joint venture is equity accounted for from the date on which the investee becomes a joint venture.

Under the equity method, on initial recognition the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. **Significant accounting policies** (continued)

(a) **Basis of consolidation** (continued)

(vii) **Joint venture** (continued)

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investment in joint venture is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(b) **Foreign currencies**

(i) **Functional and presentation currencies**

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company 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.

2. **Significant accounting policies** (continued)

(b) **Foreign currencies** (continued)

(ii) **Foreign currency transactions** (continued)

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.

(iii) **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.

The closing rates used in the translation for foreign currency monetary assets and liabilities are as follows:

	2016 RM	2015 RM
1 Japanese Yen	0.0393	0.0308
1 Papua New Guinea Kina	1.2408	1.3343
1 Singapore Dollar	2.9839	2.7980
1 Solomon Islands Dollar	0.5057	0.4828
1 United States Dollar	4.0292	3.7792
1 Hong Kong Dollar	0.5193	0.4870

2. **Significant accounting policies** (continued)

(c) **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) **Dividend income**

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

(ii) **Sale of goods**

Revenue from sale of goods is recognised net of 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.

(iii) **Revenue from services**

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

(iv) **Rental income**

Rental income is recognised on a time proportion and accrual basis.

(d) **Employee benefits**

(i) **Short term benefits**

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

(ii) **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred.

2. **Significant accounting policies** (continued)

(d) **Employee benefits** (continued)

(ii) **Defined contribution plans** (continued)

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 Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(e) **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. **Significant accounting policies** (continued)

(e) **Income taxes** (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) **Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(g) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are 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 revaluation 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 revalued amount in 1996 less accumulated depreciation and impairment loss.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the 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. **Significant accounting policies** (continued)

(g) **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 on 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 profits on retirement or disposal of the asset.

Leasehold land with lease period of equal or less than Fifty (50) years is classified as short leasehold land whereas leasehold land with lease period of more than Fifty (50) years is classified as long leasehold land ranging from Fifty One (51) to Seventy One (71) years. Leasehold land is amortised over the period of the lease.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of the property, plant and equipment over the term of their estimated useful lives.

The principal annual rates of depreciation used are as follows:

	%
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 and slipway	15

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

Construction work-in-progress is not depreciated as these assets are not available for use. Depreciation will commence on these assets when they are ready for their intended use.

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

(h) **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 amotised over their lease terms.

2. **Significant accounting policies** (continued)

(i) **Intangible assets**

(i) **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-generated units that are expected to benefit from the synergies of the combination.

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2(b).

(ii) **Timber rights**

This represents the exclusive rights of certain subsidiaries 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(n)(ii).

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.

(iii) **License**

License are stated at cost and amortised on a straight-line basis over the estimated economic useful life of Five (5) years.

2. **Significant accounting policies** (continued)

(i) **Intangible assets** (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(j) **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 License Agreement with the State Government of Sabah and Silvicultural Treatment and Mosaic Restoration and Enrichment Planting and Management System Project under an Integrated Mosaic Planting Agreement with a government body are 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.

(k) **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, and the categories include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

The subsequent measurement of financial assets depends on their classification as follows:

(i) **Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. **Significant accounting policies** (continued)

(k) **Financial assets** (continued)

(i) **Financial assets at fair value through profit or loss** (continued)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) **Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within Twelve (12) months after the reporting date which are classified as current.

(iii) **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 Twelve (12) months after the reporting date which are classified as non-current.

2. **Significant accounting policies** (continued)

(k) **Financial assets** (continued)

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within Twelve (12) months after the reporting date.

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. **Significant accounting policies** (continued)

(l) **Inventories**

Inventories comprise raw materials, finished goods and work-in-progress.

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

(m) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, at banks, deposits with licensed banks and short-term, highly liquid investments which are readily convertible to cash with short periods to maturity and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts, if any.

(n) **Impairment**

(i) **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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of the Group and of the Company that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments. The probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Trade and non-trade 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.

2. **Significant accounting policies** (continued)

(n) **Impairment** (continued)

(i) **Impairment of financial assets** (continued)

- **Trade and non-trade receivables and other financial assets carried at amortised cost** (continued)

  For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based in similar risk characteristics.

  Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

  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.

  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.

(ii) **Impairment of non-financial assets**

The Group and the Company assess 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 and the Company make an estimate of the asset's recoverable amount.

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

2. **Significant accounting policies** (continued)

(n) **Impairment** (continued)

(ii) **Impairment of non-financial assets** (continued)

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 except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless that 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.

(o) **Equity instruments**

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 classified as equity.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(p) **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. **Significant accounting policies** (continued)

(q) **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 profits.

(r) **Borrowings 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 borrowings 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.

(s) **Leases**

(i) **Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) **Finance leases – the Group as lessee**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

2. **Significant accounting policies** (continued)

(s) **Leases** (continued)

(ii) **Finance leases – the Group as lessee** (continued)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) **Operating leases – the Group as lessee**

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note (g).

(t) **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 statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. **Significant accounting policies** (continued)

(t) **Financial liabilities** (continued)

(i) **Financial liabilities at fair value through profit or loss** (continued)

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) **Financial liabilities measured at amortised cost**

The Group's and the Company's financial liabilities measured at amortised cost include trade payables, non-trade payables and loans and borrowings.

Trade and non-trade 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 and the Company have an unconditional right to defer settlement of the liability for at least Twelve (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.

(u) **Government grants**

Government grants are recognised initially at their fair value in the Statements of Financial Position 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. **Significant accounting policies** (continued)

(v) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(w) **Provisions**

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

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 resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current per-tax rate that reflects, where appropriate, the risks specific to the liability and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(x) **Contingencies**

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

Contingent liabilities and assets are not recognised in the Statements of Financial Position of the Group.

(y) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. **Significant accounting policies** (continued)

(z) **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. **Revenue**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Barge hire income	113,583	853,695	-	-
Contract fee	7,135,661	15,721,057	-	-
Dividend income from a subsidiary company	-	-	40,000,000	11,800,000
Road tolls	2,957,156	2,263,167	-	-
Sale of processed wood products	126,468,593	120,310,512	-	-
Sale of logs	15,915,751	53,398,518	-	-
Sale of vessels	-	2,426,856		
Services income	14,347,547	8,897,072	-	-
	166,938,291	203,870,877	40,000,000	11,800,000

4. **Interest income**

Interest income from:	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Deposits with licensed banks	88,927	23,435	67,870	-

5. **Other operating income**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Discount received	7,505	203,705	-	-
Fair value gain on derivative asset	-	59,264	-	-
Gain on disposal of property, plant and equipment	9,637,407	1,127,594	-	-
Gain on foreign exchange				
- Realised	129,224	4,284,104	-	-
- Unrealised	771,054	-	-	-
Gate pass income	725,900	745,919	-	-
Insurance claim	31,960	25,027	-	-
Liabilities no longer in existence written back	188,144	6,391,825	-	76,310
Miscellaneous income	452,334	783,683	-	-
Rebate of royalty	2,091,121	-	-	-
Rental income	1,435,560	1,349,497	-	-
Reversal of bad debts written off	57,923	-	-	-
Sale of log core	20,839	-	-	-
Sale of saw dust	164,692	823,128	-	-
Sale of scrap iron	18,170	135,046	-	-
	15,731,833	16,468,792	-	76,310

6. Other operating expenses

	Group 2016 RM	Group 2015 RM
Impairment loss on intangible assets	122,692	41,320
Impairment loss on property, plant and equipment	7,797,656	2,405,119
	7,920,348	2,446,439

7. Finance costs

	Group		Company	
Interest expenses:	2016 RM	2015 RM	2016 RM	2015 RM
- Obligations under finance leases	1,110,675	889,364	-	-
- Term loans	13,733,940	11,427,845	13,384,755	11,104,477
- Others	2,786,555	2,926,653	-	-
	17,631,170	15,243,862	13,384,755	11,104,477
Less: Capitalised in biological asset (Note17)	(349,185)	(323,368)	-	-
	17,281,985	14,920,494	13,384,755	11,104,477

8. Profit/(Loss) before taxation

	Group		Company	
Profit/(Loss) before taxation is arrived at after charging:	2016 RM	2015 RM	2016 RM	2015 RM
Allowance for impairment on receivables (Note 20)	873,569	240,263	-	-
Amortisation of intangible assets (Note 15)	2,857,077	3,019,982	-	-
Amortisation of land use rights (Note 14)	267,560	267,560	-	-
Auditors' remuneration				
- Statutory audit				
- Current year	218,900	193,500	65,000	65,000
- (Over)/Under provision in prior year	2,000	(20,660)	-	15,000
- Other services	17,460	56,000	14,630	5,000
Bad debts written off	259,285	4,324,928	-	21,527
Depreciation of property, plant and equipment (Note 13)	30,484,919	39,636,835	-	4,100
Employee benefits expense (Note 9)	23,545,536	34,810,297	117,974	122,670
Hire of equipment	943,206	1,340,291	-	-
Impairment loss on intangible assets	122,692	41,320	-	-
Impairment loss on property, plant and equipment	7,797,656	2,405,119	-	4,100
Inventory written off	727,274	-	-	-
Loss on foreign exchange				
- Realised	-	70,619	-	-
- Unrealised	-	2,610,939	-	-
Non-executive Directors' remuneration (Note 10)	130,650	121,050	130,650	121,050
Property, plant and equipment written off	-	19,200	-	-
Rental expenses	614,382	2,319,369	77,778	105,470
Reversal of fair value gain on derivative assets	59,264	-	-	-

9. Employee benefits expense

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Salaries and wages	27,513,752	33,968,784	103,439	107,707
Contributions to defined contribution plan	1,193,316	1,444,249	13,208	13,650
Social security contributions	121,025	176,243	1,327	1,313
	28,828,094	35,589,276	117,974	122,670
Capitalised in biological assets (Note 17)	(5,282,558)	(718,979)	-	-
	23,545,536	34,810,297	117,974	122,670

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM793,266 (2015: RM925,015) and RM70,420 (2015: RM72,145) respectively as further disclosed in Note 10 to the financial statements.

10. Directors' remuneration

The details of remuneration received and receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Executive Directors' remuneration (Note 9)				
- Salaries and other emoluments	708,009	767,556	62,620	61,520
- Bonus	-	59,900	-	2,500
- Contributions to defined contribution plan	85,257	97,559	7,800	8,125
	793,266	925,015	70,420	72,145
Non-executive Directors' remuneration (Note 8):				
- Fees	127,650	111,000	127,650	111,000
- Other emoluments	3,000	10,050	3,000	10,050
	130,650	121,050	130,650	121,050
Total Directors' remuneration	923,916	1,046,065	201,070	193,195

10. **Directors' remuneration** (continued)

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	
	2016	**2015**
Executive Directors:		
RM100,001 – RM150,000	1	1
RM300,001 – RM450,000	1	-
RM450,001 – RM500,000	-	1
Non-executive Directors:		
Below RM50,000	3	3

11. **Income tax expense**

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Current taxation	53,447	139,396	-	-
Deferred tax assets/ (liabilities) (Note 18)	1,171,057	(1,920,178)	-	-
	1,224,504	(1,780,782)	-	-
Overprovision in prior year	(503,942)	(226)	-	-
	720,562	(1,781,008)	-	-

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit/(Loss) before taxation	1,641,089	61,352	25,792,489	(345,438)

11. **Income tax expense** (continued)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	393,861	15,338	6,190,197	(86,360)
Effect of tax rate in foreign jurisdictions at 30% (2015: 30%)	593,883	(319,196)	-	-
Non-tax deductible expenses	12,679,713	15,130,831	3,409,803	3,036,360
Non-taxable income	(10,650,805)	(2,823,936)	(9,600,000)	(2,950,000)
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	(1,792,148)	(13,783,819)	-	-
	1,224,504	(1,780,782)	-	-
Over provision in prior year	(503,942)	(226)	-	-
	720,562	(1,781,008)	-	-

12. **Earning per share**

(a) Basic

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

	Group	
	2016 RM	2015 RM
Profit net of tax attributable to owners of the Company	1,169,834	2,389,318

12. **Earning per share** (continued)

(a) Basic

	Group	
	2016	**2015**
	RM	**RM**
Weighted average number of ordinary shares in issue	568,384,387	421,025,959
	2016	**2015**
	Sen	**Sen**
Basic earning per share	0.2	0.6

(b) Diluted

Diluted earning per share amounts are calculated by dividing profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2016	**2015**
	RM	**RM**
Profit net of tax attributable to owners of the Company	1,169,834	2,389,318
Weighted average number of ordinary shares in issue (basic)	568,384,387	421,025,959
Effect of warrant on issue	72,381,369	86,857,643
Weighted average number of ordinary shares in issue (diluted)	640,765,756	507,883,602
	2016	**2015**
	Sen	**Sen**
Diluted earning per share	0.2	0.5

13. **Property, plant and equipment**

Group **2016** **Cost or valuation**	**Long term leasehold land RM**	**Buildings RM**	**Heavy equipment, motor vehicles and motor launches RM**	**Plant and machinery RM**	**Furniture, fitting and equipment RM**	**Aircraft RM**	**Tug boat and scow RM**	**Camp infrastructure and slipway RM**	**Construction work-in-progress RM**	**Total RM**
At 1 July 2015										
- At cost	24,318,890	99,394,201	166,330,309	225,604,048	13,390,825	16,433,565	8,248,998	67,695,241	3,190,480	624,606,557
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,796,197	112,899,806	166,330,309	225,604,048	13,390,825	16,433,565	8,248,998	67,695,241	3,190,480	648,589,469
Addition	10,000	-	5,815,447	88,889	203,571	-	63,717	6,174,485	135,316	12,491,425
Disposal	(538,832)	(3,843,599)	(26,059,892)	(2,143,842)	(1,082,013)	-	(3,646,206)	-	-	(37,314,384)
Reclassification	-	-	23,188	-	-	-	-	-	(23,188)	-
Exchange differences	26,340	190,264	1,162,433	17,555	(207,047)	-	-	(1,739,188)	-	(549,643)
At 30 June 2016	34,293,705	109,246,471	147,271,485	223,566,650	12,305,336	16,433,565	4,666,509	72,130,538	3,302,608	623,216,867
Representing:										
- At cost	23,815,398	95,740,866	147,271,485	223,566,650	12,305,336	16,433,565	4,666,509	72,130,538	3,302,608	597,497,897
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,293,705	109,246,471	147,271,485	223,566,650	12,305,336	16,433,565	4,666,509	72,130,538	3,302,608	623,216,867
Accumulated depreciation and impairment losses										
At 1 July 2015	3,924,098	23,325,300	122,278,670	131,788,398	10,517,551	16,433,564	3,438,441	39,310,420	3,729	351,020,171
Charge for the financial year	347,555	2,624,340	12,419,637	13,527,102	518,909	-	1,101,935	7,779,568	-	38,319,046
Written back	-	(234,309)	(18,052,811)	(522,960)	(311,855)	-	(1,534,298)	-	-	(20,656,233)
Impairment charge for the financial year	-	45,992	389,562	-	17,006	-	-	7,345,096	-	7,797,656
Exchange differences	-	2,059	496,549	40,654	(14,707)	-	-	(731,320)	-	(206,765)
At 30 June 2016	4,271,653	25,763,382	117,531,607	144,833,194	10,726,904	16,433,564	3,006,078	53,703,764	3,729	376,273,875

13. **Property, plant and equipment** (continued)

Group **2016**	**Long term leasehold land RM**	**Buildings RM**	**Heavy equipment, motor vehicles and motor launches RM**	**Plant and machinery RM**	**Furniture, fitting and equipment RM**	**Aircraft RM**	**Tug boat and scow RM**	**Camp infrastructure and slipway RM**	**Construction work-in-progress RM**	**Total RM**
Net book value										
- At cost	20,873,256	79,474,465	29,739,878	78,733,456	1,578,432	1	1,660,431	18,426,774	3,298,879	233,785,572
- At valuation	9,148,796	4,008,624	-	-	-	-	-	-	-	13,157,420
At 30 June 2016	30,022,052	83,483,089	29,739,878	78,733,456	1,578,432	1	1,660,431	18,426,774	3,298,879	246,942,992

13. **Property, plant and equipment** (continued)

Group **2015** **Cost or valuation**	**Long term leasehold land RM**	**Buildings RM**	**Heavy equipment, motor vehicles and motor launches RM**	**Plant and machinery RM**	**Furniture, fitting and equipment RM**	**Aircraft RM**	**Tug boat and scow RM**	**Camp infrastructure and slipway RM**	**Construction work-in-progress RM**	**Total RM**
At 1 July 2014										
- At cost	24,313,890	99,308,493	162,658,420	221,925,062	11,886,795	16,433,565	8148,866	57,887,098	4,439,049	607,001,288
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,791,197	112,814,098	162,658,420	221,925,062	11,886,795	16,433,565	8,148,866	57,887,098	4,439,049	630,984,200
Addition	5,000	46,206	8,472,051	4,043,511	1,504,030	-	100,132	5,372,490	3,245,888	22,789.308
Disposal	-	-	(4,800,212)	(364,525)	-	-	-	-	-	(5,164,737)
Written off	-	-	-	-	-	-	-	-	(19,200)	(19,200)
Reclassification	-	39,502	-	-	-	-	-	4,435,755	(4,475,257)	-
Exchange differences	-	-	-	-	-	-	-	(102)	-	(102)
At 30 June 2015	34,796,197	112,899,806	166,330,259	225,604,048	13,390,825	16,433,565	8,248,998	67,695,241	3,190,480	648,589,469
Representing:										
- At cost	24,318,890	99,394,201	166,330,309	225,604,048	13,390,825	16,433,565	8,248,998	67,695,241	3,190,480	624,606,557
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,796,197	112,899,806	166,330,309	225,604,048	13,390,825	16,433,565	8,248,998	67,695,241	3,190,480	648,589,469
Accumulated depreciation and impairment losses										
At 1 July 2014	3,568,909	20,720,144	110,411,573	118,278,825	9,952,895	12,679,173	2,328,578	32,322,391	-	310,262,488
Charge for the financial year	355,189	2,605,156	13,643,627	13,605,904	564,421	3,754,391	1,109,863	6,699,490	-	42,328,041
Written back	-	-	(3,801,455)	(174,607)	-	-	-	-	-	(3,976,142)
Impairment charge for the financial year	-	-	2,034,575	78,276	-	-	-	288,539	3,729	2,405,199
Exchange differences	-	-	350	-	235	-	-	-	-	585
At 30 June 2015	3,924,098	23,325,300	122,278,670	131,788,398	10,517,551	16,433,564	3,438,441	39,310,420	3,729	351,020,171

13. **Property, plant and equipment** (continued)

Group 2015	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fitting and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure and slipway RM	Construction work-in-progress RM	Total RM
Net book value										
- At cost	21,723,303	85,565,882	44,041,639	93,825,650	2,873,274	1	4,810,557	28,384,821	3,186,751	284,411,878
- At valuation	9,148,796	4,008,624	-	-	-	-	-	-	-	13,157,420
At 30 June 2015	30,872,099	89,574,506	44,041,639	93,825,650	2,873,274	1	4,810,557	28,384,821	3,186,751	297,569,298

The Group's construction work-in-progress represents expenditure for buildings, plant and machinery under construction.

13. **Property, plant and equipment** (continued)

Company

2016 **Cost**	**Motor vehicles RM**	**Furniture, fittings and equipment RM**	**Total RM**
At 1 July 2015/30 June 2016	348,600	234,742	583,342
Accumulated depreciation			
At 1 July 2015	348,599	234,706	583,305
Charge for the financial year	-	-	-
At 30 June 2016	348,599	234,706	583,305
Net book value			
At 30 June 2016	1	36	37

2015 **Cost**	**Motor vehicles RM**	**Furniture, fittings and equipment RM**	**Total RM**
At 1 July 2013/30 June 2015	348,600	234,742	583,342
Accumulated depreciation			
At 1 July 2013	348,599	230,606	579,205
Charge for the financial year	-	4,100	4,100
At 30 June 2015	348,599	234,706	583,305
Net book value			
At 30 June 2015	1	36	37

13. **Property, plant and equipment** (continued)

Depreciation of property, plant and equipment during the financial year was taken up in the financial statements as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Recognised in profit or loss (Note 8)				
- Cost of sales	29,773,798	34,481,958	-	-
- Administrative expenses	711,121	5,154,876	-	4,100
	30,484,919	39,636,835	-	4,100
Capitalised in biological assets (Note 17)	4,188,683	2,691,206	-	-
Capitalised in camp infrastructure	3,645,444		-	-
	38,319,046	42,328,041	-	4,100

The leasehold land and buildings in certain subsidiaries were revalued in 1996 by an independent valuer. Valuation was made on the basis of open market values on existing use basis.

Had the leasehold land and buildings been carried under the cost model, the carrying amount would have been RM216,211 (2015: RM607,446).

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 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.

Plant and equipment of the Group acquired under finance leases are as follows:

Group	**At cost**	**Accumulated depreciation**	**Net book value**
2016	**RM**	**RM**	**RM**
Heavy equipment, motor vehicles and trucks	8,883,038	(1,263,760)	7,619,278
Plant and machinery	38,192,386	(24,851,974)	13,340,412
	47,075,424	(26,115,734)	20,959,690
2015			
Heavy equipment, motor vehicles and trucks	5,267,897	(144,160)	5,123,737
Plant and machinery	42,053,734	(22,452,411)	19,601,323
	47,321,631	(22,596,571)	24,725,060

13. **Property, plant and equipment** (continued)

The carrying value of the property, plant and equipment of the Group pledged to licensed banks to secure the loans and borrowings granted to the Group as disclosed in Note 27 to the financial statements are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Long term leasehold land	17,550,875	17,888,430
Buildings	83,284,269	85,755,112
Heavy equipment, motor vehicles and		0
motor launches	27,793,975	34,221,357
Plant and machinery	73,591,377	86,656,966
Furniture, fittings and equipment	1,186,084	1,400,478
Aircraft	1	1
Tug boat and scow	1,660,431	2,785,469
Camp infrastructure and slipway	18,426,774	22,493,612
Construction work-in-progress	3,288,810	3,147,144
	226,782,596	254,348,569

14. **Land use rights**

	Group	
	2016	**2015**
Cost	**RM**	**RM**
At 1 July/30 June	14,790,634	14,790,634
Accumulated amortisation		
At 1 July	761,352	493,792
Charge for the financial year (Note 8)	267,560	267,560
At 30 June	1,028,912	761,352
Net book value		
At 30 June	13,761,722	14,029,282
Amount to be amortised:		
- Within one year	267,560	265,058
- Between one to five years	1,070,240	1,060,232
- More than five years	12,423,922	12,703,992
	13,761,722	14,029,282

The land use rights of the Group are pledged to secure the loans and borrowings granted to the Group as disclosed in Note 27 to the financial statements.

15. **Intangible assets**

Group

2016	**Goodwill RM**	**Timber rights RM**	**License RM**	**Total RM**
Cost				
At 1 July/30 June	20,323,572	58,171,223	303,830	78,798,625
Accumulated amortisation and impairment losses				
At 1 July 2015	5,155,905	33,653,589	120,372	38,929,866
Charge for the financial year (Note 8)	-	2,796,311	60,766	2,857,077
Impairment charge for the financial year (Note 8)	-	-	122,692	122,692
At 30 June 2016	5,155,905	36,449,900	303,830	41,909,635
Net book value				
30 June 2016	15,167,667	21,721,323	-	36,888,990

2015	**Goodwill RM**	**Timber rights RM**	**License RM**	**Total RM**
Cost				
At 1 July 2014	20,323,572	57,571,223	303,830	78,198,625
Addition	-	600,000	-	600,000
At 30 June 2015	20,323,572	58,171,223	303,830	78,798,625
Accumulated amortisation and impairment losses				
At 1 July 2014	5,155,905	30,694,373	18,286	35,868,564
Charge for the financial year (Note 8)	-	2,959,216	60,766	3,019,982
Impairment charge for the financial year (Note 8)	-		41,320	41,320
At 30 June 2015	5,155,905	33,653,589	120,372	38,929,866
Net book value				
30 June 2015	15,167,667	24,476,314	224,778	39,868,759

15. **Intangible assets** (continued)

The timber rights and license of the Group are pledged to secure the loans and borrowings granted to the Group as disclosed in Note 27 to the financial statements.

Impairment test of goodwill

Allocation of goodwill

Goodwill is related to timber operation.

Key assumptions used in value-in-use calculations

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

	Inflation rate		Discount rate	
	2016 %	2015 %	2016 %	2015 %
Timber operation	-	2.9	6.00	10.86

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

(i) **Inflation rate**

No effect of inflation rate has been incorporated when performing the cash flow projection as the effect of discount rate has been included in the real cash flow projection performed while determining the value-in-use the CGU. In prior year, the inflation rates used are consistent with the extrapolated Ten (10) years cycle of inflation rate in Malaysia.

(ii) **Discount rate**

The discount rates used are pre-tax and reflect specific risks relating to the industry, as per disclosed in Note 1(b) to the Financial Statements.

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 the assumptions in sales and logs/timber supply.

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.

16. Investments in subsidiary companies

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	183,427,636	183,427,634
Amounts due from subsidiary companies	120,000,000	120,000,000
	303,427,636	303,427,634

The amounts due from subsidiary companies is non-trade in nature, unsecured and interest free. The settlement of this amount is neither planned nor likely to occur in foreseeable future. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less impairment loss, if any.

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %	Principal activities
Held by the Company				
Priceworth Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of processed wood products, trading of logs and provision of wood processing services
Maxland Dockyard & Engineering Sdn. Bhd.	Malaysia	100	100	Provision of repair and maintenance services for marine vessels
Cergas Kenari Sdn. Bhd.	Malaysia	100	100	Ceased operations
Sinora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of wood products and trading of logs
Innora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of processed wood products
Maju Sinar Network Sdn. Bhd.	Malaysia	100	100	Trading of logs
Beta Bumi Sdn. Bhd.	Malaysia	100	100	Extraction of timber and trading of logs
Harvest Element Sdn. Bhd.	Malaysia	100	-	Investment holding
Held through Priceworth Industries Sdn. Bhd.				
Maxland Sdn. Bhd.	Malaysia	100	100	Extraction and trading of timber logs, provision of barging services and undertaking of construction contract
Cabaran Cerdas Sdn. Bhd.	Malaysia	100	100	Investment holding
Rimbunan Gagah Sdn. Bhd.	Malaysia	64.5	64.5	Ceased operations

16. **Investments in subsidiary companies** (continued)

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest 2016 %	2015 %	Principal activities
Held through Maxland Dockyard & Engineering Sdn. Bhd.				
Semaring MDE JV Sdn. Bhd.	Malaysia	60	60	Undertaking onshore and offshore mechanical and all other marine related works and renting out its plant and equipment
Held through Sinora Sdn. Bhd.				
Sino Golden Star Limited	Hong Kong SAR	100	100	Dormant
Kekal Eramaju Sdn. Bhd.	Malaysia	100	-	Dormant
Held through Maju Sinar Network Sdn. Bhd.				
Maxland Congo S.A.R.L.U	Congo	100	-	Dormant
Held through Harvest Element Sdn. Bhd.				
Maxland Gabon S.A.R.L.U	Gabon	100	-	Dormant
Held through Cabaran Cerdas Sdn. Bhd.				
Maxland (SI) Limited *	Solomon Islands	100	100	Extraction and sale of logs and hire of barges
PWP (SI) Limited *	Solomon Islands	100	100	Trading of logs
Ligreen (SI) Limited *	Solomon Islands	100	100	Extraction and sale of logs
Priceworth Sawmill (SI) Limited *	Solomon Islands	100	100	Manufacture and sale of processed wood products
Held through Maxland Sdn. Bhd.				
Ligreen (PNG) Limited	Papua New Guinea	100	100	Dormant

* Audited by PKF, Malaysia for consolidation purposes.

The proportion of voting rights held by non-controlling interests equals to their proportion of ownership interest held.

16. **Investments in subsidiary companies** (continued)

The non-controlling interests in respect of the subsidiaries of the Group are not material to the Group other than those disclosed below.

Semaring MDE JV Sdn. Bhd.	**2016 RM**	**2015 RM**
Current assets	3,978	176,459
Non-current assets	-	689,000
Current liabilities	(930,690)	(1,207,465)
Non-current liabilities	-	-
Equity attributable to owners of the Company	(926,712)	(342,006)
Non-controlling interests	-	-
Revenue	21,964	447,962
Expenses	(606,670)	(790,068)
Loss for the financial year	(584,706)	(342,106)
Loss attributable to:		
Owners of the Company	(350,824)	(205,264)
Non-controlling interests	(233,882)	(136,842)
Loss for the financial year	(584,706)	(342,106)
Net cash (outflow)/inflow from operating activities	(316,130)	780,676
Net cash inflow/(outflow) from investing activities	315,713	(780,000)
Net cash inflow from financing activities	-	100
Net cash (outflow)/inflow	(417)	776

16. **Investments in subsidiary companies** (continued)

Rimbunan Gagah Sdn. Bhd.	**2016 RM**	**2015 RM**
Current assets	2,478	4,428
Non-current assets	722,263	738,410
Current liabilities	1,309,618	1,284,265
Non-current liabilities	-	-
Equity attributable to owners of the Company	(584,877)	(541,427)
Non-controlling interests	-	-
Revenue	-	6,998
Expenses	(43,450)	(1,163,805)
Loss for the financial year	(43,450)	(1,156,807)
Loss attributable to:		
Owners of the Company	(28,025)	(746,691)
Non-controlling interests	(15,425)	(410,116)
Loss for the financial year	(43,450)	(1,156,807)
Net cash outflow from operating activities	(1,950)	(1,059)
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash outflow	(1,950)	(1,059)

The summarised financial information represents amounts before intragroup eliminations.

16. **Investments in subsidiary companies** (continued)

Significant restrictions

There are no significant restrictions on the Company's or subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Acquisition of subsidiaries

(i) On 13 October 2014, a subsidiary company, Maxland Dockyard & Engineering Sdn. Bhd. acquired Sixty (60) ordinary shares of RM1 each of Semaring MDE JV Sdn. Bhd., as a vehicle company in reference to the joint venture agreement entered for the purpose of undertaking the works and projects in the nature of onshore and offshore mechanical and all other marine related works. As a result of that, Semaring MDE JV Sdn. Bhd. became a subsidiary of the Group.

(ii) On 27 April 2015, a subsidiary company, Sinora Sdn. Bhd. acquired One Hundred (100) ordinary shares of Hong Kong Dollar (HKD) each, representing the entire equity interest in Sino Golden Star Limited, for a total purchase consideration of RM46. As a result of that, Sino Golden Star Limited became a wholly owned subsidiary of the Group.

(iii) On 3 September 2015, a subsidiary company, Maju Sinar Network Sdn. Bhd. acquired One Hundred (100) ordinary shares of 1 United States Dollar (USD) each, representing One Hundred Percent (100%) equity interest in Maxland Congo S.A.R.L.U, for a total purchase consideration of RM421. As a result of that, Maxland Congo S.A.R.L.U became a wholly owned subsidiary company of the Group.

(iv) On 17 December 2015, the Company acquired Two (2) ordinary shares of of RM1 each, representing One Hundred Percent (100%) equity interest in Harvest Element Sdn. Bhd., for a total purchase consideration of RM2. As a result of that, Harvest Element Sdn. Bhd. became a wholly owned subsidiary of the Company.

(v) On 5 January 2016, a subsidiary company, Harvest Element Sdn. Bhd. acquired One Hundred (100) ordinary shares of 10,000 CFA Francs (XAP) each, representing One Hundred Percent (100%) equity interest in Maxland Gabon S.A.R.L.U, for a total purchase consideration of RM7,196. As a result of that, Maxland Gabon S.A.R.L.U became a wholly owned subsidiary company of the Group.

(vi) On 15 June 2016, a subsidiary company, Sinora Sdn. Bhd. acquired Two (2) ordinary shares of RM1 each, representing One Hundred Percent (100%) equity interest in Kekal Eramaju Sdn. Bhd., for a total purchase consideration of RM2. As a result of that, Kekal Eramaju Sdn. Bhd. became a wholly owned subsidiary of the Group.

17. **Biological assets**

Forest planting expenditure

Cost	Group 2016 RM	2015 RM
At 1 July	55,040,040	34,602,446
Addition	25,460,937	20,148,339
Fair value adjustment	401,258	289,255
At 30 June	80,902,235	55,040,040

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 Fifty (50) years concession and Silvicultural Treatment and Mosaic Restoration and Enrichment Planting and Management System Project under an Integrated Mosaic Planting Agreement with a government body.

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 RMNil (2015: RM2,852,131). The difference between the initial carrying amount of the loan determined in accordance with FRS 139 and the proceeds of the loan received of RM401,258 (2015: RM289,255) has been recognised against the carrying amount of the biological assets.

Included in biological assets expenditure capitalised during the financial year were as follows:

	2016 RM	2015 RM
Depreciation of property, plant and equipment (Note 13)	4,188,683	2,691,206
Employee benefits expense (Note 9)	5,282,558	718,979
Interest on bank loan	349,185	323,368

18. **Deferred tax (assets)/liabilities**

	Group	
	2016 **RM**	**2015** **RM**
At 1 July	8,446,616	10,366,794
Recognised in profit or loss (Note 11)	1,171,057	(1,920,178)
At 30 June	9,617,673	8,446,616
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	23,776,673	22,605,616
Deferred tax assets	(14,159,000)	(14,159,000)
	9,617,673	8,446,616

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

Group **Deferred tax liabilities:**	**Property, plant and equipment RM**	**Land use rights RM**	**Timber rights RM**	**Inventories RM**	**Total RM**
At 1 July 2015	33,206,553	3,995,342	5,933,138	(18,138)	43,116,895
Recognised in profit or loss	467,121	(66,175)	(253,132)	-	147,814
At 30 June 2016	33,673,674	3,929,167	5,680,006	(18,138)	43,264,709
At 1 July 2014	38,250,504	4,062,233	6,502,389	(18,138)	48,796,988
Recognised in profit or loss	(5,043,951)	(66,891)	(569,251)	-	(5,680,093)
At 30 June 2015	33,206,553	3,995,342	5,933,138	(18,138)	43,116,895

Deferred tax assets:	**Unutilised tax losses and unabsorbed capital allowances RM**	**Unabsorbed reinvestment allowances RM**	**Unabsorbed forest and agriculture allowances RM**	**Total RM**
At 1 July 2015	(29,253,227)	(5,299,573)	(117,479)	(34,670,279)
Recognised in profit or loss	(1,146,107)	2,169,350	-	1,023,243
At 30 June 2016	(30,399,344)	(3,130,223)	(117,479)	(33,647,036)
At 1 July 2014	(33,013,142)	(5,299,573)	(117,479)	(38,430,194)
Recognised in profit or loss	3,759,915	-	-	3,759,915
At 30 June 2015	(29,253,227)	(5,299,573)	(117,479)	(34,670,279)

18. **Deferred tax (assets)/liabilities** (continued)

The unutilised tax losses and unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed forest and agriculture allowances of the Group amounting to RM36,614,259 (2015: RM45,328,949), RM6,135,158 (2015: RM1,496,217) and RM976,591 (2015: RM1,748,475) are available for offsetting against future taxable profits of the respective subsidiaries for which no deferred tax asset is recognised due to uncertainty of its recoverability, subject to approval by the tax authority.

As disclosed in Note 1(b)(iv) to the financial statements in respect of critical accounting estimates and judgements, the deferred tax assets of unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances of a subsidiary amounting to RM34,759,993 (2015: RM80,106,944), RM23,527,384 (2015: RM21,702,124) and RM4,557,848 (2015: RMNil) respectively are recognised on the basis of the subsidiary's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of market price of plywood and logs, manufacturing costs and currency movement. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable inflation rate.

19. **Inventories**

	Group	
	2016	**2015**
Cost	**RM**	**RM**
Consumable and spares	5,559,024	8,540,754
Construction Work-in-progress	2,542,012	-
Finished goods	7,864,623	9,589,749
Goods in transit	36,252	36,137
Logging contract work-in-progress	11,614,434	9,645,867
Nursery	857,178	774,768
Production supplies	1,660,569	1,408,149
Raw materials	3,305,966	2,610,861
Timber logs	532,288	463,563
Work-in-progress	4,252,711	4,973,751
	38,225,057	38,043,599
Net realisable value		
Finished goods	2,315,698	1,599,556
	40,540,755	39,643,155

Included in work-in-progress are the following expenses incurred and capitalised during the financial year:

	2016	**2015**
	RM	**RM**
Depreciation of property, plant and equipment	334,925	761,893
Employee benefits expense	235,944	640,060

20. **Trade and non-trade receivables**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Amount due from a company in which a person connected to a Director of the Company has financial interests	-	26,412	-	-
Third parties	38,552,909	37,329,613	-	-
	38,552,909	37,356,025	-	-
Less: Allowance for impairment	(862,118)	(161,498)	-	-
Trade receivables, net	37,690,791	37,194,527	-	48,221
Non-trade receivables				
Deposits for log supplies	2,600,000	2,000,000	-	-
Other deposits	2,321,558	2,379,765	36,320	37,454
Prepayments	2,201,026	2,136,949	-	-
Other receivables				
- Amounts due from companies which have common Directors with the Company and in which a Director of the Company has financial interests	-	120,885	-	-
- Amounts due from companies in which a person connected to a Director of the Company has financial interests	27,790	311,378	-	-
- Third parties	28,255,836	9,359,102	5,096	10,767
	35,406,210	16,308,079	41,416	48,221
Less: Allowance for impairment	(568,725)	(395,776)	-	-
Non-trade receivables, net	34,837,485	15,912,303	41,416	48,221
Total trade and non-trade receivables	72,528,276	53,106,830	41,416	48,221

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 60 to 90 days (2015: 60 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 12 (2015: 1) customer representing 69% (2015: 31%) of total receivables.

20. **Trade and non-trade receivables** (continued)

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

Group **2016**	**Gross amount RM**	**Individual impairment RM**	**Carrying value RM**
Not past due	6,139,625	-	6,139,625
Past due:			
- less than 30 days	2,119,728	-	2,119,728
- between 31 to 60 days	5,201,942	-	5,201,942
- between 61 to 90 days	1,315,013	-	1,315,013
- more than 90 days	23,776,601	(862,118)	22,914,483
	32,413,284	(862,118)	31,551,166
	38,552,909	(862,118)	32,690,791

2015	**Gross amount RM**	**Individual impairment RM**	**Carrying value RM**
Not past due	23,288,785	-	23,288,785
Past due:			
- less than 30 days	2,104,898	(16,889)	2,088,009
- between 31 to 60 days	1,823,609	(20,966)	1,802,643
- between 61 to 90 days	9,248,498	(123,643)	9,124,855
- more than 90 days	890,235	-	890,235
	14,067,240	(161,498)	13,905,742
	37,356,025	(161,498)	37,194,527

Trade receivables that are neither past due nor impaired are creditworthy receivables 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.

The Group has trade receivables amounting to RM31,551,166 (2015: RM13,905,742) that are past due but not impaired at the reporting date. These balances are unsecured in nature.

The Directors have reviewed the recoverability of the receivables and are of the opinion that no provision is required in respect of these debts.

Amounts due from related parties are unsecured, interest free and repayable on demand.

20. **Trade and non-trade receivables** (continued)

Movement in allowance account for trade receivables :	Group 2016 RM	Group 2015 RM
At 1 July	161,498	-
Charge for the financial year (Note 8)	700,620	161,498
At 30 June	862,118	161,498

Movement in allowance account for non-trade receivables :	Group 2016 RM	Group 2015 RM
At 1 July	395,776	317,011
Charge for the financial year (Note 8)	172,949	78,765
At 30 June	568,725	395,776

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Deposits for log supplies

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

21. **Amounts due from subsidiary companies**

Amounts due from subsidiary companies are unsecured, interest free and repayable on demand.

22. **Derivative assets**

2016	**Principal Amount USD**	**Fair value Assets RM**	**Fair value Liabilities RM**
Non-hedging activities			
Current			
Foreign exchange option	592,000	-	-
Total derivatives assets		-	-

22. **Derivative assets** (continued)

2015	**Principal Amount USD**	**Fair value Assets RM**	**Fair value Liabilities RM**
Non-hedging activities			
Current			
Foreign exchange option	600,000	59,264	-
Total derivatives assets		59,264	-

The Group classifies derivatives as financial assets at fair value through profit or loss. The Group does not apply hedge accounting.

Forward currency contracts

The Group uses forward currency contracts to manage some of the transaction exposures. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

23. **Cash and bank balances**

	Group 2016 RM	**Group 2015 RM**	**Company 2016 RM**	**Company 2015 RM**
Cash in hand and at banks	9,151,652	3,153,963	16,254	20,409
Deposits with licensed banks	3,567,876	661,500	3,567,876	-
	12,719,528	3,815,463	3,584,130	20,409

The weighted average effective interest rate of deposits with licensed banks at the end of the financial year of the Group is 3.85% (2015: 3.09%) per annum.

Deposits with licensed banks of the Group have a weighted average maturity of 5 years (2015: 1 year).

Deposits with licensed banks of the Group amounted to RMNil (2015: RM661,500) are pledged to bank to secure bank guarantees granted to the government departments and hence, are not available for general use.

24. **Share capital, share premium and treasury shares**

	No. of shares		Group/Company	
	2016	**2015**	**2016**	**2015**
Authorised:			**RM**	**RM**
2,000,000,000 ordinary shares of RM0.10 each	2,000,000,000	2,000,000,000	200,000,000	200,000,000

Group/Company

Issued and fully paid:				
			Share	**Treasury**
654,596,259 ordinary	**Share capital**		**premium**	**shares**
shares of RM0.10 each	**unit**	**RM**	**RM**	**RM**
At 1 July 2014	322,763,808	32,276,389	71,248,917	(10,324,612)
Share issuance expense	-	-	(1,000,000)	-
Conversion of redeemable convertible notes	143,940,341	14,394,034	5,605,966	-
At 30 June 2015	466,704,149	46,670,415	75,854,883	(10,324,612)
Share issuance expense	-	-	(1,031,725)	-
Conversion of redeemable convertible notes	187,892,110	18,789,211	1,210,789	-
At 30 June 2016	654,596,259	65,459,626	76,033,947	(10,324,612)

During the financial year, the Company increased its issued and paid-up share capital from 466,704,149 ordinary shares to 654,596,259 ordinary shares by way of issuance of 187,892,110 ordinary shares of RM0.10 each pursuant to the conversion of RM20,000,000 nominal value Redeemable Convertible Notes converted at the following conversion price per ordinary share:

(i) Tranche 4

Conversion Date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
29 July 2015	7,892,659	0.128	1,000,000
10 August 2015	7,892,659	0.128	1,000,000
6 October 2015	10,000,000	0.100	1,000,000
21 October 2015	10,000,000	0.100	1,000,000
22 October 2015	10,000,000	0.100	1,000,000
16 November 2015	10,000,000	0.100	1,000,000
25 November 2015	12,500,000	0.100	1,250,000
2 December 2015	12,500,000	0.100	1,250,000
10 December 2015	14,851,485	0.101	1,500,000
	95,636,803		10,000,000

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

(ii) Tranche 5

Conversion date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
22 December 2015	17,094,017	0.117	2,000,000
5 January 2016	20,161,290	0.124	2,500,000
15 February 2016	25,000,000	0.100	2,500,000
1 April 2016	30,000,000	0.100	3,000,000
	92,255,307		10,000,000

The new ordinary shares of RM0.10 each issued during the financial year rank *pari passu* in all aspects with the new ordinary shares of the Company, except that the conversion shares issued by the Company to the subscriber upon conversion will not be entitled to any dividends, rights, allotment and/or other forms of distribution that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the conversion shares.

(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 654,596,259 (2015: 466,704,149) issued and fully paid ordinary shares as at 30 June 2016, 12,562,832 (2015: 12,562,832) are held as treasury shares by the Company. As at 30 June 2016, the number of outstanding ordinary shares in issue after the setoff is therefore 642,033,427 (2015: 454,141,317) ordinary shares of RM0.10 each.

25. **Other reserves**

Group	Foreign currency translation reserve RM	Warrant reserve RM	Capital redemption reserve RM	Total RM
At 1 July 2015	(524,006)	4,342,882	74,511,248	78,330,124
Foreign currency translation	598,650	-	-	598,650
Transferred	-	(4,342,882)	-	(4,342,882)
At 30 June 2016	74,644	-	74,511,248	74,585,892
At 1 July 2014	(165,219)	4,342,882	74,511,248	78,688,911
Foreign currency translation	(358,787)	-	-	(358,787)
At 30 June 2015	(524,006)	4,342,882	74,511,248	78,330,124

25. **Other reserves** (continued)

Company 2016	Warrant reserve RM	Capital redemption reserve RM	Total RM
At 1 July 2015	4,342,882	74,511,248	78,854,130
Transferred	(4,342,882)	-	(4,342,882)
At 30 June 2016	-	74,511,248	74,511,248
2015			
At 1 July 2014	4,342,882	74,511,248	78,854,130
Reclassification	-	-	-
At 30 June 2015	4,342,882	74,511,248	78,854,130

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.

Warrant reserve

The warrants are constituted under a Deed Poll executed on 17 March 2011 and each warrant entitles the registered holder the right at any time during the exercise period from 29 April 2011 to 28 April 2016 to subscribe in cash for one new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each.

The ordinary shares issued from the exercise of warrants 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, rights, allotment and/or any other forms of distribution where the entitlement date of which precedes the relevant date of the allotment and issuance of the new shares arising from the exercise of warrants.

During the financial year, the unexercised warrants lapsed after its expiry date on 18 April 2016.

The movements of the warrants during the financial year are as follows:

	Entitlement for ordinary shares of RM0.50 each			
	At 1.7.2015	Issued	Lapsed	At 30.6.2016
Number of unexercised warrants	86,857,643	-	86,857,643	-

The main features of the warrants are as follows:

(i) Each warrant will entitle the registered holder to subscribe for One (1) new ordinary share at par value of RM0.10 each in the Company at an exercise price of RM0.50 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;

25. **Other reserves** (continued)

(ii) The warrants may be exercised at any time on or before the maturity date falling Five (5) years (2011/2016) from the date of issue of the warrants on 17 March 2011. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid; and

(iii) The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is before the allotment and issuance of the new shares.

Capital redemption reserve

The capital redemption reserve represents the residual amount of the par value reduction of each existing ordinary share of RM0.50 to RM0.10 each.

26. **Retained profits**

As at 30 June 2016, the entire retained profits of the Company are distributable as single-tier tax exempt dividends under the single-tier system.

27. **Loans and borrowings**

	Group		Company	
	2016	**2015**	**2016**	**2015**
Non-current	**RM**	**RM**	**RM**	**RM**
Secured:				
Obligations under finance leases	10,763,830	9,762,818	-	-
Term loans	12,447,895	138,756,724	-	127,059,271
	23,211,725	148,519,542	-	127,059,271
Current				
Secured:				
Obligations under finance leases	5,359,544	10,969,299	-	-
Term loans	134,089,880	12,379,250	134,089,879	12,379,250
	139,449,424	23,348,549	134,089,879	12,379,250
Total loans and borrowings				
Secured:				
Obligations under finance leases	16,123,374	23,348,549	-	-
Term loans	146,537,775	148,519,542	134,089,879	139,438,521
	162,661,149	177,868,091	134,089,879	139,438,521
Maturity structure of loans and borrowings				
Within one year	139,449,424	23,348,549	134,089,879	12,379,250
Between one to two years	7,018,356	31,078,980	-	26,424,144
Between two to five years	3,682,474	105,743,109	-	100,635,127
More than five years	12,447,895	11,697,453	-	-
	162,661,149	171,868,091	134,089,879	139,438,521

27. **Loans and borrowings** (continued)

The interest rate structures are as follows:

	Nominal interest rate		Effective interest rate	
	2016	**2015**	**2016**	**2015**
Obligations under finance leases	4.66%	4.66%	5.44%	5.44%
Term loan 1	BFR+3.5%	BFR+1.5%	10.35%	8.35%
Term loan 2	3.00%	3.00%	3.00%	3.00%

(a) Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 13 to the financial statements.

(b) Term loan 1

This loan with a total outstanding balance of RM134,089,879 is secured by:

(i) a first legal charge over leasehold land and timber rights of certain subsidiary companies as disclosed in Notes 13 and 15 to the financial statements;
(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.

As at 30 June 2016, the Company has not complied with the repayment terms of its bank borrowings and has short paid its instalments totalling RM8,400,000. Pursuant to FRS 101 *Presentation of Financial Statements* a breach of a provision of long-term loan would result in the entire liability being classified as current unless the lender had agreed by the end of the reporting period to provide a grace period of at least Twelve (12) months after the reporting period. As no grace period has been obtained by the Company as at the year end and the date of this report, the entire liability has been reclassified as current.

(c) Term loan 2

This loan with a total outstanding balance of RM12,447,895 is secured by:

(i) irrevocable and unconditional individual guarantee and indemnity duly issued by the Directors; and
(ii) first party deed of assignment of a subsidiary's harvesting rights of the planted timber.

28. **Trade and non-trade payables**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade payables				
Amounts due to companies which have common Directors with the Company and in which a Director of the Company has financial interests	49,036	998,634	-	-
Amounts due to companies in which a person connected to a Director of the Company has financial interests	-	64,757	-	-
Third parties	21,371,604	34,136,375	-	-
	21,420,640	35,199,766	-	-
Non-trade payables				
Accruals	24,879,314	19,645,591	2,356,018	467,126
Deposits	16,500	16,500	-	-
Other payables				
- Amounts due to companies which have common Directors with the Company and in which a Director of the Company has financial interests	8,809	350,000	8,809	-
- Amount due to a company in which a person connected to a Director of the Company has financial interests	66,645	310,282	41,809	-
- Third parties	11,028,269	12,734,909	254,906	311,602
	35,999,537	33,057,282	2,661,542	778,728
Total trade and non-trade payables	57,420,177	68,257,048	2,661,542	778,728

Trade and non-trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 90 days (2015: 30 to 90 days).

Amounts due to related parties are unsecured, interest free and repayable on demand.

29. **Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM12,491,425 (2015: RM22,789,308) of which RM3,143,500 (2015: RM4,578,100) were financed by hire purchase arrangements.

30. **Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the followings:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand and at banks	9,151,652	3,153,963	16,254	20,409
Deposits with licensed banks	-	661,500	-	-
Bank overdraft	(150)	(150)	-	-
	9,151,502	3,815,313	16,254	20,409

31. **Significant related party transactions**

(a) **Identities of related parties**

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group and the Company have related party relationships with its Directors, key management personnel, companies which have common Directors with the Company and in which a Director of the Company has financial interests, companies in which a person connected to a Director of the Company has financial interests, a person connected to a Director of the Company and entities within the same group of companies.

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and of the Company were as follows:

Group

Name of related party	Type of transaction	Transaction value 2016 RM	Transaction value 2015 RM	Balance outstanding as at 30 June 2016 RM	Balance outstanding as at 30 June 2015 RM
With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
Integral Acres Sdn. Bhd.	Rental income	102,859	151,180	(102,859)	(877,749)
	Sales of wood products	28,877	100,979		
	Contract fee	23,802	602,746		
	Service income	-	752		

31. **Significant related party transactions** (continued)

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and of the Company were as follows:

Group					
		Transaction value		**Balance outstanding as at 30 June**	
Name of related party	**Type of transaction**	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
Melati Optimis Sdn. Bhd.	Purchase of logs	-	-	-	(350,000)
	Contract fee	-	-		
	Payment on behalf	-	932,598		
Mandat Wawasan Sdn. Bhd.	Payment on behalf	-	585,000	-	-
Jurubina Cekap Sdn. Bhd.	Service income	120,907	-	-	-
	Rental of equipment	295,435	-		
Layang-Layang Udara Sdn. Bhd	Flight charges	-	26,346	(49,036)	-
Suria Century Resources Sdn. Bhd.	Diesel charges	-	214,356	-	-
	Rental of equipment	-	-		
Bertam Alliance Berhad	Rental fee	7,008	-	(8,809)	-
With companies in which a person connected to a Director of the Company has financial interests:					
Maxland Enterprise Sdn. Bhd.	Professional fee	740	3,405	(51,182)	(9,214)
	Rental of office	183,664	24,900		
Green Edible Oil Sdn. Bhd.	Barge hire income	-	6,000	12,720	12,720
	Rental income	72,000	72,000		
	Sundry income	-	-		
Barigos Sdn. Bhd.	Purchase of spare parts	15,362	26,412	(393)	(40,755)
	Payment on behalf	144,359	2,053		
With a person connected to a Director of the Company:					
Lim Nyuk Foh	Rental of land	36,000	-	-	-

31. **Significant related party transactions** (continued)

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and of the Company were as follows:

Company		**Transaction value**		**Balance outstanding as at 30 June**	
Name of related party	**Type of transaction**	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
With subsidiary companies:					
Sinora Sdn. Bhd.	Dividend income	40,000,000	11,800,000	55,382,631	22,094,675
Cergas Kenari Sdn. Bhd.	-	-	-		3,020,100
Maxland Sdn. Bhd.	-	-	-		14,016,149
Priceworth Indutries Sdn. Bhd.	-	-	-	10,618,318	102,170,607
Maxland Dockyard & Engineering Sdn. Bhd.	-	-	-		6,961,400
With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
Bertam Alliance Berhad	Rental fee	7,008	-	(8,809)	-
With companies in which a person connected to a Director of the Company has financial interests:					
Maxland Enterprise Sdn. Bhd.	Rental	15,264	14,616	(41,809)	(29,089)

(c) The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Short-term employee benefits	708,009	767,556	62,620	64,020
Contributions to defined contribution plan	85,257	157,459	7,800	8,125
	793,266	925,015	70,420	72,145
Included in the key management personnel are:				
Directors' remuneration	793,266	925,015	70,420	72,145

31. **Significant related party transactions** (continued)

(c) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Group and of the Company and members of senior management of the Group.

The terms and conditions and prices of the above transactions are mutually agreed between the parties.

32. **Commitments**

(a) Capital commitments

	Group	
Capital expenditure commitments	**2016 RM**	**2015 RM**
Approved and contracted for:		
- Acquisition of property, plant and equipment	493,851	291,908
- Acquisition of timber rights	260,400,000	400,000
	260,893,851	691,908

(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 14 to the financial statements.

(c) Finance lease commitments – as lessee

The Group has finance leases for certain items of plant and equipment as disclosed in Note 13 to the financial statements. These leases do not have terms of renewal but have purchase options at nominal values at the end of the lease term.

33. **Financial instruments**

(a) **Categories of financial instruments**

Group

2016

Financial assets	**Carrying amount RM**	**Financial assets at fair value through profit or loss RM**	**Loans and receivables RM**
Trade and non-trade receivables	72,528,276	-	72,528,276
Derivative asset	-	-	-
Cash and bank balances	12,719,528	-	12,719,528
	85,247,804	-	85,247,804

33. **Financial instruments** (continued)

(a) **Categories of financial instruments** (continued)

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loans and borrowings	162,661,149	162,661,149
Trade and non-trade payables	57,420,177	57,420,177
	220,081,326	220,081,326

2015

Financial assets	**Carrying amount RM**	**Financial assets at fair value through profit or loss RM**	**Loans and receivables RM**
Trade and non-trade receivables	53,106,830	-	53,106,830
Derivative asset	59,264	59,264	-
Cash and bank balances	3,815,463	-	3,815,463
	56,981,557	59,264	56,922,293

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loans and borrowings	171,868,091	171,868,091
Trade and non-trade payables	68,257,048	68,257,048
	240,125,139	240,125,139

Company

2016

Financial assets	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	41,416	41,416
Amounts due from subsidiary companies	66,000,949	66,000,949
Cash and bank balances	3,584,130	3,584,130
	69,626,495	69,626,495

33. **Financial instruments** (continued)

(a) **Categories of financial instruments** (continued)

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loan and borrowings	134,089,879	134,089,879
Trade and non-trade payables	2,661,542	2,661,542
	136,751,421	136,751,421

2015 **Financial assets**	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	48,221	48,221
Amounts due from subsidiary companies	28,262,931	28,262,931
Cash and bank balances	20,409	20,409
	28,331,561	28,331,561

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loan and borrowings	139,438,521	139,438,521
Trade and non-trade payables	778,728	778,728
	140,217,249	140,217,249

(b) **Net losses arising from financial instruments**

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Net gains/(losses) arising from:				
Loans and receivables				
- Bad debts written off	(259,285)	(4,324,928)	-	(21,527)
- Impairment loss	(873,569)	(240,263)	-	-
- Realised and unrealised gain on foreign exchange	900,278	1,602,546	-	-
- Interest income	88,927	23,435	67,870	-
- Reversal of bad debts written back	57,923	-	-	-

33. **Financial instruments** (continued)

(b) **Net losses arising from financial instruments** (continued)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net gains/(losses) arising from:				
Financial assets at fair value through profit or loss				
- Fair value gain of derivative assets	-	59,264	-	-
- Reversal of fair value gain of derivative assets	(59,264)	-	-	-
Financial liabilities at amortised cost				
- Liabilities no longer in existence written back	188,144	6,391,825	-	76,310
- Interest expense	(17,281,985)	(14,920,494)	(13,384,755)	(11,104,477)
	(17,238,831)	(11,408,615)	(13,316,885)	(11,049,694)

(c) **Financial risk management**

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's 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 except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

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

(i) **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 non-trade 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.

33. **Financial instruments** (continued)

(c) **Financial risk management** (continued)

(i) **Credit risk** (continued)

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.

As 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 RM16,131,162 (2015: RM20,743,000) relating to corporate guarantees provided by the Company to the banks to secure obligations under finance leases granted to certain subsidiaries.
- A nominal amount of RMNil (2015: RM661,500) relating to a bank guarantee given to the authorities as security deposit.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 12 (2015: 1) customer representing 69% (2015: 31%) of total receivables.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20 to the financial statements. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

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

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 RM16,131,162 (2015: RM20,743,000) 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.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group and 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 instruments** (continued)

(c) **Financial risk management** (continued)

(ii) **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.

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group **2016**	**Weighted average effective rate %**	**Carrying amount RM**	**Contractual undiscounted cash flows RM**	**Within 1 year RM**	**1 – 5 years RM**	**Over 5 years RM**
Loans and borrowings	10.35	162,661,148	197,129,056	173,241,546	11,439,615	12,447,895
Trade and non-trade payables	-	57,420,177	57,420,177	57,470,177	-	-
		220,081,325	254,549,233	230,711,723	11,439,615	12,447,895
2015						
Loans and borrowings	8.35	171,868,091	213,517,265	35,811,742	165,163,799	12,541,724
Trade and non-trade payables	-	68,257,048	68,257,048	68,257,048	-	-
		240,125,139	281,774,313	104,068,790	165,163,799	12,541,724

Company **2016**	**Weighted average effective rate %**	**Carrying amount RM**	**Contractual undiscounted cash flows RM**	**Within 1 year RM**	**1 – 5 years RM**	**Over 5 years RM**
Loans and borrowings	10.35	134,089,879	167,132,402	167,132,402	-	-
Trade and non-trade payables, excluding financial guarantees	-	2,661,542	2,661,542	2,661,542	-	-
		136,751,421	169,793,944	169,793,944	-	-
2015						
Loans and borrowings	8.35	139,438,521	178,425,087	23,851,796	154,573,291	-
Trade and non-trade payables, excluding financial guarantees	-	778,728	778,728	778,728	-	-
		140,217,249	179,203,815	24,630,524	154,573,291	-

33. **Financial instruments** (continued)

(c) **Financial risk management** (continued)

(ii) **Liquidity risk** (continued)

As highlighted in Note 27, the Company has not complied with the repayment terms of one of its borrowings which resulted in the entire outstanding balance of RM134,089,879 being classified as current. This reclassification resulted in the net current asset of the Group and of the Company of RM38,942,168 and RM42,834,777 respectively changing to a net current liabilities of RM71,115,547 and RM67,124,926 respectively.

The Company has therefore proposed a revised repayment scheme to the lender which is pending approval of the lender and obtained a letter of offer from United Overseas Bank (Malaysia) Berhad for a revolving credit facility to specifically refinance this borrowing as highlighted in Note 1.

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 *Financial Instruments: Recognition and Measurement* are not included in the above maturity profile analysis.

(iii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Group/Company Increase/(Decrease)	
Effects on profit/(loss) after taxation	**2016 RM**	**2015 RM**
Increase of 30bp/30bp	(402,269)	(382,633)
Decrease of 30bp/30bp	402,269	382,633

(iv) **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 change in foreign exchange rate.

The Group is 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 Solomon Islands Dollar (SBD), Papua New Guinea Kina (PGK) and Hong Kong Dollar (HKD) are considered to be long-term in nature.

33. **Financial instruments** (continued)

(c) **Financial risk management** (continued)

(iv) **Foreign currency risk** (continued)

The Group is also exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia (RM). The currencies giving rise to this risk are primarily Singapore Dollar (SGD), Japanese Yen (JPY), Solomon Islands Dollar (SBD) and United States Dollar (USD).

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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

2016	**Japanese Yen RM**	**Singapore Dollar RM**	**Solomon Islands Dollar RM**	**United States Dollar RM**	**Total RM**
Financial assets					
Trade and non-trade receivables	4,203	7,966	-	20,296,691	20,308,860
Cash and bank balances	-	-	389,671	11,433	401,104
	4,203	7,966	389,671	20,308,124	20,709,964
Financial liability					
Trade and non-trade payables	-	(30,219)	(233,077)	(28,158)	(291,454)
	-	(30,219)	(233,077)	(28,158)	(291,454)
Net financial assets/(liabilities) held in non-functional currencies	4,203	(22,253)	156,594	20,279,966	20,418,510

2015	**Japanese Yen RM**	**Singapore Dollar RM**	**Solomon Islands Dollar RM**	**United States Dollar RM**	**Total RM**
Financial assets					
Trade and non-trade receivables	11,525	26,120	-	1,036,558	1,074,203
Cash and bank balances	-	-	7,083	1,985,088	1,985,088
	11,525	26,120	7,083	3,021,646	3,059,291
Financial liability					
Trade and non-trade payables	-	(385,645)	-	(860,244)	(1,245,889)
Net financial assets/(liabilities) held in non-functional currencies	11,525	(359,525)	7,083	2,161,402	1,813,402

33. **Financial instruments** (continued)

(c) **Financial risk management** (continued)

(iv) **Foreign currency risk** (continued)

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Group	**Increase/(Decrease)**	
	2016	**2015**
Effects on profit after taxation	**RM**	**RM**
SGD/RM		
Strengthened by 6.2% (2015:8.0%)	1,062	21,683
Weakened by 6.2% (2015: 8.0%)	(1,062)	(21,683)
JPY/RM		
Strengthened by 21.6% (2015: 2.9%)	(690)	(249)
Weakened by 21.6% (2015: 2.9%)	690	249
SBD/RM		
Strengthened by 4.4% (2015: 8.3%)	(36,986)	(40,071)
Weakened by 4.4% (2015: 8.3%)	36,986	40,071
USD/RM		
Strengthened by 6.2% (2015: 15.0%)	(945,326)	(252,186)
Weakened by 6.2% (2015: 15.0%)	945,326	252,186

(d) **Fair value information**

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable wiling parties in an arm's length transaction, other than in a force sale or liquidation.

33. **Financial instruments** (continued)

(d) **Fair value information** (continued)

The Group and the Company use the following fair value hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at the reporting date, the Group held the following financial instruments carried at fair value in the statements of financial position:

2016 **Financial asset**	**Carrying amount RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
Derivative				
- Foreign exchange option	-	-	-	-

2015 **Financial asset**	**Carrying amount RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
Derivative				
- Foreign exchange option	59,264	-	59,264	-

Derivative

Forward currency contracts is valued using a valuation technique with market observable inputs. The most frequency applied valuation techniques include Black-Scholes model and Garman-Kohlnagen model, by incorporating various inputs includes foreign exchange sport and risk free simple interest rate.

The financial assets and financial liabilities maturing within the next Twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The fair values of obligations under finance leases and fixed rate term loan are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

33. **Financial instruments** (continued)

(d) **Fair value information** (continued)

The carrying amount of the variable rate term loan approximated its fair value as the instrument bears interest at variable rates.

The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned using 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; and
- The estimated loss exposure if the party guaranteed were to default.

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable wiling parties in an arm's length transaction, other than in a force sale or liquidation.

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. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The Group's strategies were unchanged from the previous financial year.

The gearing ratio of the Group and of the Company as at the end of the reporting period was as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Loans and borrowings	162,661,148	171,868,091	134,089,879	139,438,521
Less: Cash and cash equivalents	9,151,502	3,815,313	16,254	20,409
Net debt	153,509,646	168,052,778	134,073,625	139,418,112
Total equity	274,550,994	254,063,542	236,302,747	191,541,983
Gearing ratio	0.56	0.66	0.57	0.73

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

Under the requirements of Bursa Malaysia Practice Note 17, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement.

The Group is not subject to any other externally imposed capital requirements.

35. **Segment information**

(i) **Operating segment**

For management purposes, the Group is organised into business units based on their products and services, and has Five (5) reportable operating segments as follows:

(a) The logging segment is involved in extraction, sale of logs and tree planting (reforestation);

(b) The manufacturing segment is in the business of manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber and finger joint moulding;

(c) The construction income segment is involved in the supply and delivery of soil and related transportation and hiring of equipment services;

(d) The shipyard segment is involved in the provision of marine services, including repair and maintenance of tugboat and barge amongst others; and

(e) The others segment is involved in investment holding and the provision of hiring services.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain aspects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

35. **Segment information** (continued)

(i) **Operating segment** (continued)

2016	**Logging**	**Manufacturing**	**Construction income**	**Shipyard**	**Others**	**Adjustments and eliminations**	**Per consolidated financial statements**
Revenue	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
External customers	52,241,611	151,670,143	1,021,528	2,054,325	41,627,444	-	166,938,291
Inter-segment	(35,754,307)	(5,601,204)	-	(321,249)	(40,000,000)	(81,676,760)	-
Total revenue	16,487,304	146,868,939	1,021,528	1,733,076	1,627,444	(81,676,760)	166,938,291
Results							
Interest income	345	10,706	-	-	67,876	-	88,927
Amortisation of timber rights	-	1,793,784	-	-	-	1,012,527	2,769,311
Amortisation of land use rights	-	71,538	-	-	-	196,022	267,560
Depreciation of property, plant and equipment	12,011,885	17,458,925	-	622,405	81,359	310,345	30,484,919
Finance costs	531,366	3,363,404	-	2,460	13,384,755	-	17,281,985
Other non-cash expenses	15,757,786	14,922,609	-	2,017,857	(12,538,649)	1,012,575	20,159,003
Segment (loss)/profit	6,117,563	13,554,678	-	(2,875,661)	46,387,854	(61,953,562)	1,230,872
Assets							
Additions to non-current assets	11,003,827	242,934	-	1,242,540	2,124	-	12,491,425
Segment assets	232,244,413	380,135,301	-	12,216,367	421,778,887	(527,291,838)	518,462,440
Segment liabilities	232,244,413	380,135,301	-	12,216,367	421,778,887	(527,291,838)	518,462,440

35. **Segment information** (continued)

(i) **Operating segment** (continued)

2015	**Logging**	**Manufacturing**	**Construction income**	**Shipyard**	**Others**	**Adjustments and eliminations**	**Per consolidated financial statements**
Revenue	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
External customers	37,432,550	136,402,207	20,706,624	5,538,591	3,691,905	-	203,770,877
Inter-segment	58,675,884	7,057,488	245,394	1,110,954	12,112,866	(79,202,586)	-
Total revenue	96,108,434	143,459,695	20,952,018	6,649,545	15,804,771	(79,202,586)	203,770,877
Results							
Interest income	2,118	20,665	-	652	-	-	23,435
Amortisation of timber rights	-	682,211	-	-	-	2,277,005	2,959,216
Amortisation of land use rights	-	71,538	-	-	-	196,022	267,560
Depreciation of property, plant and equipment	18,595,791	17,537,461	-	626,617	2,526,497	350,469	39,636,835
Finance costs	26,339	3,787,628	-	2,050	11,104,477	-	14,920,494
Other non-cash expenses	6,264,702	219,875	-	1,555,939	56,388,801	(55,069,791)	9,359,526
Segment (loss)/profit	4,525,007	10,871,908	12,533,983	(1,832,236)	(96,298)	(25,503,685)	61,352
Assets							
Additions to non-current assets	17,429,743	2,170,280	-	897,660	2,291,625	-	22,789,308
Segment assets	211,854,273	433,049,059	3,013,501	12,024,144	362,578,115	(505,228,001)	517,291,091
Segment liabilities	168,302,341	249,841,729	-	12,017,413	229,177,624	(396,111,558)	263,227,549

35. **Segment information** (continued)

(ii) **Geographical information**

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	53,645,385	68,400,017	496,024,236	478,039,107
Mid East	325,266	-	-	-
Solomon Islands	25,870,690	1,716,860	22,006,921	38,969,004
Hong Kong	245,897	136,871	421,131	282,382
Papua New Guinea	-	-	2,535	598
Congo	-	-	421	-
Gabon	-	-	7,196	-
Korea	1,925,923	415,987	-	-
Thailand	11,174,532	9,266,947	-	-
Japan	92,206,472	95,450,078	-	-
Taiwan	3,435,861	2,632,897	-	-
India	-	7,504,449	-	-
Singapore	769,733	4,497,667	-	-
Philippine	-	182,542	-	-
China	2,703,013	13,396,342	-	-
Canada	309,232	170,220	-	-
Kuwait	241,975	-	-	-
	166,983,291	203,770,877	518,462,440	517,291,091

Total assets information presented above consist of the following items as presented in the consolidated Statement of Financial Position:

	2016 RM	2015 RM
Property, plant and equipment	246,942,992	297,569,298
Land use rights	13,761,722	14,029,282
Intangible assets	36,888,990	39,868,759
Biological assets	80,902,235	55,040,040
Deferred tax assets	14,159,000	14,159,000
Inventories	40,540,755	39,643,155
Derivative asset	-	59,264
Tax recoverable	18,942	-
Trade and non-trade receivables	72,528,276	53,106,830
Cash and bank balances	12,719,528	3,815,463
	518,462,440	517,291,091

(iii) **Major customers**

Revenue from 5 (2015: 4) major customers amounted to RM94,568,812 (2015: RM89,874,827) arising from sale of wood products.

36. **Material litigations**

A Notice of Demand dated 21 March 2015 was issued by a subsidiary company of the Company, namely, Sinora Sdn. Bhd. (Sinora) to Agensi Pekerjaan SAG Sdn. Bhd. (SAG) for the failure to settle an outstanding sum of RM72,665. SAG has agreed to repay the RM87,665 to Sinora for the failure of obtaining work passes to Sinora, by Six (6) instalments commencing from January 2015 and SAG has only repaid RM15,000, leaving the balance of RM72,665 remaining unpaid.

Subsequently, SAG requested for extended period to repay the balance and Three (3) post-dated cheques have been issued to Sinora commencing 30 September 2015. The post-dated cheques were dishonoured due to the insufficient of fund in the bank account's of SAG.

Subsequently to 30 June 2016, Sinora has issued Statutory Notice dated 21 July 2016, for the said outstanding balances and interest at 5% per annum together with the court cost which to be borne by SAG and settlement to be made within 21 days.

37. **Events after the reporting period**

(a) On 22 August 2016, the Company received an offer by United Overseas Bank (Malaysia) Berhad (UOB) for revolving credit amounting to RM80,000,000 for the purpose of part finance the repayment of existing loan with Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) to facilitate the merger of all its assets pursuant to the proposed listing of its wholly owned subsidiary on the Singapore Stock Exchange as mentioned in Note 37(c)(viii). The securities of the said facility are as follows:

(i) A third party first legal charge over the assets of the subsidiary of the Company for RM80,000,000 is to be created over leasehold lands held under Title Nos. CL075365794, CL075203726, CL075365785, CL075170277, CL075364948, CL075170286, CL075170268 and CL075170062 at Mile 3.4, Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah (Property 1);

(ii) A third party first legal charge over the assets of the subsidiary of the Company for RM80,000,000 is to be created over vacant lands held under Title Nos. CL075376153 and CL075472338, at Mile 6.5, Batu Sapi, Sandakan, Sabah (Property 2); and

(iii) An assignment of the leasing proceeds from banking facilities granted by another financial institution(s) upon completion of the financing for which a Deed of Assignment of Leasing Proceeds and Power of Attorney are to be executed. All leasing proceeds are to be credited to such account prescribed by UOB from time to time.

37. **Events after the reporting period** (continued)

(a) Prior to the disbursement of the revolving credit, the Company has to fulfill the following conditional precedents:

(i) Completion of all legal/ security documentation and UOB's receipt from the Company of an irrevocable undertaking to proceed with and complete the rights issue which will raise a sum of not less than RM80,000,000 (excluding working capital and listing expenses) for settlement of loans;

(ii) An Irrevocable Letter of Instruction (ILI) from the Company to UOB immediately, upon the receipt of the Rights Proceeds in the Rights Proceeds Account, to utilise an amount of not less than RM80,000,000 to set off the outstanding payable to UOB under the revolving credit facility;

(iii) An ILI from the Company to the appointed Share Registrars having charge of the Rights Issue Proceeds to open and maintain with UOB an account (Rights Proceeds Account) for which the entire Rights Proceeds are to be deposited;

(iv) An ILI from the Company and the Director of the Company, namely, Lim Nyuk Foh, being the major shareholder of the Company (Relevant Shareholder) to UOB to utilise the funds channelled into the following escrow accounts maintained with UOB for which the following sums are to be deposited for the following purposes:

- escrow account by the Relevant Shareholder – a sum equivalent to the aggregate subscription price for 34% of the Rights Issue to be deposited by the Relevant Shareholder for his subscription of up to 34% of Rights Issue to be raised. The subscription is to be remitted to the Rights Proceeds Account; and

- escrow account by the Company – a sum of not less than RM20,000,000 to be deposited by the Company for payment to Bank Rakyat being partial payment of the redemption sum of approximately RM100,000,000 to redeem Property 1 and Property 2 which are currently charged to Bank Rakyat.

(v) An Irrevocable Letter of Undertaking from the substantial shareholders of the Company to subscribe in full for their respective entitlements under the Rights Issue (not less than 34%) whilst the open portion of the rights shares (amounting to 66%) will be fully underwritten by RHB Investment Bank Berhad. Such substantial shareholders and RHB Investment Bank shall irrevocably undertake to remit the subscription monies under the Rights Issue to the Rights Proceeds Account;

37. **Events after the reporting period** (continued)

(a) Prior to the disbursement of the revolving credit, the Company has to fulfill the following conditional precedents: (continued)

(vi) An underwriting arrangement (upon terms acceptable to UOB) with financial institution(s) acceptable to UOB pertaining to the open portion of the Rights Share shall have been put in place;

(vii) Approval from the shareholders of the Company, governmental, regulatory and other 3rd parties (if any) have been obtained in relation to the Rights Issue exercise and the Rights Proceeds Account have been opened with UOB.

(viii) The confirmation satisfactory from the Company to UOB that the following have been fully placed out and/or subscribed:

- the Private Placement of 64,204,340 new shares of the Company (Placement Shares)to be issued is equivalent to 10% of the current share capital of the Company;

- the Special Issue of 141,247,353 new shares of the Company (Special Issue Shares) to be issued equivalent to 20% of the enlarged share capital of the Company.

(ix) A professional valuation of Property 1 and Property 2 is to be carried out by panel valuer of UOB and the terms and conditions stated in the valuation report are acceptable to UOB. If the total current market value of Property 1 and Property 2 be less than RM76,000,000, the banking facility may be revised and the limit thereof be reduced at the sole discretion of UOB;

(x) Receipt of the redemption statement and undertaking from Bank Rakyat (upon terms acceptable to UOB) and if the redemption sum stated is more than the revolving credit facility, evidence acceptable to UOB that the shortfall have been paid to Bank Rakyat or be deposited by the Company with UOB in the escrow account in paragraph (iv) above for payment to Bank Rakyat; and

(xi) Receipt of the letter of subordination executed by the Directors and shareholders of the Company which UOB may be specified (Person(s)) in respect of subordination of all the loans and advances granted by the Person(s) to the Company to the loans and advances granted by UOB, together with resolution passed.

37. **Events after the reporting period** (continued)

(a) Nevertheless, the Company should also comply with the terms and conditions governing drawndown of revolving credit facility, as follows:

(i) Compliance with conditional precedents above;

(ii) All security/legal documentation have been duly executed;

(iii) Accuracy as to all representations and warranties in all material respects;

(iv) Certified true copies of all relevant constitutive documents and corporate entities required to provide any security for the revolving credit facility (Security Parties), where applicable;

(v) Certified true copies of the resolutions of the Board of Directors of the Company and the Security Parties, where applicable;

(vi) The payment in full of all fees, expenses and other amounts payable including all fees and expenses incurred/ to be incurred by UOB;

(vii) No event of default and potential event of default; and

(viii) Other conditions or documentation as may reasonably be required by UOB.

(b) The Company has on 28 September 2016 incorporated a new subsidiary company, namely GSR Pte. Ltd., a private limited company in Singapore with the issued share stands at SGD100. Hence, GSR Pte. Ltd. is now the wholly subsidiary of the company. At present, GSR Pte. Ltd. is a dormant Company. The intended principal activity of the GSR Pte. Ltd. is investment holding which complement the present business activities of the Group.

(c) The Company has on 8 October 2016 and 19 October 2016 approved and announced the corporate proposals as follows:

(i) GSR Pte. Ltd., the wholly own subsidiary of the Company, to enter into a Sale and Purchase Agreement (SPA) with Transkripsi Pintar Sdn. Bhd. (Transkripsi), and the Company for the acquisition of the entire issued and paid up share capital of Rumpun Capaian Sdn. Bhd. (Rumpun) for a total purchase consideration of RM260,000,000. The SPA has been signed on 19 October 2016;

(ii) Concurrently with the execution of SPA, Sinora Sdn. Bhd (Sinora), the wholly owned subsidiary of the Company, would also enter into a Log Extraction and Timber Sale Agreement with Anika Desiran Sdn. Bhd. (Anika), 99.99% owned subsidiary of Rumpun, to allow Sinora (by way of an irrevocable power of attorney in favour of Sinora) to extract all commercial logs within the forest reserve area. The Log Extraction and Timber Sale Agreement has been signed on 19 October 2016;

37. **Events after the reporting period** (continued)

(c) The Company has on 8 October 2016 approved the corporate proposals as follows: (continued)

(iii) A proposed private placement of up to 64,203,342 new shares of the Company representing 10% of the existing issued and paid up share capital of the Company to third party investors at an issue price to be determined. The Company had on 25 October 2016 received the approval from Bursa Securities for the listing and quotation of the Proposed Private Placement;

(iv) A proposed special issue of up to 141,247,353 new shares of the Company to independent third party investor(s);

(v) A proposed renounceable two-call rights issue of up to 1,694,968,244 new shares of the Company (2 Rights Shares for every 1 existing shares of the Company held) together with a bonus issue of up to 847,484,122 new bonus shares of the Company (1 Bonus Share for every 2 Rights Shares);

(vi) The proposed increase in authorized share capital of the Company from RM200,000,000 comprising of 2,000,000,000 shares to RM350,000,000 comprising of 3,500,000,000 shares;

(vii) The proposed amendment to the Memorandum of Association of the Company; and

(viii) The proposed listing of GSR on the Singapore Exchange Securities Trading Limited (SGX) upon completion of the Proposed Listing.

38. **Supplementary financial information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group and of the Company as at 30 June, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, is as follows:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained profits of the Company and its subsidiaries				
- Realised	89,350,506	104,487,507	30,622,538	487,167
- Unrealised	9,617,673	5,835,677	-	-
	98,968,179	110,227,386	30,622,538	487,167
Add: Consolidation adjustments	(29,949,235)	(46,816,956)	-	-
Total retained profits as per Statements of Financial Position	69,018,944	63,506,228	30,622,538	487,167

38. **Supplementary financial information on the breakdown of realised and unrealised profits or losses** (continued)

The determination of realised and unrealised profits or losses is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant of Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

39. **General**

The Company, incorporated in Malaysia, is a public limited liability company that is incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 30 June 2016.

The registered office and principal place of business of the Company are located at 1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P.O. Box 2848, 90732, Sandakan, Sabah, Malaysia.

The financial statements are presented in Ringgit Malaysia.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 28 October 2016.

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	19 19 19 18	5,171
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	19	3,224
3.	CL 075365785 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah.	- Impregnation Plant - Warehouse - Workshop - Dockyard / Frabication - Brick Warehouse	15.29	4,500 20,000 4,800	01-01-1979/ 21-12-2077	16 18 18	4,734
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	19	1,575
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	19	196
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	21 21 21 21 21	1,140
8.	CL 075170268 Mile 3.4 Jalan Ulu 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	19	12
	Maxland Sdn Bhd						
10.	CL 075313398 Mile 17, Labuk Road, Sandakan, Sabah.	Agriculture Land	14.24	-	01-01-1970/ 31-12-2069	N/A	112
	Sinora Sdn Bhd						
11.	CL 075376153 Mile 6.5 Batu Sapi, Sandakan, Sabah.	- 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	33 20 25 33 33 33 33 33 23 23 23	11,547
12.	CL 075472338 Mile 6.5 Batu Sapi, South-West of Sandakan, Sabah.	Log Pond	80.46	-	01-01-1994/ 31-12-2053	N/A	1,722
	Rimbunan Gagah Sdn Bhd						
13.	CL 085319820 Off Mile 78, Labuk Sugut Telupid – Sandakan Road, Sandakan, Sabah.	- Sawmill/ Timber Storage Factory - 2 storey dwelling house - Office Building - 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	22 22 22 22 22 22 22	679
	Priceworth Sawmill (SI) Limited						
14.	Lot No. 785, Noro, Western Province The Solomon Islands	- Land (currently under construct of Sawmill/Veneer Mill Factory)	21.23	-	27-06-2005/ 26-06-2055	N/A	147

Analysis of Shareholdings
As at 30 September 2016

Authorised share capital	:	RM200,000,000.00
Issued and fully paid shares	:	RM 65,459,625.90
Treasury shares	:	12,562,832 ordinary shares of RM0.10 each
Class of shares	:	Ordinary shares of RM0.10 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
403	less than 100	14,876	0.00
202	100 to 1,000	70,489	0.01
2,319	1,001 to 10,000	10,522,023	1.64
2,721	10,001 to 100,000	113,004,482	17.60
902	100,001 to less than 5% of issued shares	482,708,092	75.18
1	5% and above of issued shares	35,683,465	5.56
6,548	Total	642,033,427	100.00

SUBSTANTIAL SHAREHOLDERS

	No. of shares held			
Name of Shareholder	Direct	%^	Deemed Interest	%
Lim Nyuk Foh	68,322,511	10.64	-	-

DIRECTORS' SHAREHOLDINGS

	No. of shares held			
Name of Director	Direct	%^	Deemed Interest	%
Dato' Sri Chee Hong Leong, JP	-	-	-	-
Lim Nyuk Foh	68,322,511	10.64	-	-
Koo Jenn Man	510	0.00	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

Analysis of Shareholdings
As at 30 September 2016 (continued)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%^
1.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	35,683,465	5.56
2.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	21,292,000	3.32
3.	RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chong Vun Kon @ Chung Vun Kon]	12,870,000	2.00
4.	Maybank Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Sang @ Freddy Lim]	12,199,800	1.90
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	11,347,000	1.77
6.	Wong Chau Hwa	10,100,000	1.57
7.	Tam Cheng Yau	10,082,000	1.57
8.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Sukmah Binti Bidu]	8,048,150	1.25
9.	Te Kim Leng	5,830,000	0.91
10.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account – AmBank (M) Berhad for Joan Yong Mun Ching]	5,720,000	0.89
11.	Luxurious Vicinity Sdn Bhd	4,500,000	0.70
12.	RHB Capital Nominees (Tempatan) Sdn Bhd [Lee Leong Lai]	4,300,000	0.67
13.	Lee Yu Yong @ Lee Yuen Ying	3,900,000	0.61
14.	Ong Ngoh Ing @ Ong Chong Oon	3,800,000	0.59
15.	Diong Siew Gi	3,750,000	0.58
16.	Chia Beng Tat	3,500,000	0.55
17.	Tan Kok Yang	3,350,000	0.52
18.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ng Soon Lai]	3,146,100	0.49
19.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Kho Chong Yau]	3,090,000	0.48
20.	RHB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Twee Yong]	2,800,000	0.44

Analysis of Shareholdings
As at 30 September 2016 (continued)

LIST OF 30 LARGEST SHAREHOLDERS (continued)

No.	Name	No. of Shares	%
21.	Fong Kim Shui	2,700,000	0.42
22.	RHB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ooi Gim Eng]	2,572,300	0.40
23.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt AN for UOA Kay Hian Pte Ltd]	2,549,438	0.40
24.	HLIB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Quek Mooi Kheng]	2,500,000	0.39
25.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Jega Devan A/L M Nadchatiram]	2,483,000	0.39
26.	Kau Wei Wei	2,468,000	0.38
27.	Affin Hwang Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ng Khang Yang]	2,458,300	0.38
28.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Koh Pee Leong]	2,380,000	0.37
29.	Low Chang Choy	2,334,100	0.36
30.	Maybank Nominees (Tempatan) Sdn Bhd [Pledged securities account for Wisma Jutamas Sdn Bhd]	2,314,100	0.36

Note:

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

Notice of Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of the Company will be convened and held at Ming Garden Hotel & Residence, Level 2, Babagon Boardroom, Lorong Ming Garden, Jalan Coastal, Kota Kinabalu, Sabah on Wednesday, 30 November 2016 at 9.00 a.m. to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon.

2. To approve the sum of not exceeding RM135,750 as the total Directors' fees for payment in respect of the financial year ending 30 June 2017. **Resolution 1**

3. To re-elect the Director, Mr Koo Jenn Man who retires pursuant to Article 86 of the Company's Articles of Association and eligible, offer himself for re-election. **Resolution 2**

4. To re-appoint Messrs PKF as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 3**

5. **Special Business**

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

   (a) Ordinary Resolution

   - **Proposed renewal of authority to issue shares pursuant to Section 132D of the Companies Act, 1965** **Resolution 4**

     "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 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 5**

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

     "THAT subject always to compliance with the Companies Act, 1965 ("the Act"), the Articles of Association of the Company, the Main Market 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 RM0.10 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 10% of the total issued and paid-up ordinary share capital of the Company at any point in time of the said purchase(s);

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

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

       (i) (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) (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) (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

     whichever is earlier;

5. **Special Business (continued)**

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

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 Main Market 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 6**

- **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 7**

- **Proposed Retention of Independent Director Mr Ooi Jit Huat**

"THAT 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

31 October 2016

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 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 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 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 22 November 2016 shall be regarded as member of the Company entitled to attend, speak and vote at the Twentieth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

7. *All the Resolutions set out in this Notice will be put to vote by poll pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements.*

8. *Retirement of Director*

Dato' Sri Chee Hong Leong, the Chairman and Independent Non-Executive Director will retire by rotation pursuant to Article 86 of the Company's Articles of Association at the conclusion of Twentieth Annual General Meeting and he does not wish to seek for re-election.

9. EXPLANATORY NOTE ON SPECIAL BUSINESS

(a) Resolution 4

Resolution 4 is the renewal of general mandate empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued under the general mandate does not exceed 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 next Annual General Meeting.

At the last Annual General Meeting held on 15 December 2015, the shareholders approved the general mandate pursuant to Section 132D of the Companies Act, 1965 and this mandate will lapse at the conclusion of the Twentieth Annual General Meeting to be held on 30 November 2016.

As at the date of this Notice, the Company has announced on 19 October 2016, the fund raising Proposals to be undertaken, amongst others, the Proposed Private Placement of the issuance of up to 64,203,342 new shares of the Company (representing 10% of the issued share capital of the Company for the time being)to third party investors to be identified later.

The proceeds raised from the Proposed Private Placement will be utilized to part finance the payment of the earnest deposit in relation to the Proposed Acquisition of timber extraction and replanting rights on a forest reserve area comprising of 101,161 hectares in Trus Madi, Sabah known as Forest Management Unit No. 5 by the wholly-owned subsidiary, GSR Pte. Ltd.

The renewal of the general mandate will provide flexibility to the Company to issue new shares without the need to seek shareholders' approval at separate general meeting and thereby reducing administrative time and costs associated with the convening of such meeting. This general mandate is for possible fund-raising exercises and placement of shares for purpose of funding future investment projects, working capital or acquisition.

(b) Resolution 5

Resolution 5 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.

(c) Resolution 6 and 7

For Resolution 6 and 7, if passed, will retain Mr Kwan Tack Chiong and Mr Ooi Jit Huat as Independent Directors of the Company to fulfill paragraph 3.04 of the Main Market Listing Requirements and in line with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012.

As at the date of this Notice, Mr Kwan Tack Chiong and Mr Ooi Jit Huat have served the Company for a cumulative term of more than 9 years. The Nomination Committee and the Board have considered the assessments on Mr Kwan Tack Chiong and Mr Ooi Jit Huat meet the criteria of experience, integrity and competency in discharging their duties as Independent Directors. They have also satisfied the test of independence based on guidelines of the Main Market Listing Requirements. They have proven that their length of service do not interfere with their ability in exercising impartial judgement in the Board deliberation and the interest of the Company as a whole. Their networking, experience and familiarisation with the business operations will provide a check and balance to the Executive Directors and management team. The Board, therefore would like to recommend to the shareholders for approval at the forthcoming Annual General Meeting that Mr Kwan Tack Chiong and Mr Ooi Jit Huat be retained as Independent Directors.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of persons who are standing for election as Director

No individual is seeking election as a Director at the Twentieth Annual General Meeting.

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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 Twentieth Annual General Meeting of the Company to be held at Ming Garden Hotel & Residence, Level 2, Babagon Boardroom, Lorong Ming Garden, Jalan Coastal, Kota Kinabalu, Sabah on Wednesday, 30 November 2016 at 9 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

No.	Resolutions	For	Against
Resolution 1	Payment of Directors' Fees for the sum of not exceeding of RM135,750.00 for the financial year ending 30 June 2017		
Resolution 2	Re-election of Mr Koo Jenn Man as Director		
Resolution 3	Re-appointment of Messrs PKF as Auditors of the Company		
Resolution 4	Proposed renewal of authority to issue shares under Section 132D of the Companies Act,1965		
Resolution 5	Proposed renewal of authority for the Company to purchase its own shares representing up to 10% of its issued and paid-up share capital		
Resolution 6	Proposed retention of Mr Kwan Tack Chiong as Independent Director		
Resolution 7	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 ……………………………………… 2016

………………………………………………….

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 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 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 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 22 November 2016 shall be regarded as member of the Company entitled to attend, speak and vote at the Twentieth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*
7. *Dato' Sri Chee Hong Leong will retire by rotation pursuant to Article 86 of the Company's Articles of Association at the conclusion of Twentieth Annual General Meeting and he does not wish to seek for re-election.*
8. *All the Resolutions set out in this Notice will be put to vote by poll pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements.*

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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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