

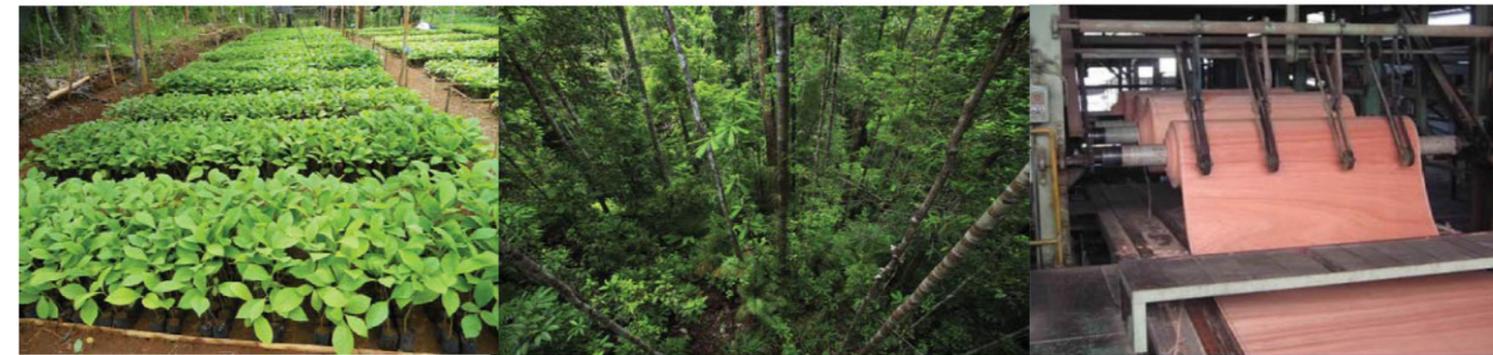


**PRICEWORTH INTERNATIONAL BERHAD** (399292-V)  
(Incorporated in Malaysia)



**PRICEWORTH INTERNATIONAL BERHAD**  
(Company No. 399292 - V)

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara, P.O. Box 2848, 80732 Sandakan, Sabah, Malaysia.  
(Head Office) Tel: 089-221170 / 223767 / 221211 Fax: 089-221213 / 227823  
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## ANNUAL REPORT 2014

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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  
(Independent Non-Executive Director)

Kwan Tack Chiong  
(Independent Non-Executive Director)

Ooi Jit Huat  
(Independent Non-Executive Director)

## COMPANY SECRETARY

Katherine Chung Mei Ling (MAICSA 7007310)

## REGISTERED OFFICE

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

## CORPORATE HEAD OFFICE

1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4  
Jalan Utara, P.O. Box 2848, 90732 Sandakan, Sabah  
Tel No. : 089-221170/223767/221211  
Fax No. : 089 221213/227823  
Email : [pworth@pwibhmalaysia.com.my](mailto:pworth@pwibhmalaysia.com.my)  
Website : [www.pwpmalaysia.com.my](http://www.pwpmalaysia.com.my)

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana I  
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  
Amlslamic Bank  
Malayan Banking Berhad  
RHB Bank Berhad  
Kuwait Finance House (Malaysia) 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

	<u>Stock Name</u>	<u>Stock Code</u>
Shares	PWORTH	7123
Warrants	PWORTH-WA	7123WA

# Chairman's Statement

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Financial Statements of Priceworth International Berhad ("PIB" or "the Group") for the financial year ended 30 June 2014 ("FY2014").

## Financial Results

For FY2014, the Group recorded a revenue of RM162.1 million, a 14 % decrease from RM188.4 million a year ago. Despite the fall in revenue, PIB reduced its net loss significantly to RM13.2 million for the current year compared to a net loss of RM 57.3 million for the previous year .

The Group's earnings performance improved for FY2014 with net profit of RM173,000 posted for the fourth quarter, which saw the end of a stretch of quarterly losses since September 2012.

Revenue fell due to shortage of log supply over the previous two years, especially with Sabah's effective conservation efforts. The loss for the year was also due to adverse weather conditions, labour shortages and under utilisation of mills' production capacity, with fixed depreciation charge on property, plant & equipment of RM 39.4 million.

## Prospects

While the Board anticipates another challenging year ahead in view of uncertain global economic conditions, the Group's move to become a fully integrated and certified player in sustainable, renewable timber is bearing fruit. To date, PIB has secured 28,000 ha of timber concessions to be managed as a sustainable forest for the next 50 years, via its subsidiary Beta Bumi Sdn Bhd acquired in January 2014.

The Group will reap the long-term benefits of having a stable continuous log supply as well as premium pricing from developed markets for certified sustainable timber. PIB expects to improve FY2015's performance, as harvest from its sustainable forest plantation will contribute to half of total log supply for its downstream timber manufacturing business for the next three years. Immediate plans include ramping up its mills production capacity for output of wood products. Previously, PIB's mills operated at 40 % production capacity due to unstable log supply.

The Group is continuously endeavoring to secure new timber concessions and seek fresh funds to reduce its bank borrowings. These corporate proposals are expected to be completed by next year and should contribute positively to the Group's performance.

Additionally, to mitigate over-dependence on the core timber business, the Group has expanded into the oil and gas sector. In September 2014, its wholly-owned subsidiary Maxland Dockyard & Engineering Sdn Bhd entered a joint venture with Semaring Enterprise Sdn Bhd, a Miri based oil and gas company who is a licensed and registered contactor and supplier for Petronas and its Profit Sharing Contractor Partners. The Board looks forward to growing its shipyard business as a new revenue stream for the Group, and will provide progress updates accordingly.

## Acknowledgement

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

I would like to extend my appreciation to my fellow Board members for their invaluable advice and contributions. My special thanks go out to our employees and managers of the Group for their tremendous commitment throughout these challenging economic times. I look forward to your continued support as we progress ahead to achieve growth and success.

**Dato' Sri Chee Hong Leong, JP**

Chairman

Sandakan

03 November 2014

# Directors' Profile

## Lim Nyuk Foh

Malaysian, aged 50

*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 25 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

Malaysian, aged 41

*Executive Director*

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

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

## Dato' Sri Chee Hong Leong, JP

Malaysian, aged 50

*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 boards of SYF Resources Berhad and SEG International Berhad, both listed on Bursa Securities.

# Directors' Profile

## (continued)

### Kwan Tack Chiong

Malaysian, aged 51  
*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 shareholdings in other public companies.

### Ooi Jit Huat

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

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

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 29 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 has any conflict of interest with the Company.

## 3. Convictions of Offences

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

## 4. Shareholdings

The particulars of the Directors' shareholdings are set out on page 91 of this Annual Report.

## 5. Details of Attendance of Board Meetings held during the financial year ended 30 June 2014

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

# Statement Of Corporate Governance

The Board of Directors (“the Board”) 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 for the financial year ended 30 June 2014 and the extent of compliance with the principles and best practices of the Code.

## BOARD OF DIRECTORS

### Board Composition and Balance

The present Board comprises of members of good mix with different backgrounds, expertise and diverse skill to effectively lead and control the Company. As at the date of this report, there are 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 of the Company in view of the nature of business and the scale of its Group’s business operation. The profile of Directors and their other information are set out in “Directors’ Profile” and “Other Information of Directors”.

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

### 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 any 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. The Board regularly reviews the Company’s business operations identifying risks and ensuring the existence of adequate internal controls and management systems to measure and manage risks and maintains full and effective control over management of the Company.

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

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

### 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.

# Statement Of Corporate Governance (continued)

## Tenure of Independent Director

The Code recommends that 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 Independent Director will undertake to ascertain the level of independent on the director objectively and hence recommendation is made whether such he be retained as an Independent Director.

Subsequent to the financial year, Mr Kwan Tack Chiong and Mr Ooi Jit Huat have satisfied the test of independent based on the Main Market Listing Requirements. The Board would like to recommend to the shareholders for approval on the retention of Mr Kwan Tack Chiong and Mr Ooi Jit Huat as Independent Directors at the forthcoming annual general meeting.

## Gender Diversity

The Board does not have a gender diversity policy. Nevertheless, the Board of the view that appointment of directors should based on merits and not racial or gender.

## Board Meetings

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

During the year under review, the Board has met on a total of 5 occasions. All Directors' are committed and had devoted sufficient time to discharge their duties as reflected in their attendance of more than half in number of board meetings held during the financial year. The attendance record of each Director is set out in "Other Information of Directors" in this report.

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

## Ethical Standards

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

## Supply of Information

The Notice of meetings, setting out the agenda and accompanied by the meeting papers, including financial-related information of the Group are distributed to all Directors and members of committees prior to the respective meeting to enable the Directors and members of committees to peruse, obtain further information and/or seek clarification on the matters to be discussed. The Directors have total access to additional information and clarification in furtherance to the discharge of their duties. The Directors are also updated with the operations, development and performance of the Group.

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

## Directors' Training

All the Directors had fulfilled the Mandatory Accreditation Programme ("MAP") 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.

# Statement Of Corporate Governance (continued)

## Directors' Training (continued)

During the financial year 2014, the Directors attended the following training programme/seminar:

Director	Mode of Training	Title of Training	Duration (Day)
Dato' Sri Chee Hong Leong, JP	Seminar	Seminar on 2014 Budget, Recent Tax Development & GST	1/2
Mr Lim Nyuk Foh	Seminar	Seminar on 2014 Budget, Recent Tax Development & GST	1/2
Mr Koo Jenn Man	Seminar	Budget 2014 Tax Seminar - Moving ahead regionally	1
	Seminar	Understanding of GST and Updates in Malaysia	2
Mr Kwan Tack Chiong	Seminar	Seminar on 2014 Budget, Recent Tax Development & GST	1/2
Mr Ooi Jit Huat	Seminar	Seminar Percukaian Kebangsaan 2013	1
		Seminar on 2014 Budget, Recent Tax Development & GST	1/2
	Conference	MIA Conference 2013 by Malaysian Institute of Accountants	2
	Conference	2014 Audit Committee conference	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 its terms of reference of the Audit Committee are presented in "Audit Committee Report" of this Annual Report.

### 2. Nomination Committee

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

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

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

# Statement Of Corporate Governance (continued)

## 3. Remuneration Committee

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

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

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

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

## Directors' Remuneration

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

# Statement Of Corporate Governance (continued)

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

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

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

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

## **Relationship with the Auditors**

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

## **RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**

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

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

# Corporate Social Responsibility

The Board recognises the importance of playing its role as a socially responsible corporate citizen in the workplace, community, environment and marketplace. The good corporate governance through practising accountability, honesty, transparency coupled with effective adoption of corporate social responsibility will ensure sustainability in the competitive corporate world and positive influence on the Group's business strategy and performance in the short-term and long-term. The Corporate Social Responsibility practised by 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 Certificate issued by SIRIM QAS International Sdn Bhd., an independent Malaysian certification, inspection and testing body compliance with internationally recognized standards.

# Statement on Risk Management and Internal Control

## Introduction

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

## Board’s Responsibility

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

## 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. Changes in business environment and operations are reviewed while operation performance is assessed with detailed corrective actions being identified and discussed.

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

### Clearly defined organisational structure

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

### 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.

### Review with the external auditors

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

# Statement on Risk Management and Internal Control (continued)

## **Other key internal control**

ISO 9001 : 2008 Quality Management System in certain subsidiaries of the Group also formed 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.

## **Review of the Statement by External Auditors**

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the Financial Year and reported to the Board that nothing has come to their attention which has caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control systems.

# Audit Committee Report

The Audit Committee of Pricewater International Berhad (“PIB” or “the Company”) is pleased to present the Audit Committee Report for the financial year ended 30 June 2014.

## Composition

The Audit Committee is presently comprising of the following members:

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

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

## Key Functions and Roles of Audit Committee and Attendance

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

The duties of the Audit Committee shall be to review and report to the Board on the following matters:

1. the nomination, appointment and re-appointment of external auditor, the audit fee and any questions of resignation and dismissal.
2. the external auditors’ audit plan, the nature and scope of audit, the evaluation of the system of internal controls of the Company and the Group, the external auditors’ management letter and management’s response.
3. the external auditors’ audit 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. the extent of co-operation and assistance given by the employees to the external auditors.
5. the internal audit function,
  - review the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work;
  - review 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;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve 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. 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. 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 Audit Committee meetings 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	Member	5/5	100

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

During the financial year, the Audit Committee met the External Auditors at least on 2 occasions of the Committee Meetings to review the Audit Planning Memorandum.

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

### Summary Activities of the Audit Committee

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

- reviewing the audit plan, scope and nature of audit for the PIB Group with external auditors;
- discussing and recommended the audited financial statements of the Company and of the Group for the Board's approval;
- reviewing the external auditors' report in relation to the audit for the financial year ended 30 June 2013;
- reviewing the nomination of new incoming external auditors and recommended to the Board for the appointment of new external auditors in replace of the retiring Auditors;
- reviewing, discussing and recommending the unaudited quarterly results of the Group to be presented to the Board for approval;
- reviewing the Internal Audit Plan and the scope of internal audit;
- reviewing the Internal Audit Report and discuss on matters highlighted by Internal Auditor;
- reviewing the Statement of Internal Control and Audit Committee Report in respect of the financial year ended 30 June 2013 and presented to the Board for approval;
- any related party transaction and situation of conflict of interest which may arise within the Group.

### Internal Audit Activities

The activities carried out by the internal auditor during the financial year ended 30 June 2014 are as follows:

- conducted internal audit reviews according to the approved internal audit plan and presented the results of the audit reviews to the Audit Committee at the quarterly meetings; and
- followed up on the implementation of audit recommendations and management action plans, and reported to the Audit Committee the status of their implementation at the quarterly meetings of the Audit Committee.

The total cost incurred for the Group's internal audit function amounted to approximately RM50,000.00.

# Additional Compliance Information

During the financial year:

**During the financial year:**

**(a) Utilisation of Proceeds from the Corporate Proposals**

The gross proceeds of RM10 million arising from the Proposed Redeemable Convertible Notes were utilized as follows:

<b>Proposed Utilisation</b>	<b>RM'000</b>	<b>%</b>	<b>Utilised 30-06-2014 RM'000</b>
Repayment of loan and borrowings	40.00	80.00	5.70
Working capital requirements	8.40	16.80	2.70
Estimated expenses relating to the corporate proposals	1.60	3.20	1.60
<b>Total</b>	<b>50.00</b>	<b>100.00</b>	<b>10.00</b>

**(b) Share Buy-Back**

The shareholders of the Company, by an ordinary resolution in the last Annual General Meeting held on 20 December 2013 approved the Company's Proposed Renewal Share Buy-Back Scheme ("Share Buy-Back") to purchase up to 10% of its own issued and paid-up share capital.

There was no purchase of own shares from the open market during the financial year. As at 30 June 2014, the Company held a total of 12,562,832 treasury shares. None of them were resold or cancelled.

**(c) Options, Warrants or Convertible Securities**

No options, warrants or convertible securities in the Company were issued or exercised during the financial year.

**(d) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR programs during the financial year.

**(e) Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, or on the Directors or management by the relevant regulatory bodies.

**(f) Non-Audit Fees**

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

**(g) Variation in Results**

There were no material variance between the audited results for the financial year ended 30 June 2014 and the unaudited results released for the quarter ended 30 June 2014 of the Group.

**(h) Profit Guarantee**

There were no profit guarantees given by the Company and its subsidiary.

**(i) 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 2014 or entered into since the end of the previous financial year.

**(j) Recurrent Related Party Transactions**

The recurrent related party transactions entered were disclosed in Note 29 of the audited financial statements on page 72 to 73

# Financial Statements

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# Directors' report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

## 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 have been no significant changes in the nature of these principal activities during the financial year ended 30 June 2014.

## Results

	Group RM	Company RM
Loss for the financial year attributable to:		
Owners of the Company	(13,259,093)	(955,609)
Non-controlling interests	(922)	-
	<u>(13,260,015)</u>	<u>(955,609)</u>
Total comprehensive expense for the financial year attributable to:		
Owners of the Company	(13,423,809)	(955,609)
Non-controlling interests	(922)	-
	<u>(13,424,731)</u>	<u>(955,609)</u>

## 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 2014.

## 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' report

## (continued)

### 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:

Name of director	Number of ordinary shares of RM0.10 each			
	AT 1.7.2013	Bought	Sold	AT 30.6.2014
<b>Direct interest:</b>				
Lim Nyuk Foh	36,841,511	-	-	36,841,511
Koo Jenn Man	510	-	-	510

Direct interest:	Number of Warrants 2011/2016			
	AT 1.7.2013	Bought	Sold	AT 30.6.2014
Lim Nyuk Foh	1,039,305	3,325,800	-	4,365,105

Lim Nyuk Foh by virtue of his interests in shares and warrants in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors 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 29 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

During the financial year, the authorised share capital of the Company has increased from 400,000,000 ordinary shares of RM0.50 each to 2,000,000,000 ordinary shares of RM0.10 each in order to facilitate and accommodate the par value reduction of ordinary share capital of the Company.

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.

The Company increased its issued and paid-up share capital from 186,278,118 ordinary shares to 322,763,808 ordinary shares by way of issuance of:

- (i) 65,714,285 ordinary shares of RM0.10 each for the acquisition of Beta Bumi Sdn. Bhd. which was partly satisfied via issuance of its ordinary shares at new par value of RM0.10 each; and
- (ii) 70,771,405 ordinary shares of RM0.10 each pursuant to the conversion of RM10,000,000 nominal value RCN converted at the following conversion price per ordinary share:

# Directors' report

## (continued)

### Issues of shares and debentures (continued)

Conversion date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
11 March 2014	11,323,425	0.1413	1,600,000
13 March 2014	5,661,712	0.1413	800,000
19 March 2014	11,323,425	0.1413	1,600,000
26 March 2014	14,154,281	0.1413	2,000,000
31 March 2014	14,154,281	0.1413	2,000,000
8 April 2014	14,154,281	0.1413	2,000,000
	<u>70,771,405</u>		<u>10,000,000</u>

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

At an extraordinary general meeting held on 20 December 2013, 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 (10th) 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 (10th) 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 (10th) 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 (10th) 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.

# Directors' report

## (continued)

### 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 (5th) 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 (5th) 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 2013 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 2014, the Company held as treasury shares a total of 12,562,832 of its 322,763,808 issued ordinary shares. Such treasury shares are held at a carrying amount of RM10,324,612 and further relevant details are disclosed in Note 23 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.

# Directors' report

## (continued)

### Other statutory information (continued)

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

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 2014 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.

### Significant events

Details of significant events are disclosed in Note 39 to the financial statements.

### Events after the reporting period

Details of significant events after the reporting period are disclosed in Note 40 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,

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**LIM NYUK FOH**

Director

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**KOO JENN MAN**

Director

Sandakan

Dated 24 October 2014



# 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 2014 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 88.

#### *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.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 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 41 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. The financial statements of the Company as at 30 June 2013, were audited by another auditor whose report dated 31 October 2013, expressed an unqualified opinion on these statements.

PKF  
AF 0911  
CHARTERED ACCOUNTANTS

Kota Kinabalu

Dated 27 October 2014

CHAU MAN KIT  
2525/03/16(J)  
CHARTERED ACCOUNTANT

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Revenue</b>	3	162,136,462	188,420,052	9,900,000	11,600,000
Cost of sales		(144,445,705)	(205,473,101)	-	-
<b>Gross profit/(loss)</b>		<u>17,690,757</u>	<u>(17,053,049)</u>	<u>9,900,000</u>	<u>11,600,000</u>
Interest income	4	6,068	4,838	-	-
Other operating income	5	17,414,699	18,421,182	-	-
Selling expenses		(15,729,351)	(15,758,933)	-	-
Administrative expenses		(18,282,817)	(20,305,206)	(1,680,132)	(1,205,369)
Other operating expenses	6	-	(17,321,200)	-	-
Finance costs	7	(14,028,343)	(20,115,981)	(9,175,477)	(10,342,682)
<b>(Loss)/Profit before taxation</b>	8	<u>(12,928,987)</u>	<u>(72,128,349)</u>	<u>(955,609)</u>	<u>51,949</u>
Income tax expense	11	(331,028)	14,854,086	-	-
<b>(Loss)/Profit for the financial year</b>		<u>(13,260,015)</u>	<u>(57,274,263)</u>	<u>(955,609)</u>	<u>51,949</u>
<b>Other comprehensive (expense)/income</b>					
Foreign currency translation		(164,716)	196,105	-	-
<b>Other comprehensive (expense)/income for the financial year, net of tax</b>		<u>(164,716)</u>	<u>196,105</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive (expense)/income for the financial year</b>		<u>(13,424,731)</u>	<u>(57,078,158)</u>	<u>(955,609)</u>	<u>51,949</u>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(13,259,093)	(56,941,210)	(955,609)	51,949
Non-controlling interests		(922)	(333,053)	-	-
		<u>(13,260,015)</u>	<u>(57,274,263)</u>	<u>(955,609)</u>	<u>51,949</u>
<b>Total comprehensive (expense)/income attributable to:</b>					
Owners of the Company		(13,423,809)	(56,745,105)	(955,609)	51,949
Non-controlling interests		(922)	(333,053)	-	-
		<u>(13,424,731)</u>	<u>(57,078,158)</u>	<u>(955,609)</u>	<u>51,949</u>
<b>Loss per share attributable to owners of the Company (sen per share)</b>					
Basic	12	(6)	(33)		

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

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	320,721,712	338,509,700	4,137	11,101
Land use rights	14	14,296,842	4,763,279	-	-
Intangible assets	15	42,330,061	16,262,345	-	-
Investments in subsidiary companies	16	-	-	303,427,634	284,341,920
Biological assets	17	34,602,446	21,189,886	-	-
Deferred tax assets	18	10,000,000	7,500,000	-	-
Non-trade receivables	19	-	2,961,384	-	-
		<u>421,951,061</u>	<u>391,186,594</u>	<u>303,431,771</u>	<u>284,353,021</u>
<b>Current assets</b>					
Inventories	20	37,506,220	32,898,543	-	-
Trade and non-trade receivables	19	37,057,993	38,355,093	99,251	199,251
Amounts due from subsidiary companies	21	-	-	9,222,688	3,469,124
Tax recoverable		4,301	26,751	-	-
Cash and bank balances	22	<u>3,199,557</u>	<u>3,269,697</u>	<u>151,417</u>	<u>94,621</u>
		<u>77,768,071</u>	<u>74,550,084</u>	<u>9,473,356</u>	<u>3,762,996</u>
<b>TOTAL ASSETS</b>		<u>499,719,132</u>	<u>465,736,678</u>	<u>312,905,127</u>	<u>288,116,017</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	23	32,276,381	93,139,059	32,276,381	93,139,059
Share premium	23	71,248,917	59,890,697	71,248,917	59,890,697
Treasury shares	23	(10,324,612)	(10,324,612)	(10,324,612)	(10,324,612)
Other reserves	24	78,688,911	4,342,379	78,854,130	4,342,882
Retained profits	25	<u>61,116,910</u>	<u>74,376,003</u>	<u>832,605</u>	<u>1,788,214</u>
		<u>233,006,507</u>	<u>221,423,526</u>	<u>172,887,421</u>	<u>148,836,240</u>
Non-controlling interests		<u>573,462</u>	<u>574,384</u>	-	-
<b>Total equity</b>		<u>233,579,969</u>	<u>221,997,910</u>	<u>172,887,421</u>	<u>148,836,240</u>
<b>Non-current liabilities</b>					
Loans and borrowings	26	163,149,650	168,176,805	139,120,457	138,254,472
Deferred tax liabilities	18	<u>20,366,794</u>	<u>8,872,402</u>	-	-
		<u>174,766,403</u>	<u>177,049,207</u>	<u>139,120,457</u>	<u>138,254,472</u>
<b>Current liabilities</b>					
Loans and borrowings	26	6,580,275	6,762,019	-	-
Trade and non-trade payables	27	75,635,885	59,545,881	897,249	1,025,305
Taxation		<u>406,559</u>	<u>381,661</u>	-	-
		<u>82,622,719</u>	<u>66,689,561</u>	<u>897,249</u>	<u>1,025,305</u>
Total liabilities		<u>266,139,163</u>	<u>243,738,768</u>	<u>140,017,706</u>	<u>139,279,777</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>499,719,132</u>	<u>465,736,678</u>	<u>312,905,127</u>	<u>288,116,017</u>

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 2014

Group	Note	Attributable to owners of the Company		Non-Distributable		Distributable		Non-controlling interests		Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Retained profits	controlling interests	RM	RM	
		RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2012		93,139,059	59,890,697	(10,324,612)	4,146,274	131,317,213	907,437			279,076,068
Loss for the financial year		-	-	-	-	(56,941,210)	(333,053)			(57,274,263)
Other comprehensive income		-	-	-	196,105	-	-			196,105
Total comprehensive expense for the financial year		-	-	-	196,105	(56,941,210)	(333,053)			(57,078,158)
At 30 June 2013		93,139,059	59,890,697	(10,324,612)	4,342,379	74,376,003	574,384			221,997,910
Loss for the financial year		-	-	-	-	(13,259,093)	(922)			(13,260,015)
Other comprehensive expense		-	-	-	(164,716)	-	-			(164,716)
Total comprehensive expense for the financial year		-	-	-	(164,716)	(13,259,093)	(922)			(13,424,731)
Contributions by owners of the Company										
- Reduction in par value		(74,511,248)	-	-	74,511,248	-	-			-
- Issuance of ordinary shares		6,571,429	10,514,285	-	-	-	-			17,085,714
- Share issuance expense		-	(2,078,924)	-	-	-	-			(2,078,924)
- Conversion of redeemable convertible notes		7,077,141	2,922,859	-	-	-	-			10,000,000
Total transactions with owners of the Company		(60,862,678)	11,358,220	-	74,511,248	-	-			25,006,790
At 30 June 2014		32,276,381	71,248,917	(10,324,612)	78,688,911	61,116,910	573,462			233,579,969

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 2014

Company	Attributable to owners of the Company		Non-Distributable		Distributable		Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained profits	Total equity	
Note	RM	RM	RM	RM	RM	RM	RM
At 1 July 2012	93,139,059	59,890,697	(10,324,612)	4,342,882	1,736,265	148,784,291	
Total comprehensive income for the financial year	-	-	-	-	51,949	51,949	
At 30 June 2013	93,139,059	59,890,697	(10,324,612)	4,342,882	1,788,214	148,836,240	
Total comprehensive expense for the financial year	-	-	-	-	(955,609)	(955,609)	
Contributions by owners of the Company	(74,511,248)	-	-	74,511,248	-	-	
- Reduction in par value	6,571,429	10,514,285	-	-	-	17,085,714	
- Issuance of ordinary shares	-	(2,078,924)	-	-	-	(2,078,924)	
- Share issuance expense	7,077,141	2,922,859	-	-	-	10,000,000	
- Conversion of redeemable convertible notes							
Total transactions with owners of the Company	(60,862,678)	11,358,220	-	74,511,248	-	25,006,790	
At 30 June 2014	32,276,381	71,248,917	(10,324,612)	78,854,130	832,605	172,887,421	

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 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from operating activities</b>					
(Loss)/Profit before taxation		(12,928,987)	(72,128,349)	(955,609)	51,949
Adjustments for:					
Allowance for impairment on non-trade receivables		317,011	-	-	-
Amortisation of land use rights		142,437	71,538	-	-
Amortisation of intangible asset		1,345,436	14,622,633	-	-
Bargain purchase on acquisition of a subsidiary		(5,914,286)	-	-	-
Depreciation of property, plant and equipment		39,063,882	40,923,015	6,964	8,514
Deposit written off		68,423	-	-	-
Fair value adjustment for forest planting expenditure		(647,502)	149,860	-	-
Gain on disposal of property, plant and equipment		(3,247,591)	(14,368,000)	-	-
Impairment loss on aircraft		-	1,700,000	-	-
Impairment loss on trade receivables		26,814	-	-	-
Impairment loss on non-trade receivables		180,655	53,907	-	-
Interest expenses		10,586,873	20,115,981	9,175,477	10,342,682
Interest income		(5,829)	(4,838)	-	-
Inventories written off		114,704	-	-	-
Liabilities no longer in existence written back		(699,216)	-	-	-
Property, plant and equipment written off		17,666	1,671	-	-
Provision for statutory interest no longer in existence written back		(2,340,000)	-	-	-
Unrealised foreign exchange gain		(461,690)	(537,761)	-	-
<b>Operating profit/(loss) before working capital changes</b>		25,618,800	(9,400,343)	8,226,832	10,403,145
(Increase)/Decrease in inventories		(4,209,203)	22,155,977	-	-
Decrease/(Increase) in receivables		5,480,754	12,629,767	100,000	(71,958)
Increase in amounts due from subsidiary companies		-	-	(5,753,564)	(549,464)
Increase/(Decrease) in payables		18,295,228	8,924,578	(128,056)	(4,115,062)
<b>Cash generated from operations</b>		45,185,579	34,309,979	2,445,212	5,666,661
Income tax paid		(63,948)	(614,846)	-	-
Income tax refunded		24,619	16,351	-	-
Interest paid		(10,586,873)	(16,676,672)	-	(9,588,750)
<b>Net cash generated from/(used in) operating activities</b>		34,559,377	17,034,812	2,445,212	(3,922,089)
<b>Cash flows from investing activities</b>					
Acquisition of a subsidiary company, net of cash acquired	16	(1,997,628)	-	17,085,714	-
Acquisition of intangible assets		(4,374,152)	(229,678)	-	-
Acquisition of property, plant and equipment	29	(24,251,786)	(23,151,132)	-	-
Interest received		5,829	4,838	-	-
Payment of forest planting expenditure		(12,416,457)	(6,016,041)	-	-
Proceeds from disposal of property, plant and equipment		6,348,710	30,875,090	-	-
Repayment from a subsidiary company		-	-	(2,078,924)	5,000,000
Increase in investment		-	-	(19,085,714)	-
Share issuance expenses		(2,078,924)	-	-	-

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (continued)

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from operating activities</b>					
<b>Net cash flows (used in)/generated from investing activities</b>		(38,764,408)	1,483,077	(4,078,924)	5,000,000
		<u>(4,205,031)</u>	<u>18,517,889</u>	<u>(1,633,712)</u>	<u>1,077,911</u>
<b>Cash flows from financing activities</b>					
Conversion of redeemable convertible notes		10,000,000	-	10,000,000	-
Interest paid		-	-	(8,309,492)	-
Repayment of loans and borrowings		(5,208,899)	(18,190,402)	-	(1,075,339)
Term loans drawdown		-	1,164,071	-	-
<b>Net cash flows generated from/(used in) financing activities</b>		<u>4,791,101</u>	<u>(17,026,331)</u>	<u>1,690,508</u>	<u>(1,075,339)</u>
<b>Net increase in cash and cash equivalents</b>		586,070	1,491,558	56,796	2,572
Effect of exchange rate fluctuations on cash held		(656,210)	196,108	-	-
<b>Cash and cash equivalents at beginning of financial year</b>		<u>3,269,547</u>	<u>1,581,881</u>	<u>94,621</u>	<u>92,049</u>
<b>Cash and cash equivalents at end of financial year</b>	28	<u><u>3,199,407</u></u>	<u><u>3,269,547</u></u>	<u><u>151,417</u></u>	<u><u>94,621</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014

### 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.

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 Five (5) years. Consequently, adoption of the MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2016.

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 2017. 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 2014 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 2017.

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

#### (a) Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 July 2013, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2013.

##### FRSs, Amendments to FRSs and Interpretations

- FRS 10 *Consolidated Financial Statements*
- FRS 11 *Joint Arrangements*
- FRS 12 *Disclosure of Interests in Other Entities*
- FRS 13 *Fair Value Measurement*
- FRS 119 (2011) *Employee Benefits*
- FRS 127 (2011) *Separate Financial Statements*
- FRS 128 (2011) *Investment in Associates and Joint Ventures*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRSs and Interpretations :
  - FRS 1 *First-time Adoption of Financial Reporting Standards – Government Loans*
  - FRS 1 *First-time Adoption of Financial Reporting Standards – Improvements to FRSs (2012)*
  - FRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
  - FRS 10 *Consolidated Financial Statements – Transition Guidance*
  - FRS 11 *Joint Arrangements – Transition Guidance*
  - FRS 12 *Disclosure of Interests in Other Entities – Transition Guidance*
  - FRS 101 *Presentation of Financial Statements – Improvements to FRSs (2012)*
  - FRS 116 *Property, Plant and Equipment – Improvements to FRSs (2012)*
  - FRS 132 *Financial Instruments: Presentation – Improvements to FRSs (2012)*
  - FRS 134 *Interim Financial Reporting – Improvements to FRSs (2012)*
  - IC Interpretation 2 *Members' Shares in Co-operative Entities & Similar Instruments – Improvements to FRSs (2012)*

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### I. Basis of preparation (continued)

#### (a) Changes in accounting policies and effects arising from adoption of new and revised FRSs (continued)

Adoption of the above FRSs and Interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those disclosed below:

##### (i) FRS 10 *Consolidated Financial Statements*

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

Under FRS 10, an investor controls an investee when:

- the investor has power over an investee;
- the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

FRS 10 has no impact on the currently held investments in the Group.

##### (ii) FRS 12 *Disclosure of Interests in Other Entities*

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

##### (iii) FRS 13 *Fair Value Measurement*

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group and the Company re-assessed their policies for measuring fair values, in particular, their valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group and the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

##### (iv) FRS 127 (2011) *Separate Financial Statements*

As a consequence of the new FRS 10 and FRS 12, FRS 127 (2011) is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

##### (v) FRS 128 (2011) *Investment in Associates and Joint Ventures*

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investment in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

##### (vi) Amendments to FRS 101 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

The amendments to FRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments have no significant impact to the Group's and the Company's financial position or performance.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### I. Basis of preparation (continued)

#### (b) 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:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective date</b>
• FRS 9 <i>Financial Instruments (2009)</i>	To be announced
• FRS 9 <i>Financial Instruments (2010)</i>	To be announced
• FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
• IC Interpretation 21 <i>Levies</i>	1 January 2014
• Amendments to FRSs :	
- FRS 2 <i>Share-based Payment – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 3 <i>Business Combinations – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 3 <i>Business Combinations – Annual Improvements to FRSs 2011 – 2013 Cycle</i>	1 July 2014
- FRS 8 <i>Operating Segments – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 9 <i>Financial Instruments (2013)</i>	To be announced
- FRS 10 <i>Consolidated Financial Statements – Investment Entities</i>	1 January 2014
- FRS 11 <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
- FRS 12 <i>Disclosure of Interests in Other Entities – Investment Entities</i>	1 January 2014
- FRS 13 <i>Fair Value Measurement – Annual Improvements to FRSs 2011 – 2013 Cycle</i>	1 July 2014
- FRS 116 <i>Property, Plant and Equipment – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 116 <i>Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
- FRS 119 <i>Employee Benefits – Defined Benefit Plans : Employee Contributions</i>	1 July 2014
- FRS 124 <i>Related Party Disclosures – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 127 (2011) <i>Separate Financial Statements – Investment Entities</i>	1 January 2014
- FRS 132 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
- FRS 136 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
- FRS 138 <i>Intangible Assets – Annual Improvements to FRSs 2010 – 2012 Cycle</i>	1 July 2014
- FRS 138 <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
- FRS 139 <i>Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
- FRS 140 <i>Investment Property – Annual Improvements to FRSs 2011 – 2013 Cycle</i>	1 July 2014

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### I. Basis of preparation (continued)

#### (b) Standards issued but not yet effective (continued)

The adoption of the above FRSs and Interpretations upon their effective dates is not expected to have any significant impact on the financial statements of the Group and the Company in the period of initial application except as mentioned below:

##### (i) FRS 9 *Financial Instruments*

FRS 9 addresses the classification and measurement of financial assets and financial liabilities. All financial assets shall be classified on the basis of the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset classified as fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value. Financial liabilities are measured at amortised cost or fair value. However, changes due to own credit risk in relation to the fair value option for financial liabilities shall be recognised in other comprehensive income.

The Group and the Company are currently examining the impact of adopting FRS 9.

##### (ii) FRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Group and the Company plan to apply the above-mentioned standards and interpretations:

- from the annual period beginning on 1 July 2014 for those standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 July 2014;
- from the annual period beginning on 1 July 2015 for those standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 July 2015; and
- from the annual period beginning on 1 July 2016 for those standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 July 2016,

except for changes arising from the adoption of FRS 14, IC Interpretation 21, Amendments to FRS 2 and FRS 140 which are not relevant to the Group's and the Company's operations.

#### (c) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

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

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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 3 to 15 years. These are common life expectancies applied in the timber operations.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### I. Basis of preparation (continued)

#### (c) Critical accounting estimates and judgements (continued)

##### (ii) Amortisation of timber rights

The Group estimates the amortisation of timber rights based on budgeted revenue from the timber concession areas. The amortisation of the budgeted revenue is based on a professional valuation performed within estimate on the availability of logs to be harvested from concession areas and future log prices. 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 sales 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.

##### (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) Revaluation of properties

Certain properties of the Group and the Company are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

##### (vii) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 1. Basis of preparation (continued)

#### (c) Critical accounting estimates and judgements (continued)

##### (viii) 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.

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.

The Group adopted FRS 10 Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

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 (continued)

The Group adopted FRS 10 Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:(continued)

- 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.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of FRS 10. The adoption of FRS 10 has no significant impact to the financial statements of the Group.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (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's 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.

##### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (vii) Joint venture (continued)

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.

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:

	2014 RM	2013 RM
I Japanese Yen	0.0317	0.0319
I Papua New Guinea Kina	1.3273	1.4126
I Singapore Dollar	2.5733	2.4963
I Solomon Islands Dollar	0.4411	0.4339
I United States Dollar	3.2144	3.1626

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

##### (iii) Revenue from services

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

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (e) Income taxes (continued)

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.

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 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.

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.

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. Leasehold land is amortised over the period of the lease term.

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

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (g) Property, plant and equipment (continued)

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 amortised over their lease terms.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (k) Financial assets (continued)

##### (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.

##### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (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.

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")).

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 2. Significant accounting policies (continued)

#### (t) Financial liabilities (continued)

##### (ii) Financial liabilities measured at amortised cost (continued)

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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 3. Revenue

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Sale of processed wood products	123,617,769	135,357,863	-	-
Sale of logs	29,354,731	23,015,565	-	-
Contract fee	2,696,891	22,974,205	-	-
Road tolls	1,759,408	1,657,182	-	-
Barge hire income	792,618	227,714	-	-
Dividend income from a subsidiary company	-	-	9,900,000	11,600,000
Services income	3,915,045	5,187,523	-	-
	<u>162,136,462</u>	<u>188,420,052</u>	<u>9,900,000</u>	<u>11,600,000</u>

### 4. Interest income

	Group	
	2014 RM	2013 RM
Interest income from:		
- Deposits with licensed banks	249	-
- Overdue accounts	5,819	4,838
	<u>6,068</u>	<u>4,838</u>

### 5. Other operating income

	Group	
	2014 RM	2013 RM
Bargain purchase on acquisition of a subsidiary (Note 16)	5,914,286	-
Gain on disposal of property, plant and equipment	3,259,994	14,368,000
Gain on foreign exchange		
- Realised	26,446	46,744
- Unrealised	461,735	537,761
Gate pass income	507,419	494,290
Handling charges	-	31,095
Insurance claim	87,972	236,087
Liabilities no longer in existence written back	699,216	-
Miscellaneous income	1,083,080	877,849
Provision for statutory interest no longer in existence written back	2,340,000	-
Rental income	1,176,665	610,912
Sale of saw dust	1,642,692	1,169,335
Sale of scrap iron	215,194	49,109
	<u>17,414,699</u>	<u>18,421,182</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 6. Other operating expenses

	Group	
	2014 RM	2013 RM
Amortisation of aircraft	-	1,700,000
Amortisation of timber rights	-	9,374,986
Backpayment of royalty	-	1,334,461
Depreciation of property, plant and equipment	-	4,616,553
Environmental impact assessment	-	196,546
Export royalty	-	9,649
Purchase of scrap iron	-	5,558
Realised loss on foreign exchange	-	82,752
Sundry expenses	-	695
	<u>-</u>	<u>17,321,200</u>

### 7. Finance costs

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest expenses:				
- Obligations under finance leases	1,380,540	4,582,369	-	-
- Term loans	9,175,477	10,342,682	9,175,477	10,342,682
- Others	3,472,326	5,190,930	-	-
	<u>14,028,343</u>	<u>20,115,981</u>	<u>9,175,477</u>	<u>10,342,682</u>

### 8. (Loss)/Profit before taxation

	Group		Company	
(Loss)/Profit before taxation is arrived at after charging:	2014 RM	2013 RM	2014 RM	2013 RM
Allowance for impairment on non-trade receivables (Note 19)	317,011	-	-	-
Amortisation of intangible assets (Note 15)	1,345,436	14,622,633	-	-
Amortisation of land use rights (Note 14)	142,437	71,538	-	-
Auditors' remuneration				
- Statutory audit				
- Current year	191,160	180,500	45,000	55,000
- Under provision in prior year	63,200	900	32,000	-
- Other services	64,500	119,500	28,000	9,000
Deposits written off	68,423	-	-	-
Depreciation of property, plant and equipment (Note 13)	39,063,882	40,923,015	6,964	8,514
Employee benefits expense (Note 9)	31,118,634	27,573,127	185,578	139,079
Hire of equipment	4,840	27,403	-	-
Impairment loss on aircraft	-	1,700,000	-	-
Impairment loss on non-trade receivables	180,655	53,907	-	-
Impairment loss on trade receivables	26,814	-	-	-
Inventories written off	114,704	-	-	-
Loss on disposal of property, plant and equipment	12,403	-	-	-
Non-executive Directors' remuneration (Note 10)	117,150	114,000	116,700	114,000
Property, plant and equipment written off	17,666	1,671	-	-
Rental expenses	1,306,794	626,236	103,904	119,578
Unrealised loss on foreign exchange	45	-	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 9. Employee benefits expense

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Salaries and wages	30,459,036	27,050,558	168,885	123,099
Contributions to defined contribution plan	1,249,868	1,075,002	15,225	14,615
Social security contributions	137,440	119,308	1,468	1,365
	<u>31,846,344</u>	<u>28,244,868</u>	<u>185,578</u>	<u>139,079</u>
Capitalised in biological assets (Note 17)	(727,710)	(671,741)	-	-
	<u>31,118,634</u>	<u>27,573,127</u>	<u>185,578</u>	<u>139,079</u>

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM727,833 (2013: RM692,851) and RM66,105 (2013: RM62,100) respectively as further disclosed in Note 10 to the financial statements.

### 10. Directors' remuneration

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Executive Directors' remuneration (Note 9)</b>				
- Salaries and other emoluments	627,633	651,101	61,655	62,100
- Bonus				
- Contributions to defined contribution plan	20,850	-	2,500	-
	<u>79,350</u>	<u>41,750</u>	<u>1,950</u>	<u>-</u>
	<u>727,833</u>	<u>692,851</u>	<u>66,105</u>	<u>62,100</u>
<b>Non-executive Directors' remuneration (Note 8):</b>				
- Fees	108,450	108,000	108,000	108,000
- Other emoluments	8,700	6,000	8,700	6,000
	<u>117,150</u>	<u>114,000</u>	<u>116,700</u>	<u>114,000</u>
<b>Total Directors' remuneration</b>	<u>844,983</u>	<u>806,851</u>	<u>182,805</u>	<u>176,100</u>

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	2014	2013
Executive Directors:		
RM100,001 – RM150,000	1	1
RM400,001 – RM450,000	-	1
RM450,001 – RM500,000	1	-
Non-executive Directors:		
Below RM50,000	3	3

### 11. Income tax expense

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current taxation	84,313	5,500	-	-
Deferred tax liabilities (Note 18)	(1,560,331)	(11,982,895)	-	-
	<u>(1,476,018)</u>	<u>(11,977,395)</u>	<u>-</u>	<u>-</u>
Under/(Over) provision in prior year				
- Current taxation	2,364	1,327	-	-
- Deferred tax liabilities (Note 18)	1,804,682	(2,878,018)	-	-
	<u>1,807,046</u>	<u>(2,876,691)</u>	<u>-</u>	<u>-</u>
	<u>331,028</u>	<u>(14,854,086)</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 11. Income tax expense (continued)

A reconciliation of income tax expense applicable to (loss)/profit 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	
	2014 RM	2013 RM	2014 RM	2013 RM
(Loss)/Profit before taxation	(12,928,987)	(72,128,349)	(955,609)	51,949
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	(877,255)	(18,032,087)	(238,901)	12,987
Effect of tax rate in foreign jurisdictions at 30% (2013: 30%)	(2,838,843)	-	-	-
Non-tax deductible expenses	3,246,340	6,032,944	2,713,901	2,887,013
Non-taxable income	(3,286,438)	(4,433,760)	(2,475,000)	(2,900,000)
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	2,280,178	5,121,177	-	-
Tax benefits arising from previously unrecognised temporary differences	-	(665,669)	-	-
	(1,476,018)	(11,977,395)	-	-
Under/(Over) provision in prior year				
- Current taxation	2,364	1,327	-	-
- Deferred tax liabilities (Note 18)	1,804,682	(2,878,018)	-	-
	1,807,046	(2,876,691)	-	-
	331,028	(14,854,086)	-	-

### 12. Loss per share

#### (a) Basic

Basic loss per share amounts are calculated by dividing loss 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	
	2014 RM	2013 RM
Loss net of tax attributable to owners of the Company	(13,259,093)	(56,941,210)
Weighted average number of ordinary shares in issue	234,230,953	173,715,286
	2014 Sen	2013 Sen
Basic loss per share	(6)	(33)

#### (b) Diluted

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

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 13. Property, plant and equipment

Group 2014	Long term leasehold land RM	Heavy equipment, motor vehicles and motor launches RM		Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and sco RM	Camp infrastructure and slipway RM	Construction work-in- progress RM	Total RM
		Buildings RM	equipment and launches RM							
<b>Cost or valuation</b>										
<b>At 1 July 2013</b>										
- At cost	12,008,169	86,593,693	162,862,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,586,726	565,434,568
- At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
	34,655,273	112,269,095	162,862,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,586,726	613,757,074
Addition	-	62,229	4,922,338	136,500	927,918	-	2,847,736	12,053,340	3,976,098	24,926,159
Disposal	-	(1,218,934)	(5,625,591)	-	-	-	-	-	(554,567)	(7,399,092)
Written off	-	-	(5,042)	-	(98,576)	-	-	-	-	(103,618)
Reclassification	103,019	1,714,559	257,951	8,276,965	176,769	-	-	132,153	(10,661,416)	-
Revenue expenditure recognised in profit or loss	-	(7,491)	-	-	(658,534)	-	-	(8,348)	-	(674,373)
Exchange differences	32,905	(5,360)	246,309	(15,461)	11,252	-	-	116,197	92,208	478,050
<b>At 30 June 2014</b>	34,791,197	112,814,098	162,658,470	221,925,062	11,886,795	16,433,565	8,148,866	57,887,098	4,439,049	630,984,200
Representing:										
- At cost	24,313,890	99,308,493	162,658,470	221,925,062	11,886,795	16,433,565	8,148,866	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	162,658,470	221,925,062	11,886,795	16,433,565	8,148,866	57,887,098	4,439,049	630,984,200
<b>Accumulated depreciation and impairment losses</b>										
At 1 July 2013	2,974,156	18,275,839	100,559,487	105,373,526	9,104,420	11,035,817	1,571,828	26,352,301	-	275,247,374
Charge for the financial year	595,017	2,570,673	14,032,588	12,906,181	934,120	1,643,356	756,750	5,973,798	-	39,412,483
Written back	-	(126,198)	(4,171,775)	-	-	-	-	-	-	(4,297,973)
Written off	-	-	(2,575)	-	(83,377)	-	-	-	-	(85,952)
Exchange differences	(264)	(170)	(6,152)	(882)	(2,268)	-	-	(3,708)	-	(13,444)
<b>At 30 June 2014</b>	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
<b>Net book value</b>										
- At cost	21,778,205	86,607,302	52,246,897	103,646,237	1,933,900	3,754,392	5,820,288	25,564,707	4,439,049	305,790,977
- At valuation	9,444,083	5,486,652	-	-	-	-	-	-	-	14,930,735
<b>At 30 June 2014</b>	31,222,288	92,093,954	52,246,897	103,646,237	1,933,900	3,754,392	5,820,288	25,564,707	4,439,049	320,721,712

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

Group 2013	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fittings and equipment RM	Aircraft RM	Tug boat and sco RM	Camp infrastructure and slipway RM	Construction work-in- progress RM	Total RM
<b>Cost or valuation</b>										
<b>At 1 July 2012</b>										
- At cost	10,224,202	85,137,275	180,872,203	214,275,721	11,336,744	16,433,565	10,281,733	41,011,053	16,310,764	585,883,260
- At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
Addition	32,871,306	110,812,677	180,872,203	214,275,721	11,336,744	16,433,565	10,281,733	41,011,053	16,310,764	634,205,766
Disposal	1,759,815	458,446	6,007,368	790,453	290,847	-	284,479	3,972,018	9,587,706	23,151,132
Written off	-	-	(28,300,553)	(6,768,415)	(65,610)	-	(5,548,813)	(1,417,347)	(1,012,631)	(43,113,369)
Reclassification	-	(3,000)	-	(3,200)	(13,810)	-	-	-	-	(20,010)
Revenue expenditure recognised in profit or loss	-	-	-	5,231,176	-	-	283,731	1,998,764	(13,143,301)	-
Exchange differences	24,152	5,518	(350,689)	1,323	(20,205)	-	-	29,268	(153,827)	(153,827)
<b>At 30 June 2013</b>	<b>34,655,273</b>	<b>112,269,095</b>	<b>162,862,505</b>	<b>213,527,058</b>	<b>11,527,966</b>	<b>16,433,565</b>	<b>5,301,130</b>	<b>45,593,756</b>	<b>11,586,726</b>	<b>613,757,074</b>
Representing:										
- At cost	12,008,169	86,593,693	162,862,505	213,527,058	11,527,966	16,433,565	5,301,130	45,593,756	11,586,726	565,434,568
- At valuation	22,647,104	25,675,402	-	-	-	-	-	-	-	48,322,506
<b>Accumulated depreciation and impairment losses</b>										
At 1 July 2012	2,437,022	15,744,578	106,595,538	94,263,686	8,397,396	7,692,461	1,520,794	22,715,313	-	259,366,988
Charge for the financial year	537,344	2,534,294	16,839,061	13,397,860	778,980	1,643,356	805,595	4,734,956	-	41,271,446
Written back	-	-	(22,876,248)	(2,286,401)	(54,610)	-	(754,561)	(1,102,380)	-	(27,074,200)
Written off	-	(2,998)	-	(1,576)	(13,765)	-	-	-	-	(18,339)
Impairment loss	-	-	-	-	-	1,700,000	-	-	-	1,700,000
Exchange differences	(210)	(35)	1,136	(43)	(3,581)	-	-	4,212	-	1,479
<b>At 30 June 2013</b>	<b>2,974,156</b>	<b>18,275,839</b>	<b>100,559,487</b>	<b>105,373,526</b>	<b>9,104,420</b>	<b>11,035,817</b>	<b>1,571,828</b>	<b>26,352,301</b>	<b>-</b>	<b>275,247,374</b>
<b>Net book value</b>										
- At cost	10,604,231	86,606,396	62,303,018	108,153,532	2,423,546	5,397,748	3,729,302	19,241,455	11,586,726	310,045,954
- At valuation	21,076,886	7,386,860	-	-	-	-	-	-	-	28,463,746
<b>At 30 June 2013</b>	<b>31,681,117</b>	<b>93,993,256</b>	<b>62,303,018</b>	<b>108,153,532</b>	<b>2,423,546</b>	<b>5,397,748</b>	<b>3,729,302</b>	<b>19,241,455</b>	<b>11,586,726</b>	<b>338,509,700</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

#### Company

2014

#### Cost

At 1 July 2013/30 June 2014

Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
348,600	234,742	583,342

#### Accumulated depreciation

At 1 July 2013

Charge for the financial year

At 30 June 2014

348,599	223,642	572,241
-	6,964	6,964
348,599	230,606	579,205

#### Net book value

At 30 June 2014

1	4,136	4,137
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#### Company

2013

#### Cost

At 1 July 2012/30 June 2013

Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
348,600	234,742	583,342

#### Accumulated depreciation

At 1 July 2012

Charge for the financial year

At 30 June 2013

348,599	215,128	563,727
-	8,514	8,514
348,599	223,642	572,241

#### Net book value

At 30 June 2013

1	11,100	11,101
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Depreciation of property, plant and equipment during the financial year was taken up in the financial statements as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Recognised in profit or loss (Note 8)				
- Cost of sales	34,585,360	37,331,244	-	-
- Administrative expenses	4,478,522	3,591,771	6,964	8,514
	39,063,882	40,923,015	6,964	8,514
Capitalised in biological assets (Note 17)	348,601	348,431	-	-
	39,412,483	41,271,446	6,964	8,514

The leasehold land and buildings in certain subsidiaries were revalued in 1996 by C. H. Williams Talhar & Wong (Sabah) Sdn. Bhd. Valuation was made on the basis of open market values on existing use basis.

Had the leasehold land and buildings been carried under the cost model, the carrying amount would have been RM998,681 (2013: RM1,389,916).

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

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

Group	At cost RM	Accumulated depreciation RM	Net book value RM
<b>2014</b>			
Plant and machinery	68,787,933	(27,853,821)	40,934,112
<b>2013</b>			
Plant and machinery	74,401,797	(25,208,139)	49,193,658

Included in property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Buildings	2,192,338	2,166,280	-	-
Heavy equipment, motor vehicles and motor launches	36,003,217	28,558,226	348,600	348,600
Plant and machinery	102,585,028	103,195,472	-	-
Furniture, fittings and equipment	10,109,911	9,159,611	-	-
Camp infrastructure and slipway	17,446,935	13,133,745	-	-
	<u>168,337,429</u>	<u>156,213,334</u>	<u>348,600</u>	<u>348,600</u>

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 26 to the financial statements are as follows:

	Group	
	2014 RM	2013 RM
Long term leasehold land	18,238,619	18,521,853
Buildings	88,267,359	91,111,282
Heavy equipment, motor vehicles and motor launches	39,799,544	48,581,070
Plant and machinery	99,755,438	105,973,330
Furniture, fittings and equipment	1,487,768	1,701,766
Aircraft	3,754,392	5,397,748
Tug boat and scow	5,820,286	3,729,300
Camp infrastructure and slipway	18,426,029	11,468,389
Construction work-in-progress	4,369,744	8,411,654
	<u>279,919,179</u>	<u>294,896,392</u>

The carrying amount of temporarily idle property, plant and equipment of the Group amounted to RM2,090,359 (2013: RMNil).

### 14. Land use rights

Cost	Group	
	2014 RM	2013 RM
At 1 July	5,114,634	5,114,634
Acquisition of a subsidiary (Note 16)	9,676,000	-
At 30 June	<u>12,204,512</u>	<u>5,114,634</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 14. Land use rights (continued)

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Accumulated amortisation</b>		
At 1 July	351,355	279,817
Charge for the financial year (Note 8)	142,437	71,538
At 30 June	<u>493,792</u>	<u>351,355</u>
<b>Net book value</b>		
At 30 June	<u>14,296,842</u>	<u>4,763,279</u>
Amount to be amortised:		
- Within one year	265,058	71,538
- Between one to five years	1,060,232	286,152
- More than five years	12,971,552	4,405,589
	<u>14,296,842</u>	<u>4,763,279</u>

The land use rights of the Group are pledged to secure the loans and borrowings granted to the Group as disclosed in Note 26 to the financial statements.

### 15. Intangible assets

#### Group

<b>2014</b>	<b>Goodwill</b>	<b>Timber rights</b>	<b>License</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cost</b>				
At 1 July 2013	20,323,572	30,232,223	229,678	50,785,473
Addition	-	4,300,000	74,152	4,374,152
Acquisition of a subsidiary (Note 16)	-	23,039,000	-	23,039,000
At 30 June 2014	<u>20,323,572</u>	<u>57,571,223</u>	<u>303,830</u>	<u>78,198,625</u>

#### Accumulated amortisation and impairment losses

At 1 July 2013	5,155,905	29,367,223	-	34,523,128
Charge for the financial year (Note 8)	-	1,327,150	18,286	1,345,436
At 30 June 2014	<u>5,155,905</u>	<u>30,694,373</u>	<u>18,286</u>	<u>35,868,564</u>

#### Net book value

30 June 2014	<u>15,167,667</u>	<u>26,876,850</u>	<u>285,544</u>	<u>42,330,061</u>
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#### Group

<b>2013</b>	<b>Goodwill</b>	<b>Timber rights</b>	<b>License</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cost</b>				
At 1 July 2012	20,323,572	30,232,223	-	50,555,795
Addition	-	-	229,678	229,678
At 30 June 2013	<u>20,323,572</u>	<u>30,232,223</u>	<u>229,678</u>	<u>50,785,473</u>

#### Accumulated amortisation and impairment losses

At 1 July 2012	5,155,905	14,744,590	-	19,900,495
Charge for the financial year (Note 8)	-	14,622,633	-	14,622,633
30 June 2013	<u>5,155,905</u>	<u>29,367,223</u>	<u>-</u>	<u>34,523,128</u>

#### Net book value

30 June 2013	<u>15,167,667</u>	<u>865,000</u>	<u>229,678</u>	<u>16,262,345</u>
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# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 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 26 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:

	Growth rate		Discount rate	
	2014 %	2013 %	2014 %	2013 %
Timber operation	3.3	6.4	8.4	13.7

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

#### (i) Growth rate

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

#### (ii) Discount rate

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

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the timber operation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts, save as 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	
	2014 RM	2013 RM
Unquoted shares, at cost	183,427,634	164,341,920
Amounts due from subsidiary companies	120,000,000	120,000,000
	<u>303,427,634</u>	<u>284,341,920</u>

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest		Principal activities
		2014 %	2013 %	
<b>Held by the Company</b>				
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. (Formerly known as Maxland Shipyard Sdn. Bhd.)	Malaysia	100	100	Operation of shipyard
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

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest		Principal activities
		2014 %	2013 %	
Innora Sdn. Bhd.	Malaysia	100	100	Ceased operations
Maju Sinar Network Sdn. Bhd.	Malaysia	100	100	Trading of logs
Beta Bumi Sdn. Bhd.	Malaysia	100	-	Extraction of timber and trading of logs
<b>Held through Priceworthy Industries Sdn. Bhd.</b>				
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
<b>Held through Cabaran Cerdas Sdn. Bhd.</b>				
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
Priceworthy Sawmill (SI) Limited *	Solomon Islands	100	100	Manufacture and sale of processed wood products
<b>Held through Maxland Sdn. Bhd.</b>				
Ligreen (PNG) Limited	Papua New Guinea	100	100	Dormant

\* Audited by PKF, Malaysia for consolidation purposes.

#### Acquisition of a subsidiary

On 24 January 2014, the Group acquired 500,000 ordinary shares of RM1 each, representing 100% equity interest in Beta Bumi Sdn. Bhd., for a total purchase consideration of RM25,000,000 satisfied by way of cash consideration of RM2,000,000 and the balance of RM23,000,000 satisfied via issuance of 65,714,285 new ordinary shares of RM0.10 each at an issue price of RM0.26 per ordinary share. As a result of that, Beta Bumi Sdn. Bhd. became a subsidiary of the Group.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Land use rights (Note 14)	9,676,000	-
Timber rights (Note 15)	23,039,000	-
Inventories	513,178	513,178
Non-trade receivables	1,815,173	1,815,173
Cash and bank balances	2,372	2,372
Trade and non-trade payables	(1,295,682)	(1,295,682)
Deferred Tax on fair value adjustment (Note 18)	(8,750,041)	-
Share of net assets acquired	25,000,000	1,035,041
Bargain purchase (Note 5)	(5,914,286)	-
Total purchase consideration	19,085,714	-
Less: Portion discharged by issuance of the Company's ordinary shares	17,085,714	-
Portion discharged by cash	2,000,000	-
Less: Cash and bank balances of Beta Bumi Sdn. Bhd.	2,372	-
Cash flow on acquisition, net of cash acquired	1,997,628	-

The bargain purchase represents the excess of the fair value of the identifiable net assets acquired over the aggregate of the fair value of consideration transferred due to the reduction of share price of the Company upon the allotment and issuance of the consideration shares to the vendors of Beta Bumi Sdn. Bhd. which consist of 65,714,285 ordinary shares, from RM0.35 per ordinary share, being the price stipulated in the relevant Share Sale Agreement, to RM0.26 per ordinary share.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 17. Biological assets

#### Forest planting expenditure

Cost	2014 RM	Group 2013 RM
At 1 July	21,189,886	14,975,274
Addition	12,765,058	6,364,472
Fair value adjustment	647,502	(149,860)
At 30 June	<u>34,602,446</u>	<u>21,189,886</u>

The forest planting expenditure is in respect of expenditure incurred on the development of the Group's Sustainable Forest Management Project of 1,798 hectares of timber land under a Sustainable Forest Management License Agreement with the State Government of Sabah at Pinangah Forest Reserve with 50 years concession 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 (2013: RM782,610). The difference between the initial carrying amount of the loan determined in accordance with FRS 139 and the proceeds of the loan received of RM647,502 (2013: RM149,860) has been recognised against the carrying amount of the biological assets.

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

	2014 RM	2013 RM
Depreciation of property, plant and equipment (Note 13)	348,601	348,431
Employee benefits expense (Note 9)	727,710	671,741
Interest on bank loan	249,127	132,491

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

	2014 RM	Group 2013 RM
At 1 July	1,372,402	16,233,315
Acquisition of a subsidiary (Note 16)	8,750,041	-
Recognised in profit or loss (Note 11)	244,351	(14,860,913)
At 30 June	<u>10,366,794</u>	<u>1,372,402</u>
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	20,366,794	8,872,402
Deferred tax assets	<u>(10,000,000)</u>	<u>(7,500,000)</u>
	<u>10,366,794</u>	<u>1,372,402</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

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

Group	Property, plant and equipment RM	Land use rights RM	Timber rights RM	Inventories RM	Total RM
<b>Deferred tax liabilities:</b>					
At 1 July 2013	38,270,116	2,361,041	498,191	-	41,129,348
Acquisition of a subsidiary (Note 16)	-	2,419,000	6,331,041	-	8,750,041
Recognised in profit or loss	(19,612)	(717,808)	(326,843)	(18,138)	(1,082,401)
At 30 June 2014	38,250,504	4,062,233	6,502,389	(18,138)	48,796,988
At 1 July 2012	40,515,094	3,068,474	4,153,850	(73,592)	47,663,826
Recognised in profit or loss	(2,244,978)	(707,433)	(3,655,659)	73,592	(6,534,478)
At 30 June 2013	38,270,116	2,361,041	498,191	-	41,129,348
<b>Group</b>		<b>Unutilised tax losses and unabsorbed capital allowances RM</b>	<b>Unabsorbed reinvestment allowances RM</b>	<b>Unabsorbed forest and agriculture allowances RM</b>	<b>Total RM</b>
<b>Deferred tax assets:</b>					
At 1 July 2013		(34,445,321)	(5,311,625)	-	(39,756,946)
Recognised in profit or loss		1,432,179	12,052	(117,479)	1,326,752
At 30 June 2014		(33,013,142)	(5,299,573)	(117,479)	(38,430,194)
At 1 July 2012		(25,237,183)	(6,193,328)	-	(31,430,511)
Recognised in profit or loss		(9,208,138)	881,703	-	(8,326,435)
At 30 June 2013		(34,445,321)	(5,311,625)	-	(39,756,946)

The unutilised tax losses and unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed forest and agriculture allowances of the Group amounting to RM64,640,246 (2013: RM51,599,397), RM1,572,543 (2013: RM1,487,217) and RM2,772,868 (2013: RM2,303,252) are available indefinitely 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 no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

As disclosed in Note 1(c)(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 RM90,630,716 (2013: RM98,011,068), RM21,702,124 (2013: RM21,750,332) and RM2,340,072 (2013: RM7,023,988) 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 growth rate.

### 19. Trade and non-trade receivables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Non-current Non-trade receivables</b>				
Prepayment for acquisition of timber rights	-	2,961,384	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 19. Trade and non-trade receivables (continued)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Current</b>				
<b>Trade receivables</b>				
Amounts due from companies which have common Directors with the Company and in which a Director of the Company has financial interests	86,733	1,840,833	-	-
Amount due from a company in which a person connected to a Director of the Company has financial interests	-	135,554	-	-
Third parties	9,250,519	8,521,933	-	-
	<u>9,337,292</u>	<u>10,498,320</u>	<u>-</u>	<u>-</u>
<b>Non-trade receivables</b>				
Deposits for log supplies	3,672,385	-	-	-
Other deposits	983,219	2,105,204	37,454	137,454
Prepayments	1,993,314	2,265,737	-	-
Other receivables				
- Amounts due from companies which have common Directors with the Company and in which a Director of the Company has financial interests	1,738,176	524,560	-	-
- Amounts due from companies in which a person connected to a Director of the Company has financial interests	295,617	319,505	-	-
- Third parties	19,355,001	22,641,767	61,797	61,797
	<u>28,037,712</u>	<u>27,856,773</u>	<u>99,251</u>	<u>199,251</u>
Less: Allowance for impairment	(317,011)	-	-	-
Non-trade receivables, net	<u>27,720,701</u>	<u>27,856,773</u>	<u>99,251</u>	<u>199,251</u>
	<u>37,057,993</u>	<u>38,355,093</u>	<u>99,251</u>	<u>199,251</u>
<b>Total trade and non-trade receivables</b>	<u>37,057,993</u>	<u>41,316,477</u>	<u>99,251</u>	<u>199,251</u>

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 60 to 90 days (2013: 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 1 (2013: 1) customer representing 65% (2013: 40%) of total trade receivables.

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

Group	Gross amount RM	Individual impairment RM	Carrying value RM
2014			
Not past due	4,091,233	-	4,091,233
Past due:			
- less than 30 days	3,202,083	-	3,202,083
- between 31 to 60 days	471,582	-	471,582
- between 61 to 90 days	720,781	-	720,781
- more than 90 days	851,613	-	851,613
	<u>5,246,059</u>	<u>-</u>	<u>5,246,059</u>
	<u>9,337,292</u>	<u>-</u>	<u>9,337,292</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 19. Trade and non-trade receivables (continued)

Group	Gross amount RM	Individual impairment RM	Carrying value RM
2013			
Not past due	6,389,654	-	6,389,654
Past due:			
- less than 30 days	815,071	-	815,071
- between 31 to 60 days	46,246	-	46,246
- between 61 to 90 days	116,288	-	116,288
- more than 90 days	3,131,061	-	3,131,061
	<u>4,108,666</u>	-	<u>4,108,666</u>
	<u>10,498,320</u>	-	<u>10,498,320</u>

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 RM5,246,059 (2013: RM4,108,666) 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.

	2014 RM	Group 2013 RM
Movement in allowance account for non-trade receivables :		
At 1 July	-	-
Charge for the financial year (Note 8)	317,011	-
At 30 June	<u>317,011</u>	<u>-</u>

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.

### 20. Inventories

Cost	2014 RM	Group 2013 RM
Consumable goods	6,312,975	6,077,249
Finished goods	8,398,174	7,710,043
Goods in transit	6,053	52,675
Logging contract work-in-progress	7,298,999	8,486,100
Nursery	745,703	503,995
Packing materials	-	28,498
Production supplies	4,953,885	5,371,108
Raw materials	2,171,772	3,914,755
Timber logs	511,395	-
Trading inventories	2,533,300	221,759
Work-in-progress	2,460,931	438,782
	<u>35,393,187</u>	<u>32,804,964</u>
<b>Net realisable value</b>		
Finished goods	2,113,033	93,579
	<u>37,506,220</u>	<u>32,898,543</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 20. Inventories (continued)

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

	2014 RM	2013 RM
Depreciation of property, plant and equipment	305,792	89,832
Employee benefits expense	228,187	69,037
	<u>533,979</u>	<u>158,869</u>

### 21. Amounts due from subsidiary companies

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

### 22. Cash and bank balances

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash in hand and at banks	2,780,044	3,149,172	151,417	94,621
Deposits with licensed banks	419,513	120,525	-	-
	<u>3,199,557</u>	<u>3,269,697</u>	<u>151,417</u>	<u>94,621</u>

The weighted average effective interest rate of deposits with licensed banks at the end of the financial year of the Group is 3.17% (2013: 3.17%) per annum.

Deposits with licensed banks of the Group have a weighted average maturity of 365 (2013: 365) days.

Deposits with licensed banks of the Group amounted to RM408,000 (2013: RM427,000) are pledged to bank to secure bank guarantees granted to the government departments and hence, are not available for general use.

### 23. Share capital, share premium and treasury shares

	Group/Company			
	2014 RM	2013 RM		
<b>Authorised:</b>				
2,000,000,000 ordinary shares of RM0.10 each/ 400,000,000 ordinary shares of RM0.50 each	200,000,000	200,000,000		
	Group/Company			
	Share capital RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
Issued and fully paid:				
322,763,808 ordinary shares of RM0.10 each				
At 1 July 2012/30 June 2013	93,139,059	59,890,697	153,029,756	(10,324,612)
Reduction in par value	(74,511,248)	-	(74,511,248)	-
Issuance of ordinary shares	6,571,429	10,514,285	17,085,714	-
Share issuance expense	-	(2,078,924)	(2,078,924)	-
Conversion of redeemable convertible notes	7,077,141	2,922,859	10,000,000	-
At 30 June 2014	<u>32,276,381</u>	<u>71,248,917</u>	<u>103,525,298</u>	<u>(10,324,612)</u>

During the financial year, the Company increased its issued and paid-up share capital from 186,278,118 ordinary shares to 322,763,808 ordinary shares by way of issuance of:

- (i) 65,714,285 ordinary shares of RM0.10 each for the acquisition of Beta Bumi Sdn. Bhd. which was partly satisfied via issuance of its ordinary shares at new par value of RM0.10 each; and

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

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

- (ii) 70,771,405 ordinary shares of RM0.10 each pursuant to the conversion of RM10,000,000 nominal value Redeemable Convertible Notes converted at the following conversion price per ordinary share:

Conversion date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
11 March 2014	11,323,425	0.1413	1,600,000
13 March 2014	5,661,712	0.1413	800,000
19 March 2014	11,323,425	0.1413	1,600,000
26 March 2014	14,154,281	0.1413	2,000,000
31 March 2014	14,154,281	0.1413	2,000,000
8 April 2014	14,154,281	0.1413	2,000,000
	<u>70,771,405</u>		<u>10,000,000</u>

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 322,763,808 (2013: 186,278,118) issued and fully paid ordinary shares as at 30 June 2014, 12,562,832 (2013: 12,562,832) are held as treasury shares by the Company. As at 30 June 2014, the number of outstanding ordinary shares in issue after the setoff is therefore 310,200,976 (2013: 173,715,286) ordinary shares of RM0.50 each.

### 24. Other reserves

Group	Foreign currency translation reserve RM	Warrant reserve RM	Capital redemption reserve RM	Total RM
At 1 July 2013	(503)	4,342,882	-	4,342,379
Foreign currency translation	(164,716)	-	-	(164,716)
Reduction in par value	-	-	74,511,248	74,511,248
At 30 June 2014	<u>(165,219)</u>	<u>4,342,882</u>	<u>74,511,248</u>	<u>78,688,911</u>
At 1 July 2012	(196,608)	4,342,882	-	4,146,274
Foreign currency translation	196,105	-	-	196,105
At 30 June 2013	<u>(503)</u>	<u>4,342,882</u>	<u>-</u>	<u>4,342,379</u>
Company		Warrant reserve RM	Capital redemption reserve RM	Total RM
At 1 July 2013		4,342,882	-	4,342,882
Reduction in par value		-	74,511,248	74,511,248
At 30 June 2014		<u>4,342,882</u>	<u>74,511,248</u>	<u>78,854,130</u>
At 1 July 2012/30 June 2013		<u>4,342,882</u>	<u>-</u>	<u>4,342,882</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 24. Other reserves (continued)

#### 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.

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

	Entitlement for ordinary shares of RM0.05 each			
	At 1.1.2013	Issued	Exercised	At 31.3.2014
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;
- (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.

### 25. Retained profits

As at 30 June 2014, the entire retained profits of the Company are distributable as single-tier tax exempt dividends under the single-tier system.

### 26. Loans and borrowings

Non-current	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Secured:				
Obligations under finance leases	15,751,149	22,408,427	-	-
Term loans	147,398,501	145,768,378	139,120,457	138,254,472
	<u>163,149,650</u>	<u>168,176,805</u>	<u>139,120,457</u>	<u>138,254,472</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 26. Loans and borrowings (continued)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Current</b>				
Secured:				
Obligations under finance leases	6,580,125	6,761,869	-	-
Term loans	-	-	-	-
	<u>6,580,125</u>	<u>6,761,869</u>	<u>-</u>	<u>-</u>
Unsecured:				
Bank overdraft	150	150	-	-
	<u>150</u>	<u>150</u>	<u>-</u>	<u>-</u>
<b>Total loans and borrowings</b>				
Secured:				
Obligations under finance leases	22,331,274	29,170,296	-	-
Term loans	147,398,501	145,768,378	139,120,457	138,254,472
	<u>169,729,775</u>	<u>174,938,674</u>	<u>139,120,457</u>	<u>138,254,472</u>
Unsecured:				
Bank overdraft	150	150	-	-
	<u>169,729,925</u>	<u>174,938,824</u>	<u>139,120,457</u>	<u>138,254,472</u>

### Maturity structure of loans and borrowings

Within one year	6,580,275	6,762,019	-	-
Between one to two years	17,225,110	15,862,553	11,023,642	9,164,634
Between two to five years	98,614,150	77,480,968	91,988,112	66,877,867
More than five years	47,310,390	74,833,284	36,108,703	62,211,971
	<u>169,729,925</u>	<u>174,938,824</u>	<u>139,120,457</u>	<u>138,254,472</u>

The interest rate structures are as follows:

	Nominal interest rate		Effective interest rate	
	2014	2013	2014	2013
Obligations under finance leases	4.66%	5.03%	5.24%	5.69%
Term loan 1	BFR	BFR	6.60%	6.60%
Term loan 2	3.00%	3.00%	3.00%	3.00%

#### (a) Obligations under finance leases

During the financial year ended 30 June 2013, a subsidiary of the Group has rescheduled certain of its finance leases amounting to RM22,291,232 with the lessor. Under the revised terms and conditions, the tenure of the leases have been extended for another Two (2) to Seven (7) years with a new monthly instalment. During the financial year, the subsidiary also successfully rescheduled another finance lease amounting to RM7,450,404.

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

#### (b) Term loan 1

During the financial year ended 30 June 2013, the Company has rescheduled its term loan with the lender. Under the revised terms and conditions, the lender has granted the Company a grace period of Thirty Four (34) months whereby the Company is only required to serve interest payment for the term loan. Principal repayment of this loan is due on 1 January 2016.

The loan is secured by:

- (i) a first legal charge over leasehold land 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 26. Loans and borrowings (continued)

(c) Term loan 2

The loan is secured by:

- (i) irrecoverable 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.

### 27. Trade and non-trade payables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Current</b>				
<b>Trade payables</b>				
Amounts due to companies which have common Directors with the Company and in which a Director of the Company has financial interests	1,305,107	-	-	-
Amounts due to companies in which a person connected to a Director of the Company has financial interests	239,155	-	-	-
Third parties	31,204,666	27,690,905	-	-
	<u>32,748,928</u>	<u>27,690,905</u>	<u>-</u>	<u>-</u>
<b>Non-trade payables</b>				
Accruals	16,412,038	11,139,235	-	-
Deposits	16,500	1,466,223	-	-
Other payables				
- Amounts due to companies which have common Directors with the Company and in which a Director of the Company has financial interests	8,923,719	857,651	-	-
- Amount due to a company in which a person connected to a Director of the Company has financial interests	887	887	-	-
- Amount due to a person connected to a Director of the Company	214,700	-	-	-
- Third parties	17,319,113	18,399,980	897,249	1,025,305
	<u>42,886,957</u>	<u>31,854,976</u>	<u>897,249</u>	<u>1,025,305</u>
<b>Total trade and non-trade payables</b>	<u>75,635,885</u>	<u>59,545,881</u>	<u>897,249</u>	<u>1,025,305</u>

Trade and non-trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 90 days (2013: 60 to 90 days).

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

Included in the other payables of the Group is an amount of RM1,763,972 (2013: RM1,763,972) which represents a legal claim made by a subsidiary, of which the Directors are of the view that the economic inflow is expected based on the legal advice received, and this claim is accrued as a provision in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.

### 28. Cash and cash equivalents

Cash and cash equivalents included in the Statements of Cash Flows comprise the followings:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash in hand and at banks	2,780,044	3,149,172	151,417	94,621
Deposits with licensed banks	419,513	120,525	-	-
Bank overdraft	(150)	(150)	-	-
	<u>3,199,407</u>	<u>3,269,547</u>	<u>151,417</u>	<u>94,621</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 29. 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		Balance outstanding as at 30 June	
			2014 RM	2013 RM	2014 RM	2013 RM
	With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
	Mujur Bakat Sdn. Bhd.	Freight charges	-	1,773,700	-	-
	Integral Acres Sdn. Bhd.	Contract fee	761,795	1,172,826	(3,501,575)	(149,352)
		Barge hire income	75,000	-		
		Service income	270,861	-		
		Supply of labour	11,000	-		
	Melati Optimis Sdn. Bhd.	Purchase of logs	69,842	239,608	(4,292,133)	723,993
		Contract fee	504,191	1,204,743		
	Nadi Hasil (M) Sdn. Bhd.	-	-	-	-	488,383
	Mandat Wawasan Sdn. Bhd.	-	-	-	(707,651)	(707,651)
	Jurubina Cekap Sdn. Bhd.	Contract fee	1,002,543	1,978,290	86,773	106,299
		Rental of equipment	149,350	-		
		Disposal of equipment	8,000	-		
		Barge hire income	25,000	-		
	Layang-Layang Udara Sdn. Bhd.	Flight charges	39,822	-	(22,689)	-
	Himpunan Palma Sdn. Bhd.	-	-	-	-	78,765
	Palm Products International Sdn. Bhd.	-	-	9,000	-	-
	Suria Century Resources Sdn. Bhd.	Rental of equipment	7,495	9,000	-	-
	With companies in which a person connected to a Director of the Company has financial interests:					
	Maxland Enterprise Sdn. Bhd.	Rental of office	140,400	-	321,948	318,618
	Green Edible Oil Sdn. Bhd.	Barge hire income	36,000	63,722	4,500	135,544
		Rental income	72,000	75,542		
		Sundry income	42,205	-		
		Sale of wastewood	-	534,544		
	Barigos Sdn. Bhd.	-	-	-	(237,655)	-

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 29. 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	Name of related party	Type of transaction	Transaction value		Balance outstanding as at 30 June	
			2014 RM	2013 RM	2014 RM	2013 RM
	With a person connected to a Director of the Company:					
	Ang Lee Eng	-	-	-	(214,700)	-
	With Directors:					
	Koo Jenn Man	Sale of wood products	2,464	-	-	-
	Lim Nyuk Foh	Rental of land	36,000	36,000	-	-
<hr/>						
Company	Name of related party	Type of transaction	Transaction value		Balance outstanding as at 30 June	
			2014 RM	2013 RM	2014 RM	2013 RM
	With subsidiary companies:					
	Sinora Sdn. Bhd.	Dividend income	9,900,000	11,600,000	5,613,967	100,000
	Cergas Kenari Sdn. Bhd.	-	-	-	3,020,100	3,020,100
	Maxland Sdn. Bhd.	-	-	-	14,016,149	14,016,149
	Priceworth Industries Sdn. Bhd.	-	-	-	99,611,072	99,371,375
	Maxland Dockyard & Engineering Sdn. Bhd. (Formerly known as Maxland Shipyard Sdn. Bhd.)	-	-	-	6,961,400	6,961,400
<hr/>						

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Short-term employee benefits	648,483	651,101	64,155	62,100
Contributions to defined contribution plan	79,350	41,750	1,950	-
	<u>727,833</u>	<u>692,851</u>	<u>66,105</u>	<u>62,100</u>
Included in the key management personnel are:				
Directors' remuneration	<u>727,833</u>	<u>692,851</u>	<u>66,105</u>	<u>62,100</u>

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 Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different from that obtainable in transactions with unrelated parties.

### 30. 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 RM28,518,753 (2013: RM36,684,202) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 31. Commitments

#### (a) Capital commitments

	2014 RM	Group 2013 RM
Capital expenditure commitments Approved and contracted for:		
- Acquisition of property, plant and equipment	75,000	1,487,876
- Acquisition of timber rights	-	1,338,615
	<u>75,000</u>	<u>2,826,491</u>

#### (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.

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

	2014 RM	Group 2013 RM
Future minimum lease payments:		
Repayable within one year	7,495,325	8,104,522
Repayable between one to two years	6,640,522	7,608,764
Repayable between two to five years	7,079,361	11,401,801
Repayable after five years	2,999,509	5,265,079
Total future minimum lease payments	<u>24,214,717</u>	<u>32,380,166</u>
Less: Future finance charges	(1,883,443)	(3,209,870)
Present value of finance lease liabilities	<u>22,331,274</u>	<u>29,170,296</u>
Present value of finance lease liabilities:		
Repayable within one year	6,580,125	6,761,869
Repayable between one to two years	6,201,468	6,697,919
Repayable between two to five years	6,626,038	10,603,101
Repayable after five years	2,923,643	5,107,407
	<u>22,331,274</u>	<u>29,170,296</u>
Representing:		
Current	6,580,125	6,761,869
Non-current	15,751,149	22,408,427
	<u>22,331,274</u>	<u>29,170,296</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 32. Comparative figures

Certain comparative figures have been restated as follows:

Group	As restated RM	As previously stated RM
<b>Statements of Financial Position</b>		
Property, plant and equipment	338,509,700	338,739,378
Intangible assets	16,262,345	16,032,667
Trade and non-trade receivables	38,355,093	36,089,356
Prepayments	-	2,265,737
Cash and bank balances	3,269,697	3,269,547
Loans and borrowings	6,762,019	6,761,869
<b>Statements of Cash Flows</b>		
Fair value adjustment for forest planting expenditure	149,860	-
Decrease/(Increase) in receivables	12,629,767	15,024,471
Increase in prepaid operating expenses	-	(2,394,704)
Acquisition of property, plant and equipment	(23,151,132)	(23,380,810)
Acquisition of intangible assets	(229,678)	-
Payment of forest planting expenditure	(6,016,041)	(5,866,181)
<b>Company</b>		
<b>Statements of Financial Position</b>		
Trade and non-trade receivables	199,251	3,668,375
Amounts due from subsidiary companies	3,469,124	-
<b>Statements of Cash Flows</b>		
Increase in receivables	(71,958)	(621,422)
Increase in amounts due from subsidiary companies	(549,464)	-

### 33. Contingent liabilities

	2014 RM	2013 RM
Bank guarantee given to the authorities as security deposit	338,500	-

### 34. Fair value of financial instruments

#### (a) Categories of financial instruments

Group 2014	Carrying and amount RM	Loans receivables RM
<b>Financial assets</b>		
Trade and non-trade receivables	37,057,993	37,057,993
Cash and bank balances	3,199,557	3,199,557
	<u>40,257,550</u>	<u>40,257,550</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 34. Fair value of financial instruments

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

	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loans and borrowings	169,729,925	169,729,925
Trade and non-trade payables	75,635,885	75,635,885
	<u>245,365,810</u>	<u>245,365,810</u>
<b>Group 2013</b>	<b>Carrying and amount RM</b>	<b>Loans receivables RM</b>
<b>Financial assets</b>		
Trade and non-trade receivables	38,355,093	38,355,093
Cash and bank balances	3,269,697	3,269,697
	<u>41,624,790</u>	<u>41,624,790</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loans and borrowings	174,938,824	174,938,824
Trade and non-trade payables	59,545,881	59,545,881
	<u>234,484,705</u>	<u>234,484,705</u>
<b>Company 2014</b>	<b>Carrying and amount RM</b>	<b>Loans receivables RM</b>
<b>Financial assets</b>		
Trade and non-trade receivables	99,251	99,251
Amounts due from subsidiary companies	9,222,688	9,222,688
Cash and bank balances	151,417	151,417
	<u>9,473,356</u>	<u>9,473,356</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loan and borrowings	139,120,457	139,120,457
Trade and non-trade payables	897,249	897,249
	<u>140,017,706</u>	<u>140,017,706</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 34. Fair value of financial instruments (continued)

#### (a) Categories of financial instruments

Company 2013	Carrying and amount RM	Loans receivables RM
<b>Financial assets</b>		
Trade and non-trade receivables	199,251	199,251
Amounts due from subsidiary companies	3,469,124	3,469,124
Cash and bank balances	94,621	94,621
	<u>3,762,996</u>	<u>3,762,996</u>
		<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>	<b>Carrying amount RM</b>	
Loan and borrowings	138,254,472	138,254,472
Trade and non-trade payables	1,025,305	1,025,305
	<u>139,279,777</u>	<u>139,279,777</u>

#### (b) Fair value hierarchy and measurements

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

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:

Group 2014	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM
<b>Financial liability</b>				
Financial liabilities measured at amortised cost:				
Non-current				
Loans and borrowings	<u>8,278,044</u>	<u>-</u>	<u>-</u>	<u>8,278,044</u>
<b>2013</b>	<b>Carrying amount RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>
Financial liability				
Financial liabilities measured at amortised cost:				
Non-current				
Loans and borrowings	<u>7,513,906</u>	<u>-</u>	<u>-</u>	<u>7,513,906</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 34. Fair value of financial instruments (continued)

#### (b) Fair value hierarchy and measurements (continued)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

Group	2014		2013	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liability - Non-current</b>				
Loans and borrowings	154,871,606	172,360,978	160,662,899	185,304,879
Company	2014		2013	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liability - Non-current</b>				
Loans and borrowings	139,120,457	157,067,375	138,254,472	163,351,058

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.

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.

### 35. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group'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.

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.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 35. Financial risk management objectives and policies (continued)

#### (a) Credit risk (continued)

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 RM28,518,753 (2013: RM36,684,202) 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 RM338,500 (2013: RM338,500) 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 1 (2013: 1) customer representing 65% (2013: 40%) of total trade receivables.

#### (b) 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.

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	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
<b>2014</b>						
Loans and borrowings	6.25	169,729,925	226,126,557	7,495,325	157,001,424	61,629,808
Trade and non-trade payables	-	75,635,885	75,635,885	75,635,885	-	-
		<u>245,365,810</u>	<u>301,762,442</u>	<u>83,131,210</u>	<u>157,001,424</u>	<u>61,629,808</u>
<b>2013</b>						
Loans and borrowings	6.29	174,938,824	240,297,278	8,104,672	133,799,323	98,393,283
Trade and non-trade payables	-	59,545,881	59,545,881	59,545,881	-	-
		<u>234,484,705</u>	<u>299,843,159</u>	<u>67,650,553</u>	<u>133,799,323</u>	<u>98,393,283</u>
<b>Company</b>						
<b>2014</b>						
Loans and borrowings	6.60	139,120,457	181,907,038	-	143,281,541	38,625,497
Trade and non-trade payables, excluding financial guarantees	-	897,249	897,249	897,249	-	-
		<u>140,017,706</u>	<u>182,804,287</u>	<u>897,249</u>	<u>143,281,541</u>	<u>38,625,497</u>
<b>2013</b>						
Loans and borrowings	6.60	138,254,472	198,796,546	-	114,788,758	80,625,498
Trade and non-trade payables, excluding financial guarantees	-	1,025,305	1,025,305	1,025,305	-	-
		<u>139,279,777</u>	<u>199,821,851</u>	<u>1,025,305</u>	<u>114,788,758</u>	<u>80,625,498</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 35. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk (continued)

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.

#### (c) 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)	
	2014	2013
Effects on profit after taxation	RM	RM
Increase of 30bp/25bp	419,180	(258,567)
Decrease of 30bp/25bp	(419,180)	258,567

#### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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) and Papua New Guinea Kina (PGK) are considered to be long-term in nature.

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) 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:

#### Group

2014	Singapore Dollar RM	Japanese Yen RM	United States Dollar RM	Total RM
<b>Financial assets</b>				
Trade and non-trade receivables	36,322	162,216	283,564	482,102
Cash and bank balances	-	188	186,955	187,143
	<u>36,322</u>	<u>162,404</u>	<u>470,519</u>	<u>669,245</u>
<b>Financial liabilities</b>				
Trade and non-trade payables	(13,605)	-	(95,866)	(109,471)
<b>Net financial assets held in non-functional currencies</b>	<u>22,717</u>	<u>162,404</u>	<u>374,653</u>	<u>559,774</u>
<b>2013</b>				
<b>Financial assets</b>				
Trade and non-trade receivables	-	25,822	218,787	244,609
Cash and bank balances	-	188	71,120	71,308
	<u>-</u>	<u>26,010</u>	<u>289,907</u>	<u>315,917</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 35. Financial risk management objectives and policies (continued)

#### (d) Foreign currency risk (continued)

##### Group

2013	Singapore Dollar RM	Japanese Yen RM	United States Dollar RM	Total RM
<b>Financial liabilities</b>				
Trade and non-trade payables	(39,420)	-	(1,165,696)	(1,205,116)
<b>Net financial (liabilities)/ assets held in non-functional currencies</b>	<u>(39,420)</u>	<u>26,010</u>	<u>(875,789)</u>	<u>(889,199)</u>

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)	
	2014 RM	2013 RM
<b>Effects on profit after taxation</b>		
<b>SGD/RM</b>		
Strengthened by 3.00% (2013:0.78%)	230	(510)
Weakened by 3.00% (2013:0.78%)	<u>(230)</u>	<u>510</u>
<b>JPY/RM</b>		
Strengthened by 0.64% (2013:26.07%)	(5,085)	(777)
Weakened by 0.64% (2013:26.07%)	<u>5,085</u>	<u>777</u>
<b>USD/RM</b>		
Strengthened by 1.61% (2013:1.15%)	10,603	(55,734)
Weakened by 1.61% (2013:1.15%)	<u>(10,603)</u>	<u>55,734</u>

### 36. 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 manages its capital based on gearing ratio. The Group's strategies were unchanged from the previous financial year. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus payables less cash and cash equivalents.

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

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Loans and borrowings	169,729,925	174,938,824	139,120,457	138,254,472
Trade and non-trade payables	75,635,885	59,545,881	897,249	1,025,305
	245,365,810	234,484,705	140,017,706	139,279,777
Less: Cash and cash equivalents	3,199,407	3,269,547	151,417	94,621
Net debt	<u>242,166,403</u>	<u>231,215,158</u>	<u>139,866,289</u>	<u>139,185,156</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 36. Capital management (continued)

	2014 RM	Group 2013 RM	2014 RM	Company 2013 RM
Equity attributable to owners of the Company	233,006,507	221,423,526	172,887,421	148,836,240
Total equity	233,006,507	221,423,526	172,887,421	148,836,240
<b>Total capital</b>	<b>475,172,910</b>	<b>452,638,684</b>	<b>312,753,710</b>	<b>288,021,396</b>
<b>Gearing ratio</b>	<b>0.51</b>	<b>0.51</b>	<b>0.45</b>	<b>0.48</b>

### 37. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 37. Segment information (continued)

#### (i) Operating segment (continued)

2014

Revenue	Logging RM	Manufacturing RM	Construction income RM	Shipyard RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
External customers	32,567,038	125,689,575	1,485,985	1,601,245	792,619	-	162,136,462
Inter-segment	49,350,377	5,987,160	-	1,050,000	12,588,748	(68,976,285)	-
Total revenue	81,917,415	131,676,735	1,485,985	2,651,245	13,381,367	(68,976,285)	162,136,462
<b>Results</b>							
Interest income	5,819	249	-	-	-	-	6,068
Amortisation of timber rights	-	19,779	-	-	-	1,325,657	1,345,436
Amortisation of land use rights	-	71,538	-	-	-	70,899	142,437
Depreciation of property, plant and equipment	18,634,368	17,729,514	293,029	501,294	2,042,543	211,735	39,412,483
Finance costs	63,200	4,776,646	-	6,511	9,181,986	-	14,028,343
Other non-cash expenses	564,347	86,143	-	12,403	-	-	662,893
Segment (loss)/profit	(4,811,972)	5,105,003	(2,485,111)	(1,843,731)	(1,702,617)	(7,190,559)	(12,928,987)
<b>Assets</b>							
Additions to non-current assets	20,103,110	7,036,016	-	1,803,141	15,812	33,057,233	62,015,311
Segment assets	193,918,753	421,130,327	1,906,570	10,483,533	340,633,509	(468,353,560)	499,719,132
Segment liabilities	111,060,985	233,361,797	65,356,100	7,214,863	170,612,371	(321,466,953)	266,139,163

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 37. Segment information (continued)

#### (i) Operating segment (continued)

2013

Revenue	Logging RM	Manufacturing RM	Construction income RM	Shipyard RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
External customers	50,133,225	131,307,772	3,934,038	2,479,606	565,411	-	188,420,052
Inter-segment	31,298,700	7,784,488	-	63,583	18,729,010	(57,875,781)	-
Total revenue	81,431,925	139,092,260	3,934,038	2,543,189	19,294,421	(57,875,781)	188,420,052
<b>Results</b>							
Interest income	4,838	-	-	-	-	-	4,838
Amortisation of timber rights	-	-	-	-	-	14,622,633	14,622,633
Amortisation of intangible assets	-	-	-	-	-	-	-
Amortisation of land use rights	-	71,538	-	-	-	-	71,538
Depreciation of property, plant and equipment	18,334,367	17,368,747	367,844	194,326	3,182,488	1,475,242	40,923,015
Finance costs	2,370,352	7,391,440	-	11,507	10,342,682	-	20,115,981
Other non-cash expenses	1,813,125	2,539,912	-	47	-	-	4,353,084
Segment loss	(17,180,782)	(11,572,081)	(469,369)	(1,362,356)	(5,882,307)	(35,661,454)	(72,128,349)
<b>Assets</b>							
Additions to non-current assets	8,679,473	5,328,253	-	6,572,775	-	2,800,309	23,380,810
Segment assets	172,337,002	431,428,320	2,377,738	9,269,819	317,601,424	(467,277,625)	465,736,678
Segment liabilities	144,479,301	238,844,536	6,360,856	4,157,418	170,928,645	(378,272,988)	243,738,768

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 37. 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	31,027,905	41,537,381	462,778,468	422,892,987
Solomon Islands	101,500	386,370	36,940,066	42,843,014
Papua New Guinea	-	-	598	677
Korea	958,549	9,732,703	-	-
Thailand	12,370,546	20,136,374	-	-
Japan	85,472,408	63,160,613	-	-
Taiwan	2,002,366	2,957,358	-	-
Hong Kong	17,315,297	44,898,583	-	-
USA	-	586,913	-	-
Singapore	1,864,737	214,932	-	-
Philippine	7,939,037	-	-	-
China	2,577,881	4,808,825	-	-
Canada	506,236	-	-	-
	<u>162,136,462</u>	<u>188,420,052</u>	<u>499,719,132</u>	<u>465,736,678</u>

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

	2014 RM	2013 RM
Property, plant and equipment	320,721,712	338,509,700
Land use rights	14,296,842	4,763,279
Intangible assets	42,330,061	16,262,345
Biological assets	34,602,446	21,189,886
Deferred tax assets	10,000,000	7,500,000
Inventories	37,506,220	32,898,543
Tax recoverable	4,301	26,751
Trade and non-trade receivables	37,057,993	41,316,477
Cash and bank balances	3,199,557	3,269,697
	<u>499,719,132</u>	<u>465,736,678</u>

#### (iii) Major customers

Revenue from 5 (2013: 5) major customers amounted to RM85,113,591 (2013: RM85,118,619) arising from sale of wood products.

### 38. Material litigations

- (a) On 17 December 2013, the Company was served with a Writ of Summons and Statement of Claim dated 12 December 2013 (the Suit) from Capital Investment Agency (CIA), purportedly providing financial advisory and consultancy services and having its business address at Chislehurst Business Centre, 1 Bromley Lane, Chislehurst, Kent BR&6LH, United Kingdom.

CIA's alleged claim in the Suit against the Company is for alleged outstanding commission in the sum of USD4,988,338 together with interests and costs purportedly pursuant to a Mandate Agreement dated 12 November 2010 for supposedly arranging a term loan offer of USD167,527,946 for the Company.

The alleged sum claimed by CIA represented 7.40% of the net assets of the Company's subsidiaries group as at 30 June 2013.

The Company does not anticipate any losses from the Suit as it regards the Mandate Agreement to be certain, null and void, and unenforceable. In any event, the term loan offer did not materialised. The Suit is undergoing the normal court processes and has been fixed for hearing on 2 February 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 38. Material litigations (continued)

- (b) On 3 September 2010, a subsidiary company of the Company, namely, Sinora Sdn. Bhd. (Sinora) brought an action against Multi-Purpose Insurans Berhad (Multi-Purpose) & Archilles Shipping Sdn. Bhd. (Archilles) claiming against Multi-Purpose for the damages and losses suffered due to a fire in the sum of RM2,805,935 as at 18 April 2010 as well as claiming against Archilles for the sum of RM2,805,935 being the value of cargo.

On 12 August 2011, Sinora has reached a settlement with Multi-Purpose to the sum of RM1,650,000. On 15 March 2012, the claim of Sinora against Archilles for the sum of RM1,703,275 was dismissed with no order as to costs whereby Archilles counter claim against Sinora was also dismissed with no order as to costs. The subsequent appeal of Sinora to the Court of Appeal was also dismissed on 16 July 2013. Sinora has instructed the lawyer-in-charge to apply for leave to appeal to the Federal Court.

On 3 April 2012, Sinora has filed appeal to the Court of Appeal against the decision of the High Court dated 15 March 2012. The appeal was dismissed with costs of RM20,000 to the Archilles on 16 July 2013.

Sinora had filed an application for leave to appeal to Federal Court against the decision of the Court of Appeal dated 16 July 2013. The Board is of the belief that Sinora has reasonable grounds for the aforesaid appeal and does not foresee further liabilities to arise in connection with this suit, save and except for the management costs and legal expenses incurred thereon.

As at the date of last practicable date, the Federal Court has yet to fix a date for the hearing.

- (c) On 25 May 2012, Archilles brought an action against Sinora to claim for the purported unpaid sum of RM1,032,3369 for the services rendered to Sinora in respect of the transport consignments of timber logs from various loading points. Additionally, Archilles has pleaded for an interest at the rate of 2.00% per month on the sum of RM1,032,369 from 30 June 2011 until full settlement. The judge of High Court of Sandakan had on 25 January 2013 concluded to grant Archilles's application to strike out the amended defense of Sinora with costs of RM5,000 to Archilles.

Sinora had on 26 February 2013 made an application to the High Court for a conditional stay of execution of the Order dated 25 January 2013 and on 26 March 2013, the same has been granted by the High Court conditional upon payment of Sinora into the High Court the whole judgment sum of RM1,032,369 with costs of RM1,000 to Archilles within 30 days from 26 March 2013. On 22 April 2013, Sinora has deposited the same into the High Court.

The Board is of the belief that Sinora has reasonable grounds for the aforesaid appeal and does not foresee any other liabilities set to arise in connection with this suit, save and except for the management costs and legal expenses incurred thereon as well as the judgment sum which have been deposited by Sinora to the High Court.

As at the date of last practicable date, the suit is pending appeal to the Court of Appeal against High Court's decision on 25 January 2013.

- (d) On 25 May 2012, Archilles brought an action against a subsidiary company of the Company, namely, Priceworth Industries Sdn. Bhd. (PISB) to claim for the purported unpaid sum of RM906,584 for the services rendered to PISB in respect of the transport consignments of timber logs from various loading points. PISB has claimed that there is an agreement to pay 70% only of the invoice amount pending settlement of other claims between the parties.

Archilles is appealing to the Court of Appeal against the High Court Judge's decision in dismissing Archilles's application for striking out PISB's amended defense and counterclaim dated 17 November 2012. The High Court has on 15 April 2013 dismissed the application with costs of RM2,500 to PISB. Meanwhile, Archilles has also filed an appeal to the Court of Appeal against the decision of the High Court dated 15 April 2013. On 17 March 2014, the Court of Appeal refused the appeal and ordered that the matter proceed to trial.

The representative solicitor of PISB is of the belief that PISB has a reasonable ground that the amount claimed will be reduced by approximately 30% pending settlement of other cases between the parties.

The High Court has fixed the trial on 21 July 2014 to 22 July 2014 and will continue from 27 October 2014 to 30 October 2014.

- (e) On 30 December 2010, a subsidiary company of the Company, namely, Maxland Sdn. Bhd. (Maxland) was served with a Writ of Summons by Timatch Sdn. Bhd. (Timatch) claiming against the Company for trespass and damages to raw water transmission pipeline and valve chamber which was used by Timatch for the supply of raw water to its water treatment plant.

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

On 16 July 2012, Maxland has submitted an application for leave to appeal to the Federal Court. On 30 October 2012, the Federal Court of Malaysia had granted Maxland the application for leave to appeal. After the appeal was heard on 25 February 2014 before the Federal Court, the Federal Court had on 24 July 2014, allowed the appeal and set aside the judgment in Default of Appearance. The Civil Suit commenced by Timatch will now proceed before the High Court.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 39. Significant events

- (a) The Bank Negara Malaysia had on 4 September 2013 approved the issuance of Unsecured Redeemable Convertible Notes with an aggregate principal amount of up to RM50,000,000.
- (b) Approval was obtained via extraordinary general meeting held on 20 December 2013 for the Company to amend its Memorandum of Association to facilitate the implementation of the par value reduction of the Company.
- (c) On 15 January 2014, the Company lodged with the Companies Commission of Malaysia upon the obtain of sealed order of the High Court of Malaya dated 7 January 2014 sanctioning the par value reduction of each existing ordinary share of RM0.50 each to RM0.10 each in the Company pursuant to Section 64 of the Companies Act, 1965.
- (d) The Company had on 24 January 2014 acquired the entire issued and paid-up ordinary shares of Beta Bumi Sdn. Bhd. for a purchase consideration of RM25,000,000 satisfied by way of cash consideration of RM2,000,000 and the balance of RM23,000,000 satisfied via issuance of 65,714,285 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.26 per ordinary share.

### 40. Events after the reporting period

- (a) The Company has issued Tranche 2 and Tranche 3 of Redeemable Convertible Notes (RCN) amounting to RM10,000,000 and RM2,500,000 in August 2014 and October 2014 respectively.
- (b) On 15 September 2014, a subsidiary company of the Company, namely, Maxland Dockyard & Engineering Sdn. Bhd. (MDE) (Formerly known as Maxland Shipyard Sdn. Bhd.) has entered into a joint venture arrangement with Semaring Enterprise Sdn. Bhd. (SESB) for the purpose of applying, procuring and securing from Petronas and its Profit Sharing Contractors (PSC) any oil and gas works. The initial funding of the said joint venture shall be responsibility of the MDE and the quantum of which shall not exceed a sum of RM2,000,000 prior to the successful procurement or securing of oil and gas work from Petronas or its PSC.
- (c) Subsequent to the joint venture agreement entered by SESB and MDE, the Group had on 13 October 2014 incorporated a new subsidiary company, namely, 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. Upon incorporation, MDE and SESB hold 60% and 40% equity interests in the joint venture company respectively. The joint venture company was incorporated with authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each.

### 41. 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained profits of the Company and its subsidiaries				
- Realised	115,526,531	148,147,871	832,605	1,788,214
- Unrealised	9,905,104	(5,761,769)	-	-
	<u>125,431,635</u>	<u>142,386,102</u>	<u>832,605</u>	<u>1,788,214</u>
Add: Consolidation adjustments	(64,314,725)	(68,010,099)	-	-
Total retained profits as per Statements of Financial Position	<u>61,116,910</u>	<u>74,376,003</u>	<u>832,605</u>	<u>1,788,214</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## AT 30 JUNE 2014 (continued)

### 42. 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 have been no significant changes in the nature of these principal activities during the financial year ended 30 June 2014.

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 24 October 2014.

# 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)
<b>Priceworth Industries Sdn Bhd</b>							
1.	CL 075365794 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	- Generating Sets Room - Kiln Dry - Sawmill & Sawroom - Warehouse	15.12	3,858 65,000 32,620 121,000	01-01-1979/ 31-12-2077	17 17 17 16	5,479
2.	CL 075203726 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	Moulding Plant Main Factory	11.64	104,840	01-01-1964/ 31-12-2063	17	3,471
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	14 16 16	5,033
4.	CL 075170277 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah,	Labour Quarters	14.06	54,000	01-01-1960/ 31-12-2059	17	1,675
5.	CL 075364948 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah,	Agriculture Land	17.88	-	01-01-1979/ 31-12-2077	N/A	175
6.	CL 075170286 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah,	Labour Quarters	7.03	12,000	01-01-1961/ 31-12-2060	17	206
7.	CL 085318485 Kolapis, District of Labuk & Sugut Beluran, Sabah,	- Sawmill Factory - Labour Quarters - Office Building - Workshop - Genset Room - Store & Saw-Doctor Room	49.00	100,359 3,754 1,068 1,236 2,089	30-12-1986/ 31-12-2084	19 19 19 19 19	1,057
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)
<b>Priceworth Industries Sdn Bhd</b>							
9.	CL 075170062 Mile 3.4 Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah	-Labour Quarter - Lake	9.89	-	02-02-1962/ 02-02-2061	17	13
<b>Maxland Sdn Bhd</b>							
10.	CL 075313398 Mile 17, Labuk Road, Sandakan, Sabah	Agriculture Land	14.24	-	01-01-1970/ 31-12-2069	N/A	145
<b>Sinora Sdn Bhd</b>							
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	31 18 23 31 31 31 31 31 21 21 21	11,925
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	1,775
<b>Rimbunan Gagah Sdn Bhd</b>							
13.	CL 085319820 Off Mile 78, Labuk Sugut Telupid – Sandakan Road, Sandakan, Sabah	- Sawmill/ Timber Storage Factory - 2 storey dwelling house - Office Building - 2 storey Labour Quarters with Kitchen, Dining & Canteen - 4 Blocks Labour Quarters - Sawdoctoring House - Generator House & Store	38.45	121,426 4,064 1,368 5,758 4,116 3,025 1,025	01-01-1982/ 31-12-2080	20 20 20 20 20 20 20	770
<b>Priceworth Sawmill (SI) Limited</b>							
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	472

# Analysis of Shareholdings

As at 31 October 2014

Authorised share capital	:	RM200,000,000
Issued and fully paid shares	:	RM 41,024,956.20
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
365	less than 100	13,462	0.00
196	100 to 1,000	66,820	0.02
2,464	1,001 to 10,000	11,287,642	2.75
2,547	10,001 to 100,000	97,693,862	23.81
591	100,001 to less than 5% of issued shares	301,187,776	73.42
Nil	5% and above of issued shares	Nil	Nil
6,163	Total	410,249,562	100.00

## SUBSTANTIAL SHAREHOLDER

Name of Shareholder	Direct	No. of Shares Held		%
		% <sup>^</sup>	Deemed Interest	
Lim Nyuk Foh	48,341,511	12.16	-	-

## DIRECTORS' SHAREHOLDINGS

Name of Director	Direct	No. of Shares Held		%
		% <sup>^</sup>	Deemed Interest	
Dato' Sri Chee Hong Leong, JP	-	-	-	-
Lim Nyuk Foh	48,341,511	12.16	-	-
Koo Jenn Man	510	0.00	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

# Analysis of Shareholdings

## As at 31 October 2014 (continued)

### LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	20,332,000	5.11
2.	RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chong Yun Kon @ Chung Yun Kon]	12,870,000	3.24
3.	Maybank Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	12,622,900	3.17
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	11,500,000	2.89
5.	Sabah Development Nominees (Tempatan) Sdn Bhd [Pledged securities account for Sukmah binti Bidu]	8,048,150	2.02
6.	Continental Premium Sdn Bhd	4,488,000	1.13
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	3,886,076	0.98
8.	RHB Capital Nominees (Tempatan) Sdn Bhd [Lee Leong Lai]	3,700,000	0.93
9.	Te Kim Leng	3,230,000	0.81
10.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt AN for UOB Kay Hian Pte Ltd]	2,619,438	0.66
11.	Chia Beng Tat	2,500,000	0.63
12.	Zulkifli Bin Hussain	2,385,300	0.60
13.	RHB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Twee Yong]	2,300,000	0.58
14.	Yee Nyet Mang	2,228,100	0.56
15.	Amsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Jega Devan A/L M Nadchatiram]	2,188,200	0.55
16.	Na Chiang Seng	1,820,000	0.46
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ngui Kon Foh @ David Ngui Tet Shiung]	1,750,000	0.44
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chiew Boon Chin]	1,700,000	0.43
19.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lau Kheng Tong]	1,650,000	0.41
20.	Lee Boon Kiat	1,500,000	0.38

# Analysis of Shareholdings

## As at 31 October 2014 (continued)

### LIST OF 30 LARGEST SHAREHOLDERS (continued)

No.	Name	No. of Shares	%
21.	Mohamed bin Abdullah Alhabshee	1,500,000	0.38
22.	Ong Ngoh Ing @ Ong Chong Oon	1,500,000	0.38
23.	RHB Capital Nominees (Tempatan) Sdn Bhd [Chong Yun Kon @ Chung Yun Kon]	1,500,000	0.38
24.	Ho Thean Hock	1,445,000	0.36
25.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chia Ai Seng]	1,350,000	0.34
26.	Mercsec Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ong Chye Seng]	1,300,000	0.33
27.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chuah Swee Huat]	1,200,000	0.30
28.	Tan Boon Guan	1,200,000	0.30
29.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ong Kow Ee @ Ong Chiow Chuen]	1,180,000	0.30
30.	Teoh Hin Heng	1,150,920	0.29

Note:

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

# Analysis of Warrantholdings

As at 31 October 2014

No. of Warrants issued : 86,857,643

Exercise rights : Each warrant entitles the warrantholder to subscribe for one new share at the exercise price during exercise period subject to adjustment in accordance with the Deed Poll.

## DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS

No. of Warrantholders	Warrantholdings	Total warrants held	% of outstanding warrants
27	less than 100	864	0.00
198	100 to 1,000	127,788	0.15
628	1,001 to 10,000	2,746,799	3.16
511	10,001 to 100,000	19,551,625	22.51
137	100,001 to less than 5% of issued warrants	59,310,567	68.28
1	5% and above of issued warrants	5,120,000	5.89
1,502	Total	86,857,643	100.00

## DIRECTORS' WARRANTHOLDINGS

Name of Director	Direct	No. of warrants held		%
		Deemed Interest	%	
Dato' Sri Chee Hong Leong	-	-	-	-
Lim Nyuk Foh	4,365,105	-	-	5.03
Koo Jenn Man	-	-	-	-
Kwan Tack Chiong	-	-	-	-
Ooi Jit Huat	-	-	-	-

## LIST OF 30 LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Wong Wai Lee	5,120,000	5.89
2.	Chong Cheng Sing	3,703,300	4.26
3.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lim Nyuk Foh]	3,325,800	3.83
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chiew Boon Chin]	3,295,000	3.79
5.	RHB Capital Nominees (Tempatan) Sdn Bhd [Lee Leong Lai]	3,036,500	3.50
6.	Continental Premium Sdn Bhd	2,244,000	2.58

# Analysis of Warrantholdings

## As at 31 October 2014 (continued)

### LIST OF 30 LARGEST WARRANTHOLDERS (continued)

No.	Name	No. of Warrants	%
7.	Yee Nyet Mang	2,000,000	2.30
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt AN for UOB Kay Hian Pte Ltd]	1,412,309	1.63
9.	Ho Thean Hock	1,350,000	1.55
10.	Zulkifli bin Hussain	1,313,100	1.51
11.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ting Hua Kiong]	1,216,000	1.40
12.	Wong Boon Siang	1,100,000	1.27
13.	Lim Nyuk Foh	1,039,038	1.20
14.	On Choon Leong	900,000	1.04
15.	RHB Capital Nominees (Tempatan) Sdn Bhd [Kwan Yun Ping]	860,000	0.99
16.	Hong Yu Thai	794,000	0.91
17.	Ser Kong Lam	777,500	0.90
18.	Zulfikri Halim bin Mustaffa	769,500	0.89
19.	Yim Kam Leong	660,000	0.76
20.	Retnarasa A/L Annarasa	525,000	0.60
21.	HLB Nominees (Tempatan) Sdn Bhd [Pledged securities account for Choo Lai Ee]	500,000	0.58
22.	Tey Heong Tiong	500,000	0.58
23.	Tan Tick Seng	469,500	0.54
24.	Khairul Izuan bin A. Karim	450,000	0.52
25.	Lon Ah Mooi	450,000	0.52
26.	Ong Ah Heang	450,000	0.52
27.	Tan Yik Sin	450,000	0.52
28.	JF Apex Nominees (Tempatan) Sdn Bhd AISB for Boh Chick Hint	442,000	0.51
29.	Wan Ishak bin Wan Ali	430,000	0.50
30.	Mohd. Mokhzaini bin Mokhtar	420,000	0.48

# Notice of Eighteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eighteenth Annual General Meeting of the Company will be convened and held at The Mark Lodge Hotel Function Room, Lot 1-7, Block 36, Bandar Indah, Mile 4, Jalan Cecily, 90000, Sandakan, Sabah on Monday, 15 December 2014 at 3.00 p.m. to transact the following business:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2014 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees in respect of the financial year ended 30 June 2014. **Resolution 1**
3. To re-elect the retiring Directors pursuant to Article 86 of the Company's Articles of Association and being eligible, offer themselves for re-election:
  - (i) Mr Lim Nyuk Foh **Resolution 2**
  - (ii) Dato' Sri Chee Hong Leong, JP **Resolution 3**
4. To re-appoint Messrs PKF as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 4**
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 5**

"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

#### - 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**

"THAT subject always to compliance with the Companies Act, 1965 ("the Act"), the Articles of Association of the Company, the Listing Requirements of Bursa Securities Malaysia Berhad ("Bursa Securities") or any other regulatory authorities and all other applicable rules, regulations, guidelines or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.10 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 ten per centum (10%) of the total issued and paid-up ordinary share capital of the Company at any point in time of the said purchase(s);
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings and share premium of the Company at the time of the said purchase(s); and
- (c) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and shall continue to be in force until:
  - (i) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting.

# Notice of Eighteenth Annual General Meeting (continued)

## 5. Special Business (continued)

### (b) Ordinary Resolution

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

whichever is earlier;

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

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

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

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and to enter into any agreements and arrangements with any party or parties to implement, finalized and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities.”

### (c) Ordinary Resolution

- **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

- **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.

**Resolution 6**

**Resolution 7**

**Resolution 8**

## BY ORDER OF THE BOARD

Katherine Chung Mei Ling  
(MAICSA 7007310)  
Company Secretary

Sandakan

21 November 2014

# Notice of Eighteenth Annual General Meeting (continued)

## 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 9 December 2014 shall be regarded as member of the Company entitled to attend, speak and vote at the Eighteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.
7. EXPLANATORY NOTE ON SPECIAL BUSINESS

### Ordinary Resolution (Resolution 5)

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

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

As at the date of this Notice, the Company did not issue any new shares pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting held on 20 December 2013 and hence no proceeds were raised.

### Ordinary Resolution (Resolution 6)

The proposed Resolution 6 is to renew the shareholders' mandate for share buy-back by the Company, if passed, will empower the Directors to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

### Ordinary Resolution (Resolutions 7 and 8)

The proposed Resolutions 7 and 8, 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 more than thirteen (13) years. Accordingly they have satisfied with the test of independence based on guidelines set out in the Main Market Listing Requirements. The Board, therefore, would like to recommend Mr Kwan Tack Chiong and Mr Ooi Jit Huat be retained as Independent Directors for the following reasons:

- (i) their networking, working experience and familiarization with the business operations will provide a check and balance to the Executive Directors and management team of the Company; and
- (ii) they have devoted sufficient time to carry out their duties and responsibilities as Independent Directors and act in the interest of the Company and shareholders through active participation in deliberations with independent judgement free from being influenced by the operational management.

# Proxy Form

No. of shares held	
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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 Eighteenth Annual General Meeting of the Company to be held at The Mark Lodge Hotel Function Room, Lot 1-7, Block 36, Bandar Indah, Mile 4, Jalan Cecily, 90000, Sandakan, Sabah on Monday, 15 December 2014 at 3.00 p.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

No.	Resolutions	For	Against
Resolution 1	Payment of Directors' Fees		
Resolution 2	Re-election of Mr Lim Nyuk Foh as Director		
Resolution 3	Re-election of Dato' Sri Chee Hong Leong, JP as Director		
Resolution 4	Re-appointment of Messrs PKF as Auditors of the Company		
Resolution 5	Proposed renewal of authority to issue shares under Section 132D of the Companies Act, 1965		
Resolution 6	Proposed renewal of authority for the Company to purchase its own shares representing up to 10% of its issued and paid-up share capital		
Resolution 7	Proposed retention of Mr Kwan Tack Chiong as Independent Director		
Resolution 8	Proposed retention of Mr Ooi Jit Huat as Independent Director		

Please indicate with an "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/ she thinks fit.

Dated this ..... day of ..... 2014

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 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 9 December 2014 shall be regarded as member of the Company entitled to attend, speak and vote at the Eighteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.

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Affix  
stamp

The Company Secretary  
**PRICWORTH 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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