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

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

(ii) **Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)** (continued)

As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The Group has not yet assessed the impact of these amendments.

(iii) **Financial instruments**

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

- Classification and measurement

FRS 9 has two (2) measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

1. Basis of preparation (continued)

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

(iii) Financial instruments (continued)

- Impairment

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

- Hedge accounting

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

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

(c) Significant changes in regulatory requirements

On 31 August 2016, the Companies Bill 2015 received Royal Assent and was gazetted as the Companies Act 2016 ("CA 2016"). Subsequent to the Company's financial year end, the Registrar of the Companies Commission of Malaysia announced that CA 2016 would be implemented on a staggered basis with the first phase to be effective on 31 January 2017. With the enforcement of the first phase of the CA 2016, the Companies Act 1965 ("CA 1965") is repealed. Notwithstanding the repeal of CA 1965, the transitional provisions under the CA 2016 stipulate that obligations in respect of the CA 1965 shall not be affected with the implementation of the CA 2016 but shall continue to remain in force.

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2. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Critical accounting estimates and judgments

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

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

(i) **Discount rates used**

In assessing the net realisable value of property, plant and equipment, timber rights and biological assets, the Group uses a discount rate of 5.20% (2016: 6.00%), which is based on the Company's weighted average cost of capital (WACC) for the financial year.

(ii) **Operating segments**

The segments disclosed in Note 33 to the financial statements have been determined by distinguishing the business activities from which the Group earns revenues and incurs expenses. The economic characteristics of the operating segments have been reviewed and operating segments have been grouped based on the assessment made by the chief operating decision maker.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

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2. Significant accounting judgements and estimates (continued)

(b) Key sources of estimation uncertainty (continued)

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

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

(ii) **Amortisation of timber rights**

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

(iii) **Income taxes**

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

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

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

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2. Significant accounting judgements and estimates (continued)

(b) Key sources of estimation uncertainty (continued)

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

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

(vi) **Impairment of goodwill**

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

Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 16 to the financial statements.

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

Investments in subsidiary companies are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 3(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.

(viii) **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.

2. Significant accounting judgements and estimates (continued)

(b) Key sources of estimation uncertainty (continued)

(ix) 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.

(x) 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.

3. 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.

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

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

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3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) **Subsidiaries** (continued)

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

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

(ii) **Business combinations**

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

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

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

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

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.

3. 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' 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.

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3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Joint venture (continued)

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.

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.

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3. Significant accounting policies (continued)

(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.

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3. Significant accounting policies (continued)

(b) Foreign currencies

(iii) Foreign operations

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:

	2017 RM	2016 RM
1 Japanese Yen	0.0383	0.0393
1 Papua New Guinea Kina	1.3227	1.2408
1 Singapore Dollar	3.1133	2.9839
1 Solomon Islands Dollar	0.5544	0.5057
1 United States Dollar	4.2974	4.0292
1 Hong Kong Dollar	0.5500	0.5193

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Dividend income

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

(ii) Sale of goods

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

(iii) Revenue from services

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

(iv) Rental income

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

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3. Significant accounting policies (continued)

(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.

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3. 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.

3. Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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.

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

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

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

The principal annual rates of depreciation used are as follows:

	%
Buildings	2 – 10
Heavy equipment, motor vehicles and motor launches	10 – 20
Plant and machinery	7
Furniture, fittings and equipment	10 – 33 1/3
Aircraft	10
Tug boat and scow	10
Camp infrastructure and slipway	15

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

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

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

(h) Land use rights

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

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

(i) **Intangible assets**

(i) **Goodwill**

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(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 3(n)(ii).

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

(iii) **License**

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

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.

3. 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) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, at banks, deposits with licensed banks with maturity not exceeding three (3) months 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.

(l) 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.

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3. Significant accounting policies (continued)

(l) Financial assets (continued)

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

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

(ii) Held-to-maturity investments

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

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

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

(iii) Loans and receivables

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

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

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

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3. Significant accounting policies (continued)

(l) Financial assets (continued)

(iv) Available-for-sale financial assets

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

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

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

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

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

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

(m) Inventories

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

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:-

(i) The costs of raw materials and consumables and spares are determined using the first-in-first-out (FIFO) method. The cost of raw materials comprises costs of purchase.
(ii) The costs of finished goods and work-in-progress are determined on a weighted average basis. 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.

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3. Significant accounting policies (continued)

(m) Inventories (continued)

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.

(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.

3. Significant accounting policies (continued)

(n) Impairment (continued)

(i) Impairment of financial assets (continued)

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

  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")).

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.

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3. Significant accounting policies (continued)

(n) Impairment (continued)

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

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.

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

(r) **Borrowings costs** (continued)

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

(s) **Leases**

(i) **Classification**

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

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

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

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 3(g).

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3. Significant accounting policies (continued)

(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.

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.

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3. Significant accounting policies (continued)

(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 is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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

(x) **Contingencies** (continued)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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.

(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.

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3. Significant accounting policies (continued)

(z) Fair value measurement (continued)

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.

4. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Barge hire income	96,811	113,583	-	-
Contract fee	549,301	7,135,661	-	-
Dividend income from a subsidiary company	-	-	40,000,000	40,000,000
Road tolls	2,812,912	2,957,156	-	-
Sale of processed wood products	109,472,819	126,468,593	-	-
Sale of logs	35,706,801	15,915,751	-	-
Services income	19,849,754	14,347,547	-	-
	168,488,398	166,938,291	40,000,000	40,000,000

5. Interest income

	Group		Company	
Interest income from:	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed banks	51,683	88,927	51,515	67,876

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6. Other operating income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Allowance for impairment on receivables written back (Note 21)	127,751	-	-	-
Discount received	417	7,505	-	-
Gain on disposal of property, plant and equipment	3,117,567	9,637,407	-	-
Gain on foreign exchange				
- Realised	2,438	129,224	-	-
- Unrealised	-	771,054	-	-
Gate pass income	664,125	725,900	-	-
Insurance claim	32,987	31,960	-	-
Liabilities no longer in existence written back	25,410	188,144	25,410	-
Miscellaneous income	1,076,561	452,334	-	-
Rebate of royalty	2,428,925	2,091,121	-	-
Rental income	1,445,534	1,435,560	-	-
Reversal of bad debts written off	2,275	57,923	-	-
Sale of bare core	41,496	-	-	-
Sale of log core	51,086	20,839	-	-
Sale of saw dust	89,252	164,692	-	-
Sale of scrap iron	35,628	18,170	-	-
	9,141,452	15,731,833	25,410	-

7. Other operating expenses

	Group	
	2017 RM	2016 RM
Inventories written off	553,872	-
Impairment loss on intangible assets	-	122,692
Impairment loss on inventories	2,262,180	-
Impairment loss on property, plant and equipment	1,803,393	7,797,656
Timber rights written off	1,847,225	-
	6,466,670	7,920,348

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8. Profit from operations

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other than those disclosed in Note 5, 6 and 7, profit from operations have been arrived at after charging:				
Allowance for impairment on receivables (Note 21)	1,796,377	873,569	-	-
Amortisation of intangible asset (Note 16)	1,359,985	2,857,077	-	-
Amortisation of land use rights (Note 15)	267,560	267,560	-	-
Auditors' remuneration				
- Statutory audit				
- Current year	252,900	218,900	95,000	65,000
- Under provision in prior year	31,700	2,000	30,000	-
- Other services	130,035	14,630	42,035	14,630
Bad debts written off	-	259,285	-	-
Depreciation of property, plant and equipment (Note 14)	26,132,014	30,484,919	-	-
Fair value adjustment for forest planting expenditure (Note 18)	333,072	-	-	-
Fair value loss on derivatives asset	-	59,264	-	-
And crediting:				
Fair value adjustment for forest planting expenditure (Note 18)	-	401,258	-	-

9. Employee benefits expense

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Salaries and wages	25,052,655	27,513,752	173,550	103,439
Contributions to defined contribution plan	900,026	1,193,316	19,216	13,208
Social security contributions	121,948	121,025	1,805	1,327
	26,074,629	28,828,094	194,571	117,974
Capitalised in camp infrastructure	(2,426,923)	-	-	-
Capitalised in biological assets (Note 18)	(2,141,981)	(5,282,558)	-	-
	21,505,725	23,545,536	194,571	117,974

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,058,952 (2016: RM793,266) and RM110,762 (2016: RM70,420) respectively as further disclosed in Note 10 to the financial statements.

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10. Directors' remuneration

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

	Group		Company	
	2017	2016	2017	2016
Executive directors' remuneration (Note 9)	RM	RM	RM	RM
- Salaries and other emoluments	959,950	708,009	96,112	62,620
- Bonus	3,000	-	3,000	-
- Contributions to defined contribution plan	96,002	85,257	11,650	7,800
	1,058,952	793,266	110,762	70,420
Non-executive directors' remuneration :				
- Fees	132,000	127,650	132,000	127,650
- Other emoluments	2,700	3,000	2,700	3,000
	134,700	130,650	134,700	130,650
Total directors' remuneration	1,196,652	923,916	245,462	201,070

The directors' remuneration in the current financial year represents remuneration for Directors of the Group, the Company and its subsidiaries to comply with the requirements of Companies Act 2016. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

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

	Number of Directors	
	2017	2016
Executive directors:		
RM100,001 – RM150,000	-	1
RM150,001 – RM300,000	1	-
RM300,001 – RM450,000	1	1
Non-executive directors:		
Below RM50,000	4	3

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11. Finance costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
Interest expenses:	**RM**	**RM**	**RM**	**RM**
- Bank overdraft	9,982	-	-	-
- Obligations under finance leases	911,078	1,110,675	-	-
- Term loans	7,968,003	13,733,940	7,600,582	13,384,755
- Others	573,130	2,786,555	-	-
	9,462,193	17,631,170	7,600,582	13,384,755
Less: Capitalised in biological asset (Note18)	(367,421)	(349,185)	-	-
	9,094,772	17,281,985	7,600,582	13,384,755

12. Income tax expense

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current taxation	119,096	53,447	11,848	-
Deferred tax assets/ (liabilities) (Note 18)	(2,151,518)	1,171,057	-	-
	(2,032,422)	1,224,504	11,848	-
(Over)/Under provision in prior year	(27,745)	(503,942)	16,117	-
	(2,060,167)	720,562	27,965	-

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit before taxation	2,200,371	1,641,089	30,095,373	25,792,489
Taxation at Malaysian statutory tax rate of 23% (2016: 24%)	506,085	393,861	6,921,936	6,190,197
Effect of tax rate in foreign jurisdictions at 30% (2016: 30%)	3,961,599	593,883	-	-
Non-tax deductible expenses	4,123,511	12,679,713	2,295,757	3,409,803
Non-taxable income	(8,089,959)	(10,650,805)	(9,205,845)	(9,600,000)
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	(2,533,658)	(1,792,148)	-	-
	(2,032,422)	1,224,504	11,848	-
(Over)/Under provision in prior year	(27,745)	(503,942)	16,117	-
	(2,060,167)	720,562	27,965	-

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13. Earning per share

(a) Basic

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

	Group	
	2017 **RM**	**2016** **RM**
Profit net of tax attributable to owners of the Company	4,275,660	1,169,834
Weighted average number of ordinary shares in issue	702,992,046	568,384,387
	2017 **Sen**	**2016** **Sen**
Basic earning per share	0.6	0.2

(b) Diluted

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

	Group	
	2017 **RM**	**2016** **RM**
Profit net of tax attributable to owners of the Company	4,275,660	1,169,834
Weighted average number of ordinary shares in issue (basic)	702,992,046	568,384,387
Effect of warrant on issue	-	72,381,369
Weighted average number of ordinary shares in issue (diluted)	702,992,046	640,765,756
	2017 **Sen**	**2016** **Sen**
Diluted earning per share	0.6	0.2

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14. Property, plant and equipment

Group 2017 **Cost or valuation**	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fitting and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure and slipway RM	Construction work-in-progress RM	Total RM
At 1 July 2016										
- At cost	23,815,398	95,740,866	147,271,485	223,566,650	12,305,336	16,433,565	4,666,509	72,130,538	3,302,608	597,497,897
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,293,705	109,246,471	147,271,485	223,566,650	12,305,336	16,433,565	4,666,509	72,130,538	3,302,608	623,216,867
Addition	-	-	5,026,051	1,226,781	51,562	-	-	6,268,620	2,142,533	14,715,547
Disposal/written off	-	(156,738)	(7,604,893)	-	(1,901,540)	-	(3,404,750)	(17,695,675)	(101,210)	(30,864,806)
Reclassification	-	2,175,425	-	-	-	-	-	-	(2,175,425)	-
At 30 June 2017	34,293,705	111,265,158	144,692,643	224,793,431	10,455,358	16,433,565	1,261,759	60,703,483	3,168,506	607,067,608
Representing:										
- At cost	23,815,398	97,759,553	144,692,643	224,793,431	10,455,358	16,433,565	1,261,759	60,703,483	3,168,506	583,084,696
- At valuation	10,477,307	13,505,605	-	-	-	-	-	-	-	23,982,912
	34,293,705	111,265,158	144,692,643	224,793,431	10,455,358	16,433,565	1,261,759	60,703,483	3,168,506	607,067,608
Accumulated depreciation and impairment losses										
At 1 July 2016	4,271,653	25,763,382	117,531,607	144,833,194	10,726,904	16,433,564	3,006,078	53,703,764	3,729	376,273,875
Charge for the financial year	361,477	2,467,894	7,791,848	13,082,526	235,013	-	470,769	4,966,342	-	29,375,869
Written back	-	(253,218)	(6,724,603)	-	(576,761)	-	(3,394,958)	(14,850,511)	-	(25,800,051)
Impairment charge for the financial year	-	-	1,460,665	-	12,329	-	-	330,399	-	1,803,393
At 30 June 2017	4,633,130	27,978,058	120,059,517	157,915,720	10,397,485	16,433,564	81,889	44,149,994	3,729	381,653,086

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14. Property, plant and equipment (continued)

Group 2017	Long term leasehold land RM	Buildings RM	Heavy equipment, motor vehicles and motor launches RM	Plant and machinery RM	Furniture, fitting and equipment RM	Aircraft RM	Tug boat and scow RM	Camp infrastructure and slipway RM	Construction work-in-progress RM	Total RM
Net book value										
- At cost	20,797,917	82,233,130	24,633,126	66,877,711	57,873	1	1,179,870	16,553,489	3,164,777	215,497,894
- At valuation	8,862,658	1,053,970	-	-	-	-	-	-	-	9,916,628
At 30 June 2017	29,660,575	83,287,100	24,633,126	66,877,711	57,873	1	1,179,870	16,553,489	3,164,777	225,414,522

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14. Property, plant and equipment (continued)

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

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14. Property, plant and equipment (continued)

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

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

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14. Property, plant and equipment (continued)

Company

2017	**Motor vehicles**	**Furniture, fittings and equipment**	**Total**
Cost	**RM**	**RM**	**RM**
At 1 July 2016/30 June 2017	348,600	234,742	583,342
Accumulated depreciation			
At 1 July 2016/30 June 2017	348,599	234,706	583,305
Net book value			
At 30 June 2017	1	36	37

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

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

	Group	
	2017	**2016**
	RM	**RM**
Recognised in profit or loss (Note 8)		
- Cost of sales	25,413,993	29,773,798
- Administrative expenses	718,021	711,121
	26,132,014	30,484,919
Capitalised in biological assets (Note 18)	3,243,855	4,188,683
Capitalised in camp infrastructure	-	3,645,444
	29,375,869	38,319,046

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14. Property, plant and equipment (continued)

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

Had the leasehold land and buildings been carried under the cost model, the carrying amount would have been RMNil (2016: RM216,211).

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

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

Group	**At cost**	**Accumulated depreciation**	**Net book value**
2017	**RM**	**RM**	**RM**
Heavy equipment, motor vehicles and trucks	8,883,038	(2,420,470)	6,462,568
Plant and machinery	38,192,386	(27,533,461)	10,658,925
	47,075,424	(29,953,931)	17,121,493
2016			
Heavy equipment, motor vehicles and trucks	8,883,038	(1,263,760)	7,619,278
Plant and machinery	38,192,386	(24,851,974)	13,340,412
	47,075,424	(26,115,734)	20,959,690

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14,715,547 (2016: RM12,491,425) of which RMNil (2016: RM3,143,500) were financed by hire purchase arrangements.

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

	Group	
	2017	**2016**
	RM	**RM**
Long term leasehold land	17,189,398	17,550,875
Buildings	82,781,424	83,284,269
Heavy equipment, motor vehicles and motor launches	22,535,901	27,793,975
Plant and machinery	62,054,329	73,591,377
Furniture, fittings and equipment	880,844	1,186,084
Aircraft	1	1
Tug boat and scow	601,274	1,660,431
Camp infrastructure and slipway	23,281,927	18,426,774
Construction work-in-progress	3,154,247	3,288,810
	212,479,345	226,782,596

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14. Property, plant and equipment (continued)

Property, plant and equipment is assessed at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount by comparing the carrying amount with the recoverable amount of the CGUs based on estimation of the value-in-use by the management. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the property, plant and equipment based on the following assumptions:

(i) Cash flows are projected based on the management's plantation and extraction plan and extrapolated to a period of eight (8) years for all companies, except for non-timber related company. For non-timber company, cash flows are projected based on the project secured by the management.

(ii) Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital adjusted for specific risks relating to the relevant segments. The average discount rate applied for cash flow projections is 5.20% (2016: 6.00%).

(iii) Selling price of the timber products are based on the average of four (4) years.

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 the assumptions on 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.

15. Land use rights

	Group 2017 RM	Group 2016 RM
Cost		
At 1 July/30 June	14,790,634	14,790,634
Accumulated amortisation		
At 1 July	1,028,912	761,352
Charge for the financial year (Note 8)	267,560	267,560
At 30 June	1,296,472	1,028,912
Net book value		
At 30 June	13,494,162	13,761,722
Amount to be amortised:		
- Within one year	267,560	267,560
- Between one to five years	1,070,240	1,070,240
- More than five years	12,156,362	12,423,922
	13,494,162	13,761,722

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

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16. Intangible assets

Group

2017	**Goodwill RM**	**Timber rights RM**	**License RM**	**Total RM**
Cost				
At 1 July 2016	20,323,572	58,171,223	303,830	78,798,625
Written off	-	(4,900,000)	-	(4,900,000)
At 30 June 2017	20,323,572	53,271,223	303,830	73,898,625
Accumulated amortisation and impairment losses				
At 1 July 2016	5,155,905	36,449,900	303,830	41,909,635
Charge for the financial year (Note 8)	-	1,359,985	-	1,359,985
Written off	-	(3,052,775)	-	(3,052,775)
At 30 June 2017	5,155,905	34,757,110	303,830	40,216,845
Net book value				
30 June 2017	15,167,667	18,514,113	-	33,681,780

Group

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

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

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16. Intangible assets (continued)

Impairment test of intangible assets

Allocation of goodwill

Goodwill is related to timber operation.

Goodwill and timber rights are tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on estimation of the value-in-use by the management. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on the following assumptions:

(i) Cash flows are projected based on the management's extraction plan and extrapolated to a period of eight (8) years for all companies.
(ii) Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital adjusted for specific risks relating to the relevant segments. The average discount rate applied for cash flow projections is 5.20% (2016: 6.00%).
(iii) Selling price of the timber products are based on the average of four (4) years.

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 the assumptions on 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.

17. Investments in subsidiary companies

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost	183,427,941	183,427,636
Amounts due from subsidiary companies	120,000,000	120,000,000
	303,427,941	303,427,636

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

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17. Investments in subsidiary companies (continued)

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest 2017 %	2016 %	Principal activities
Held by the Company				
Priceworth Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of processed wood products, trading of logs and provision of wood processing services
Maxland Dockyard & Engineering Sdn. Bhd.	Malaysia	100	100	Provision of repair and maintenance services for marine vessels
Cergas Kenari Sdn. Bhd.	Malaysia	100	100	Ceased operations
Sinora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of wood products and trading of logs
Innora Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of processed wood products
Maju Sinar Network Sdn. Bhd.	Malaysia	100	100	Trading of logs
Beta Bumi Sdn. Bhd.	Malaysia	100	100	Extraction of timber and trading of logs
Harvest Element Sdn. Bhd.	Malaysia	100	100	Investment holding
GSR Pte Ltd*	Singapore	100	-	Dormant
Held through Priceworth Industries Sdn. Bhd.				
Maxland Sdn. Bhd.	Malaysia	100	100	Extraction and trading of timber logs, provision of barging services and undertaking of construction contract
Cabaran Cerdas Sdn. Bhd.	Malaysia	100	100	Investment holding
Rimbunan Gagah Sdn. Bhd.	Malaysia	100	64.5	Ceased operations
Held through Maxland Dockyard & Engineering Sdn. Bhd.				
Semaring MDE JV Sdn. Bhd.	Malaysia	60	60	Undertaking onshore and offshore mechanical and all other marine related works and renting out its plant and equipment
Held through Sinora Sdn. Bhd.				
Sino Golden Star Limited	Hong Kong SAR	100	100	Dormant
Kekal Eramaju Sdn. Bhd.	Malaysia	100	100	Extraction and sale of logs
Held through Maju Sinar Network Sdn. Bhd.				
Maxland Congo S.A.R.L.U	Congo	100	100	Dormant
Held through Harvest Element Sdn. Bhd.				
Maxland Gabon S.A.R.L.U	Gabon	100	100	Dormant

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17. Investments in subsidiary companies (continued)

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest 2017 %	2016 %	Principal activities
Held through Cabaran Cerdas Sdn. Bhd.				
Maxland (SI) Limited *	Solomon Islands	100	100	Ceased operation
PWP (SI) Limited *	Solomon Islands	100	100	Trading of logs
Ligreen (SI) Limited *	Solomon Islands	100	100	Ceased operation
Priceworth Sawmill (SI) Limited *	Solomon Islands	100	100	Manufacture and sale of processed wood products
Held through Maxland Sdn. Bhd.				
Ligreen (PNG) Limited	Papua New Guinea	100	100	Dormant

* Audited by PKF, Malaysia for consolidation purposes.

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

Acquisition of subsidiaries

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

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

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

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

(v) The Company has on 28 September 2016 incorporated a new subsidiary company, namely GSR Pte. Ltd., a private limited company in Singapore with the issued share stands at SGD100. Hence, GSR Pte. Ltd. is now the wholly subsidiary of the company. At present, GSR Pte. Ltd. is a dormant Company. The intended principal activity of the GSR Pte. Ltd. is investment holding which complement the present business activities of the Group.

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17. Investments in subsidiary companies (continued)

Change in stake

On 2 December 2016, a subsidiary of the Group, Priceworth Industries Sdn. Bhd., acquired thirty-five and half percent (35.5%) non-controlling equity interest in Rimbunan Gagah Sdn. Bhd. for a cash consideration at RM250,000. As a result of that, Rimbunan Gagah Sdn. Bhd. became a wholly owned subsidiary of the Group.

18. Biological assets

Forest planting expenditure

	Group	
Cost	**2017 RM**	**2016 RM**
At 1 July	80,902,235	55,040,040
Addition	19,400,231	25,460,937
Fair value adjustment	(333,072)	401,258
At 30 June	99,969,394	80,902,235

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 signed with the State Government of Sabah at Pinangah Forest Reserve with Fifty (50) years concession and Silvicultural Treatment and Mosaic Restoration and Enrichment Planting and Management System Project under an Integrated Mosaic Planting Agreement with a government body.

The Group has been granted a loan of RM13,232,000 for the purpose of development of forest plantation by the Forest Plantation Development Sdn. Bhd. (FPD) at an interest rate of 3% per annum. FPD is a special purpose vehicle incorporated by Malaysian Timber Industry Board (Incorporation) Act, 1973 for managing funds allocated by the Government of Malaysia for the implementation of forest plantation development programme. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The amount of the loan drawn down during the financial year was RM1,161,435 (2016: RMNil). The difference between the initial carrying amount of the loan determined in accordance with FRS 139 and the proceeds of the loan (paid)/received of RM333,072 (2016: RM401,258) has been recognised against the carrying amount of the biological assets.

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

	2017 RM	**2016 RM**
Depreciation of property, plant and equipment (Note 14)	3,243,855	4,188,683
Employee benefits expense (Note 9)	2,141,981	5,282,558
Interest on bank loan (Note 11)	367,421	349,185

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19. Deferred tax (assets)/liabilities

	Group	
	2017 RM	**2016 RM**
At 1 July	9,617,673	8,446,616
Recognised in profit or loss (Note 12)	(2,151,518)	1,171,057
At 30 June	7,466,155	9,617,673
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	21,625,155	23,776,673
Deferred tax assets	(14,159,000)	(14,159,000)
	7,466,155	9,617,673

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

Group Deferred tax liabilities:	Property, plant and equipment RM	Land use rights RM	Timber rights RM	Inventories RM	Total RM
At 1 July 2016	33,673,674	3,929,167	5,680,006	(18,138)	43,264,709
Recognised in profit or loss	(2,181,838)	(65,863)	(198,246)	-	(2,445,947)
At 30 June 2017	31,491,836	3,863,304	5,481,760	(18,138)	40,818,762
At 1 July 2015	33,206,553	3,995,342	5,933,138	(18,138)	43,116,895
Recognised in profit or loss	467,121	(66,175)	(253,132)	-	147,814
At 30 June 2016	33,673,674	3,929,167	5,680,006	(18,138)	43,264,709

Deferred tax assets:	Unutilised tax losses and unabsorbed capital allowances RM	Unabsorbed reinvestment allowances RM	Unabsorbed forest and agriculture allowances RM	Total RM
At 1 July 2016	(30,399,344)	(3,130,223)	(117,479)	(33,647,036)
Recognised in profit or loss	(2,835,794)	3,130,223	-	294,429
At 30 June 2017	(33,235,138)	-	(117,479)	(33,352,617)
At 1 July 2015	(29,253,227)	(5,299,573)	(117,479)	(34,670,279)
Recognised in profit or loss	(1,146,107)	2,169,350	-	1,023,243
At 30 June 2016	(30,399,344)	(3,130,223)	(117,479)	(33,647,036)

The Group and the Company measure a deferred tax liability/(asset) using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Pursuant to the 2017 Malaysian Budget announced on 21 October 2016, resident companies with paid-up capital of above RM2,500,000 are taxed at the rate of 24% while those with paid-up capital of RM2,500,000 or less (and not part of a group of companies where any of their related companies have a paid-up capital of more than RM2,500,000) are taxed at the following scale rates:

- Chargeable income for the first RM500,000 at 18% with effect from Year of Assessment 2017
- Chargeable income in excess of RM500,000 at 23%

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19. Deferred tax (assets)/liabilities (continued)

In determining the rate to be applied for deferred tax measurement, the Company applies the average rate applicable to the Company, determined by dividing the current tax charge over the chargeable income, or if the Company has no chargeable income, at the lower rate.

The amount of temporary differences for which no deferred tax asset has been recognised in the statements of financial position is as follows:

	Group 2017 RM	Group 2016 RM
Unutilised tax losses and unabsorbed capital allowances	48,966,298	36,014,259
Unabsorbed reinvestment allowances	36,512,272	6,135,158
Unabsorbed forest and agriculture allowances	976,591	976,591
	7,466,155	9,617,673

Subject to the approval by the tax authority, the temporary differences of the deferred tax assets are available for offsetting against future taxable profits of the respective subsidiaries.

As disclosed in Note 2(b)(iv) to the financial statements in respect of critical accounting estimates and judgements, the deferred tax assets of unutilised tax losses and unutilised reinvestment allowances of a subsidiary amounting to RM19,310,521 (2016: RM19,100,015) and RMNil (2016: RM3,253,181) respectively are recognised on the basis of the subsidiary's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of market price of plywood and logs, manufacturing costs and currency movement. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable inflation rate.

20. Inventories

	Group 2017 RM	Group 2016 RM
Cost		
Consumable and spares	5,517,097	5,559,024
Construction work-in-progress	-	2,542,012
Finished goods	6,927,185	7,864,623
Goods in transit	-	36,252
Logging contract work-in-progress	14,569,564	11,614,434
Nursery	913,211	857,178
Production supplies	1,967,823	1,660,569
Raw materials	3,932,680	3,305,966
Timber logs	2,832,079	532,288
Work-in-progress	2,531,604	4,252,711
	39,191,243	38,225,057
Net realisable value		
Finished goods	1,578,335	2,315,698
	40,769,578	40,540,755

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20. Inventories (continued)

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

	2017 RM	2016 RM
Depreciation of property, plant and equipment	380,809	334,925
Employee benefits expense	282,852	235,944

21. Trade and non-trade receivables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade receivables				
Amount due from a company in which a person connected to a director of the Company has financial interests	73,486	-	-	-
Third parties	53,267,582	38,552,909	-	-
	53,341,068	38,552,909	-	-
Less: Allowance for impairment	(2,636,222)	(862,118)	-	-
Trade receivables, net	50,704,846	37,690,791	-	-
Non-trade receivables				
Deposits for log supplies	2,000,000	2,600,000	-	-
Other deposits	12,815,821	2,321,558	82,259	36,320
Prepayments	2,351,987	2,201,026	1,000,000	-
Other receivables				
- Amounts due to companies which have common directors with the Company and in which a director of the Company has financial interests	102,811	102,859	-	-
- Amounts due from companies in which a person connected to a director of the Company has financial interests	82,726	27,790	-	-
- Third parties	20,127,195	28,152,977	4,498	5,096
	37,480,540	35,406,210	1,086,758	41,416
Less: Allowance for impairment	(463,247)	(568,725)	-	-
Non-trade receivables, net	37,017,293	34,837,485	1,086,758	41,416
Total trade and non-trade receivables	87,722,139	72,528,276	1,086,758	41,416

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 60 to 90 days (2016: 60 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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21. Trade and non-trade receivables (continued)

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 4 (2016: 12) customers representing 54% (2016: 69%) of total receivables.

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

Group **2017**	**Gross amount RM**	**Individual impairment RM**	**Carrying value RM**
Not past due	20,970,875	-	20,970,875
Past due:			
- less than 30 days	4,884,100	-	4,884,100
- between 31 to 60 days	85,662	-	85,662
- between 61 to 90 days	2,596,639	-	2,596,639
- more than 90 days	24,803,792	(2,636,222)	22,167,570
	32,370,193	(2,636,222)	29,733,971
	53,341,068	(2,636,222)	50,704,846

2016	**Gross amount RM**	**Individual impairment RM**	**Carrying value RM**
Not past due	6,139,625	-	6,139,625
Past due:			
- less than 30 days	2,119,728	-	2,119,728
- between 31 to 60 days	5,201,942	-	5,201,942
- between 61 to 90 days	1,315,013	-	1,315,013
- more than 90 days	23,776,601	(862,118)	22,914,483
	32,413,284	(862,118)	31,551,166
	38,552,909	(862,118)	37,690,791

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 RM29,733,971 (2016: RM31,551,166) 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.

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21. Trade and non-trade receivables (continued)

	Group	
Movement in allowance account for trade receivables :	**2017 RM**	**2016 RM**
At 1 July	862,118	161,498
Charge for the financial year (Note 8)	1,774,104	700,620
At 30 June	2,636,222	862,118
Movement in allowance account for non-trade receivables :		
At 1 July	568,725	395,776
Charge for the financial year (Note 8)	22,273	172,949
Written back (Note 6)	(127,751)	-
At 30 June	463,247	568,725

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.

22. Amounts due from subsidiary companies

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

23. Cash and cash equivalents

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Bank overdraft (unsecured)	(150)	(150)	-	-
Cash in hand and at banks	974,816	9,151,802	27,811	16,254
Deposits with licensed banks	-	3,567,876	-	3,567,876
Cash and bank balances	974,666	12,719,528	27,811	3,584,130
Less: Deposits with maturity of more than three (3) months	-	(3,567,876)	-	(3,567,876)
Cash and cash equivalents	974,666	9,151,652	27,811	16,254

23. Cash and cash equivalents (continued)

The weighted average effective interest rate of deposits with licensed banks at the end of the previous financial year of the Group was 3.85% per annum.

Deposits with licensed banks at the end of the previous financial year of the Group had a weighted average maturity of 5 year.

24. Share capital, share premium and treasury shares

	No. of shares 2017 unit	No. of shares 2016 unit	Group/Company 2017 RM	Group/Company 2016 RM
Authorised:				
2,000,000,000 ordinary shares with no par value (2016: RM0.10 each)	-	2,000,000,000	-	200,000,000

Issued and fully paid: 930,670,631 ordinary shares with no par value (2016: RM0.10 each)	Group/Company Share capital unit	Share capital RM	Share premium RM	Treasury shares RM
At 1 July 2015	466,704,149	46,670,415	75,854,883	(10,324,612)
Share issuance expense	-	-	(1,031,725)	-
Conversion of redeemable convertible notes	187,892,110	18,789,211	1,210,789	-
At 30 June 2016	654,596,259	65,459,626	76,033,947	(10,324,612)
Share issuance expense	-	-	(326,828)	-
Issuance of shares	276,074,372	27,607,437	220,000	-
Transition to no par value regime under Companies Act 2016	-	75,927,119	(75,927,119)	-
At 30 June 2017	930,670,631	168,994,182	-	(10,324,612)

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.10 each. The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished. Therefore, the share premium account now effectively forms part of the Company's share capital effective 31 January 2017 and at the end of the financial year.

Prior to 31 January 2017, the application of the share premium account was governed by Section 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Group and the Company's share premium account has become part of the Group and the Company's share capital. Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM75,927,119 for purposes as set out in Section 618 (3) of the Act.

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

During the financial year, the Company increased its issued and paid-up share capital from 654,596,259 ordinary shares to 930,670,631 ordinary shares by way of issuance of 276,074,372 ordinary shares of RM0.10 each by way of private placement and special issue converted at the following conversion price per ordinary share:

(i) Private placement

Conversion Date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
29 December 2016	44,000,000	0.105	4,620,000
23 January 2017	20,203,342	0.100	2,020,334
	64,203,342		6,640,334

(ii) Special issue

Conversion Date	Number of Ordinary Shares in units	Conversion Price per Ordinary Share RM	Total RM
1 June 2017	211,871,030	0.100	21,187,103

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 930,670,631 (2016: 654,596,259) issued and fully paid ordinary shares as at 30 June 2017, 12,562,832 (2016: 12,562,832) are held as treasury shares by the Company. There was no cancellation, resale or reissuance of treasury shares during the financial year. As at 30 June 2017, the number of outstanding ordinary shares in issue after the setoff is therefore 918,107,799 (2016: 642,033,427) ordinary shares of RM0.10 each.

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25. Other reserves

Group	Foreign currency translation reserve RM	Warrant reserve RM	Capital redemption reserve RM	Total RM
At 1 July 2016	74,644	-	74,511,248	74,585,892
Foreign currency translation	1,499,306	-	-	1,499,306
At 30 June 2017	1,573,950	-	74,511,248	76,085,198
At 1 July 2015	(524,006)	4,342,882	74,511,248	78,330,124
Foreign currency translation	598,650	-	-	598,650
Transferred to retained profits	-	(4,342,882)	-	(4,342,882)
At 30 June 2016	74,644	-	74,511,248	74,585,892

Company	Warrant reserve RM	Capital redemption reserve RM	Total RM
2017			
At 1 July 2016/30 June 2017	-	74,511,248	74,511,248
2016			
At 1 July 2015	4,342,882	74,511,248	78,854,130
Transferred to retained profits	(4,342,882)	-	(4,342,882)
At 30 June 2016	-	74,511,248	74,511,248

(a) **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.

(b) **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 (1) new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each.

The main features of the warrants are as follows:

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

25. Other reserves (continued)

(b) **Warrant reserve**

(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.

During the financial year ended 30 June 2016, the unexercised warrants lapsed after its expiry date on 18 April 2016.

(c) **Capital redemption reserve**

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

26. Retained profits

The Company's policy is to treat all gains and losses that pass through the statement of comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders. Accumulated losses is the opposite of retained profits and when an entity is in an accumulated loss position, it is prohibited from distributing cash dividends to shareholders.

27. Loans and borrowings

	Group		Company	
	2017	**2016**	**2017**	**2016**
Non-current	**RM**	**RM**	**RM**	**RM**
Secured:				
Obligations under finance leases	4,970,149	10,763,830	-	-
Term loans	82,730,902	12,447,895	69,087,223	-
	87,701,051	23,211,725	69,087,223	-

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27. Loans and borrowings (continued)

	Group		Company	
	2017	2016	2017	2016
Current	RM	RM	RM	RM
Secured:				
Bank overdraft	10,000,000	-	-	-
Obligations under finance leases	5,023,602	5,359,544	-	-
Term loans	30,818,920	134,089,880	30,818,920	134,089,879
	45,842,522	139,449,424	30,818,920	134,089,879
Total loans and borrowings				
Secured:				
Bank overdraft	10,000,000	-	-	-
Obligations under finance leases	9,993,751	16,123,374	-	-
Term loans	113,549,822	146,537,775	99,906,143	134,089,879
	133,543,573	162,661,149	99,906,143	134,089,879
Maturity structure of loans and borrowings				
Within one year	45,842,522	139,449,424	30,818,920	134,089,879
Between one to two years	39,402,703	7,018,356	36,440,747	-
Between two to five years	34,654,669	3,682,474	32,646,476	-
More than five years	13,643,679	12,447,895	-	-
	133,543,573	162,661,149	99,906,143	134,089,879

The interest rate structures are as follows:

	Nominal interest rate		Effective interest rate	
	2017	2016	2017	2016
Bank overdraft	FD rate+0.5%	-	3.35%	-
Obligations under finance leases	4.66%	4.66%	5.78%	5.68%
Term loan 1	BFR+3.5%	BFR+3.5%	10.35%	10.35%
Term loan 2	3.00%	3.00%	3.00%	3.00%

(a) **Bank overdraft**

The bank overdraft of RM10,000,000 (2016: RMNil) is secured by a third party letter of set-off in the form and substance over the sum of RM10,000,000 together with interest thereon placed with the bank by a person connected of a director of the Company.

(b) **Obligations under finance leases**

These obligations are secured by a charge over the leased assets as disclosed in Note 14 to the financial statements.

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27. Loans and borrowings (continued)

(c) Term loan 1

This loan with a total outstanding balance of RM99,906,143 (2016: RM134,089,879) is secured by:

(i) a first legal charge over leasehold land and timber rights of certain subsidiary companies as disclosed in Notes 13 and 15 to the financial statements;
(ii) a debenture over fixed and floating assets of a third party; and
(iii) a debenture over all fixed and floating assets of certain subsidiary companies.

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

During the financial year, the Company regularised its repayment term and there are no arrears as at 30 June 2017. Therefore, the carrying amount of the term loan has been reclassified as current and non-current respectively on the face of Statement of Financial Position, according to FRS 101 *Presentation of Financial Statements.*

(d) Term loan 2

This loan with a total outstanding balance of RM13,643,679 (2016: RM12,447,896) is secured by:

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

28. Trade and non-trade payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade payables				
Amounts due to companies which have common directors with the Company and in which a director of the Company has financial interests	-	49,036	-	-
Third parties	20,051,069	21,371,604	-	-
	20,051,069	21,420,640	-	-

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28. Trade and non-trade payable (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
None-trade payables				
Accruals	21,018,902	24,879,314	107,474	2,356,018
Deposits	16,500	16,500	-	-
Other payables				
- Amounts due to companies which have common directors with the Company and in which a director of the Company has financial interests	29,835	8,809	29,835	8,809
- Amount due to a company in which a person connected to a director of the Company has financial interests	71,628	66,645	55,801	41,809
- Third parties	12,102,812	11,028,269	658,746	254,906
	33,239,677	35,999,537	851,856	2,661,542
Total trade and non-trade payables	53,290,746	57,420,177	851,856	2,661,542

Trade and non-trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 90 days (2016: 30 to 90 days).

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

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.

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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		Transaction value		Balance outstanding as at 30 June	
	Type of	2017	2016	2017	2016
Name of related party	transaction	RM	RM	RM	RM
With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
Layang-layang Udara Sdn. Bhd.	-	-	-	-	(49,036)
Integral Acres Sdn. Bhd.	Rental income	98,520	102,859	102,811	(102,859)
	Sales of wood products	-	28,877		
	Contract fee	-	23,802		
Jurubina Cekap Sdn. Bhd.	Service income	-	120,907	-	-
	Rental of equipment	4,770	295,435		
Bertam Alliance Berhad	Rental fee	41,457	7,008	(29,835)	(8,809)
With companies in which a person connected to a Director of the Company has financial interests:					
Sikap Hajat Sdn. Bhd.	Transportation income	58,990	-	-	-
Maxland Enterprise Sdn. Bhd.	Professional fee	-	740	(62,285)	(51,182)
	Rental of office	98,376	183,664		
Green Edible Oil Sdn. Bhd.	Rental income	63,000	72,000	-	12,720
Barigos Sdn. Bhd.	Purchase of spare parts	10,418	15,362	73,383	(393)
	Payment on behalf	291	144,359		

Company		Transaction value		Balance outstanding as at 30 June	
	Type of	2017	2016	2017	2016
Name of related party	transaction	RM	RM	RM	RM
With a person connected to a Director of the Company:					
Lim Nyuk Foh	Rental of land	30,000	36,000	-	-
With subsidiary companies:					
Sinora Sdn. Bhd.	Dividend income	40,000,000	40,000,000	76,926,616	55,382,631
Priceworth Indutries Sdn. Bhd.	-	-	-	13,073,964	10,618,318
GSR Pte Ltd	Payment on behalf	97,484	-	97,484	-

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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: (continued)

Company		Transaction value		Balance outstanding as at 30 June	
Name of related party	Type of transaction	2017 RM	2016 RM	2017 RM	2016 RM
With companies which have common Directors with the Company and in which a Director of the Company has financial interests:					
Bertam Alliance Berhad	Rental fee	41,457	7,008	(29,835)	(8,809)
With companies in which a person connected to a Director of the Company has financial interests:					
Maxland Enterprise Sdn. Bhd.	Rental	13,776	15,264	(55,801)	(41,809)

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Short-term employee benefits	962,950	708,009	99,112	62,620
Contributions to defined contribution plan	96,002	85,257	11,650	7,800
	1,058,952	793,266	110,762	70,420
Included in the key management personnel are:				
Directors' remuneration (Note 10)	1,058,952	793,266	110,762	70,420

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

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

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30. Commitments and contingencies

(a) Capital commitments

	Group	
Capital expenditure commitments	2017 RM	2016 RM
Approved and contracted for:		
- Acquisition of property, plant and equipment	-	493,851
- Acquisition of timber rights	250,000,000	260,400,000
	250,000,000	260,893,851

The capital commitment relates to the balance purchase consideration of RM250,000,000 for the acquisition of timber rights arising from the acquisition of the entire issued and paid up share capital of Rumpun Capaian Sdn. Bhd. (Rumpun) by GSR Pte. Ltd. (GSR), a wholly own subsidiary of the Company. The Sale and Purchase Agreement (SPA) was signed on 19 October 2016.

Concurrently with the execution of the SPA, Sinora Sdn. Bhd (Sinora), a wholly owned subsidiary of the Company, would also enter into a Log Extraction and Timber Sale Agreement with Anika Desiran Sdn. Bhd. (Anika), 99.99% owned subsidiary of Rumpun, to allow Sinora (by way of an irrevocable power of attorney in favour of Sinora) to extract all commercial logs within the forest reserve area.

Log extraction and timber sale agreement dated 19 October 2016 entered into between Sinora and Anika allows Sinora to extract and remove at the contractor's own cost, all commercial logs and/or merchantable timber within the areas identified in the coupe permits as Compartment 57 (733.6 hectares) and Compartment 58 (1,026.2 hectares) within the industrial tree plantation area with a combined area of 1,759.8 hectares and such other areas covered under any other new coupe permits issued for other compartments within Licensed Area from the date of the relevant coupe permits.

The commitment will be expected to be made by first half of 2018, funded by the proceeds arising from the Proposed Listing of GSR on the Singapore Exchange, cash from internally generated funds and/or bank borrowings (if necessary).

(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 14 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.

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30. Commitments and contingencies (continued)

(d) **Contingent liabilities**

	Company 2017 RM	2016 RM
Financial guarantee contract given to the subsidiaries	9,993,751	16,123,374

31. Financial instruments

(a) **Categories of financial instruments**

Group

2017 **Financial assets**	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	87,722,139	87,722,139
Cash and bank balances	974,666	974,666
	88,696,805	88,696,805

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loans and borrowings	133,543,573	133,543,573
Trade and non-trade payables	53,290,746	53,290,746
	186,834,319	186,834,319

2016 **Financial assets**	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	72,528,276	72,528,276
Cash and bank balances	12,719,528	12,719,528
	85,247,804	85,247,804

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

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31. Financial instruments (continued)

(a) Categories of financial instruments (continued)

Company

2017 **Financial assets**	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	1,086,758	1,086,758
Amounts due from subsidiary companies	90,098,064	90,098,064
Cash and bank balances	27,811	27,811
	91,212,633	91,212,633

Financial liabilities	**Carrying amount RM**	**Financial liabilities measured at amortised cost RM**
Loan and borrowings	99,906,143	99,906,143
Trade and non-trade payables	851,856	851,856
	100,757,999	100,757,999

2016 **Financial assets**	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	41,416	41,416
Amounts due from subsidiary companies	66,000,949	66,000,949
Cash and bank balances	3,584,130	3,584,130
	69,626,495	69,626,495

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

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31. Financial instruments (continued)

(b) Net gains/(losses) arising from financial instruments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Net gains/(losses) arising from:				
Loans and receivables				
- Bad debts written off	-	(259,285)	-	-
- Impairment loss	(1,668,626)	(873,569)	-	-
- Realised and unrealised gain on foreign exchange	2,438	900,278	-	-
- Interest income	51,683	88,927	51,515	67,876
- Reversal of bad debts written back	2,275	57,923	-	-
Financial assets at fair value through profit or loss				
- Reversal of fair value gain of derivative assets	-	(59,264)	-	-
Financial liabilities at amortised cost				
- Liabilities no longer in existence written back	25,410	188,144	25,410	-
- Interest expense	(9,462,193)	(17,631,170)	(7,600,582)	(13,384,755)
	(11,049,058)	(17,588,016)	(7,523,657)	(13,316,79)

(c) Financial risk management

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

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

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

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

(i) Credit risk

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

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31. Financial instruments (continued)

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

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

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.

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 RM9,993,751 (2016: RM16,123,374) relating to corporate guarantees provided by the Company to the banks to secure obligations under finance leases granted to certain subsidiaries.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 4 (2016: 12) customers representing 54% (2016: 69%) of total receivables.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 21 to the financial statements. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 to the financial statements.

Financial guarantees

The fair value of financial guarantees provided by the Company to banks to secure obligations under finance lease granted to certain subsidiaries with nominal amount of RM9,993,751 (2016: RM16,123,374) are negligible because the actual interest charged by the banks are not materially different from the borrowing costs of the subsidiaries and 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.

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31. Financial instruments (continued)

(c) Financial risk management (continued)

(ii) Liquidity risk

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

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 2017	Weighted average effective rate p.a. %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Loans and borrowings	8.7	133,543,573	150,717,084	55,614,417	79,369,385	15,733,282
Trade and non-trade payables	-	53,290,746	53,290,746	53,290,746	-	-
		186,834,319	204,007,830	108,905,163	79,369,385	15,733,282
2016						
Loans and borrowings	9.3	162,661,148	197,129,056	173,241,546	11,439,615	12,447,895
Trade and non-trade payables	-	57,420,177	57,420,177	57,470,177	-	-
		220,081,325	254,549,233	230,711,723	11,439,615	12,447,895

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31. Financial instruments (continued)

(c) Financial risk management (continued)

(ii) Liquidity risk (continued)

Company 2017	Weighted average effective rate p.a. %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Loans and borrowings	10.35	99,906,143	116,392,285	40,200,000	76,192,285	-
Trade and non-trade payables, excluding financial guarantees	-	851,856	851,856	851,856	-	-
		100,757,999	117,244,141	41,051,856	76,192,285	-
2016						
Loans and borrowings	10.35	134,089,879	167,132,402	167,132,402	-	-
Trade and non-trade payables, excluding financial guarantees	-	2,661,542	2,661,542	2,661,542	-	-
		136,751,421	169,793,944	169,793,944	-	-

As highlighted in Note 27, as at 30 June 2016, the Company has not complied with the repayment terms of one of its borrowings which resulted in the entire outstanding balance of RM134,089,879 being classified as current. This reclassification resulted in the net current assets of the Group and of the Company of RM38,942,168 and RM42,834,777 respectively changing to net current liabilities of RM71,115,547 and RM67,124,926 respectively.

During the financial year, the Company regularised its repayment term and there are no arrears as at 30 June 2017. Therefore, the carrying amount of the borrowings have been reclassified according to its maturity period with the satisfaction of its obligation.

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.

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31. Financial instruments (continued)

(c) Financial risk management (continued)

(iii) Interest rate risk

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

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

	Group/Company Increase/(Decrease)	
	2017	2016
Effects on profit after taxation	RM	RM
Increase of 30bp	(230,783)	(402,269)
Decrease of 30bp	230,783	402,269

(iv) Foreign currency risk

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

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Hong Kong, Singapore, Solomon Islands and Papua New Guinea. These investments are not hedged as currency positions in Hong Kong Dollar (HKD), Singapore Dollar (SGD), Solomon Islands Dollar (SBD), Papua New Guinea Kina (PGK) and 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 Japanese Yen (JPY), Singapore Dollar (SGD) 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:

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31. Financial instruments (continued)

(c) Financial risk management (continued)

(iv) Foreign currency risk (continued)

2017	Japanese Yen	Singapore Dollar	United States Dollar	Total
Financial assets	RM	RM	RM	RM
Trade and non-trade receivables	5,090	7,966	1,382,086	1,395,142
Cash and bank balances	-	-	1,099	1,099
	5,090	7,966	1,383,185	1,396,241
Financial liability				
Trade and non-trade payables	-	(30,219)	(99,213)	(129,432)
	-	(30,219)	(99,213)	(129,432)
Net financial assets/(liabilities) held in non-functional currencies	5,090	(22,253)	1,283,972	1,266,809

2016	Japanese Yen	Singapore Dollar	United States Dollar	Total
Financial assets	RM	RM	RM	RM
Trade and non-trade receivables	4,203	7,966	20,296,691	20,308,860
Cash and bank balances	-	-	11,433	11,433
	4,203	7,966	20,308,124	20,320,293
Financial liability				
Trade and non-trade payables	-	(30,219)	(28,158)	(58,377)
Net financial assets/(liabilities) held in non-functional currencies	4,203	(22,253)	20,279,966	20,261,916

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:

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31. Financial instruments (continued)

(c) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Group	Increase/(Decrease)	
	2017	**2016**
Effects on profit after taxation	**RM**	**RM**
SGD/RM		
Strengthened by 4.2% (2016: 6.2%)	(935)	1,062
Weakened by 4.2% (2016: 6.2%)	935	(1,062)
JPY/RM		
Strengthened by 2.7% (2016: 21.6%)	106	(690)
Weakened by 2.7% (2016: 21.6%)	(106)	690
USD/RM		
Strengthened by 6.2% (2016: 6.2%)	61,297	(945,326)
Weakened by 6.2% (2016: 6.2%)	(61,297)	945,326

(d) Fair value information

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

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

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31. Financial instruments (continued)

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

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.

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

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The Group's strategies were unchanged from the previous financial year.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loans and borrowings	133,543,573	162,661,149	99,906,143	134,089,879
Less: Cash and cash equivalents	974,666	9,151,652	27,811	16,254
Net debt	132,568,907	153,509,497	99,878,332	134,073,625
Total equity	307,561,447	274,550,994	293,870,764	236,302,747
Gearing ratio	0.43	0.56	0.34	0.57

32. Capital management (continued)

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

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

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

33. Segment information

(i) Operating segment

For management purposes, the Group is organised into business units based on their products and services, and has four (4) 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 sale of plywood, veneer, raw and laminated particleboard, sawn timber and finger joint moulding;

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

(d) 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.

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33. Segment information (continued)

(i) Operating segment (continued)

2017	Logging RM	Manufacturing RM	Shipyard RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
Revenue						
External customers	32,906,184	134,239,309	1,342,905	-	-	168,488,398
Inter-segment	48,648,723	10,176,317	-	40,000,000	(98,825,040)	-
Total revenue	81,554,907	144,415,626	1,342,905	40,000,000	(98,825,040)	168,488,398
Results						
Interest income	168	-	-	51,515	-	51,683
Amortisation of timber rights	-	567,001	-	-	792,984	1,359,985
Amortisation of land use rights	-	71,538	-	-	196,022	267,560
Depreciation of property, plant and equipment	12,503,361	16,103,183	753,179	16,146	-	29,375,869
Finance costs	461,009	1,028,618	4,563	7,600,582	-	9,094,772
Other non-cash expenses	3,198,570	2,044,801	4,113,491	23,202,276	(23,202,276)	9,356,862
Segment profit/(loss)	6,884,908	11,931,663	(6,001,347)	54,303,097	(64,917,950)	2,200,371
Assets and liabilities						
Addition to non-current assets	30,721,828	3,939,950	-	305	(305)	34,115,778
Segment assets	219,806,482	415,689,192	6,633,357	444,317,643	(570,251,565)	516,195,109
Segment liabilities	176,685,687	285,427,033	14,144,098	165,046,006	(432,719,162)	208,583,662

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33. Segment information (continued)

(i) Operating segment (continued)

2016 Assets and liabilities	Logging RM	Manufacturing RM	Shipyard RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
External customers	53,263,139	151,670,143	2,054,325	41,627,444	-	166,938,291
Inter-segment	(35,754,307)	(5,601,204)	(321,249)	(40,000,000)	(81,676,760)	-
Total revenue	17,508,832	146,868,939	1,733,076	1,627,444	(81,676,760)	166,938,291
Results						
Interest income	345	10,706	-	67,876	-	88,927
Amortisation of timber rights	-	1,793,784	-	-	1,012,527	2,769,311
Amortisation of land use rights	-	71,538	-	-	196,022	267,560
Depreciation of property, plant and equipment	12,011,885	17,458,925	622,405	81,359	310,345	30,484,919
Finance costs	531,366	3,363,404	2,460	13,384,755	-	17,281,985
Other non-cash expenses	15,757,786	14,922,609	2,017,857	(12,538,649)	1,012,575	20,159,003
Segment (loss)/profit	6,117,563	13,554,678	(2,875,661)	46,387,854	(61,953,562)	1,230,872
Assets						
Addition to non-current assets	11,003,827	242,934	1,242,540	2,124	-	12,491,425
Segment assets	232,244,413	380,135,301	12,216,367	421,778,887	(527,291,838)	518,462,440
Segment liabilities	207,744,470	281,794,019	13,655,594	216,932,884	(476,215,521)	243,911,446

PRICEWORTH INTERNATIONAL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

33. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	33,130,044	53,645,385	505,262,914	496,024,236
Mid East	-	325,266	-	-
Solomon Islands	26,938,380	25,870,690	405,469	22,006,921
Hong Kong	-	245,897	421,131	421,131
Papua New Guinea	-	-	2,535	2,535
Congo	-	-	421	421
Gabon	-	-	7,196	7,196
Korea	8,381,385	1,925,923	-	-
Thailand	6,662,500	11,174,532	-	-
Japan	65,107,315	92,206,472	-	-
Taiwan	3,586,012	3,435,861	-	-
Singapore	18,132,963	769,733	10,095,443	-
China	6,294,236	2,703,013	-	-
Canada	255,563	309,232	-	-
Kuwait	-	241,975	-	-
	168,488,398	166,983,291	516,195,109	518,462,440

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

	2017 RM	2016 RM
Property, plant and equipment	225,414,522	246,942,992
Land use rights	13,494,162	13,761,722
Intangible assets	33,681,780	36,888,990
Biological assets	99,969,394	80,902,235
Deferred tax assets	14,159,000	14,159,000
Inventories	40,769,578	40,540,755
Tax recoverable	9,868	18,942
Trade and non-trade receivables	87,722,139	72,528,276
Cash and bank balances	974,666	12,719,528
	516,195,109	518,462,440

(iii) Major customers

Revenue from 4 (2016: 5) major customers amounted to RM88,870,630 (2016: RM94,568,812) representing 53% (2016: 57%) arising from sale of wood products.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

34. Significant events during the financial year

(i) GSR Pte. Ltd. (GSR), a wholly own subsidiary of the Group, has entered into a Sale and Purchase Agreement (SPA) with Transkripsi Pintar Sdn. Bhd. (Transkripsi) for the acquisition of the entire issued and paid up share capital of Rumpun Capaian Sdn. Bhd. (Rumpun) for a total purchase consideration of RM260,000,000. Concurrently with the execution of SPA, Sinora Sdn. Bhd (Sinora), a wholly owned subsidiary of the Group, had also entered into a Log Extraction and Timber Sale Agreement with Anika Desiran Sdn. Bhd. (Anika), a company which has been awarded a 100-years concession by the Sabah State Government on 10 September 1997 to carry out harvesting, forest management and rehabilitation, and industrial tree planting under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposes within the forest reserve area comprising 101,161 hectares in Trus Madi, Sabah, known as Forest Management Unit 5 (FMU5), a 99.99% owned subsidiary of Rumpun, in order to allow Sinora to extract and remove all commercial logs and/or merchantable timber within the areas identified in the coupe permits as Compartment 57 and Compartment 58 within the Industrial Tree Plantation (ITP) area, with a combined area of 1,759.8 hectares and such other areas covered under any other new coupe permits issued for other compartments within FMU5 from the date of the relevant coupe permits. The purchase consideration shall be paid to Transkripsi by cash and/or in kind by way of issuance of shares in GSR in the event that GSR has obtained the requisite approval from Singapore Exchange Securities Trading Limited (SGX) and/or any other relevant authorities for the listing and quotation of the entire issued share capital of GSR on the Official List of SGX within a stipulated time frame.

(ii) During the financial year, the Company has completed a First Tranche of Private Placement for 44,000,000 new ordinary shares, and Second and Final Tranche of Private Placement for 20,203,342 ordinary shares of the Company following the listing of and the quotation for the said Placement Shares on the Main market of Bursa Malaysia Securities on 29 December 2016 and 23 January 2017 respectively.

(iii) On 1 June 2017, the Company has completed the Special Issue by way of the issuance of 211,871,030 ordinary shares following the listing of and quotation for the said Special Issue shares on the Main market of Bursa Malaysia Securities Berhad on the same date pursuant to the Subscription Agreement entered into between the Company and Tan Sri Abdul Rashid Hussain, Puan Sri Emilahani Yang Binti Mohd Yatim and Maha Gayabina Sdn. Bhd. for the part financing of the acquisition of the entire issued and paid up share capital of Rumpun.

35. Event after the reporting period

On 3 July 2017, the Company has submitted an application in relation to the proposed acquisition of the entire issued and paid up share capital of Rumpun and also proposed renounceable two-call Rights Issue of up to 1,861,341,262 rights shares at an issue price of RM0.10 per ordinary share, together with a Bonus Issue of up to 930,670,631 Bonus Shares to be credited as fully paid-up, on the basis of two (2) Rights Shares for every one (1) existing ordinary shares held and one (1) Bonus Share for every two (2) rights shares subscribed.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

35. 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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Total retained profits of the Company and its subsidiaries				
- Realised	96,460,967	89,350,506	60,689,946	30,622,538
- Unrealised	7,466,155	9,617,673	-	-
	103,927,122	98,968,179	60,689,946	30,622,538
Add: Consolidation adjustments	(30,742,541)	(29,949,235)	-	-
Total retained profits as per Statements of Financial Position	73,184,581	69,018,944	60,689,946	30,622,538

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.

36. 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 17 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 30 June 2017.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

36. **General** (continued)

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 Directors in accordance with a resolution of the Board of Directors dated 3 October 2017.

ORIGINAL SIGHTED

THEN LEE MEE
COMPANY SECRETARY
LS0009760

PWI

PRICEWORTH INTERNATIONAL BERHAD (399292-V)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2018

14 JUN 2018

Statements of comprehensive income
For the financial period ended 31 March 2018

	INDIVIDUAL QUARTERS		CUMULATIVE QUARTERS	
	31.03.18	31.03.17	31.03.18	31.03.17
	RM'000	RM'000	RM'000	RM'000
Revenue	41,080	43,557	130,375	110,964
Cost of sales	(29,511)	(33,569)	(91,929)	(81,094)
Gross Profit	11,569	9,988	38,446	29,870
Other items of income	667	367	1,596	2,334
Other items of expenses				
Administration expenses	(2,681)	(4,201)	(11,116)	(10,826)
Other operating expenses	-	(4)	-	(12)
Selling expenses	(2,109)	(2,459)	(9,182)	(8,045)
Finance costs	(2,016)	(3,330)	(9,309)	(11,413)
Profit / (Loss) before tax	5,430	361	10,435	1,908
Income tax expenses	88	(36)	(136)	(264)
Profit / (Loss) after tax	5,518	325	10,299	1,644
Other comprehensive income / (loss)	-	718	(750)	775
Total comprehensive income / (loss)	5,518	1,043	9,549	2,419
Profit / (Loss) attributable to:				
Owners of the parent	5,518	325	10,299	1,644
Non-controlling interests	-	-	-	-
	5,518	325	10,299	1,644
Total comprehensive income/(loss) attributable to:				
Owners of the parent	5,518	1,043	9,549	2,419
Non-controlling interests	-	-	-	-
	5,518	1,043	9,549	2,419
Earnings per share attributable to owners of the parent (sen per share):				
Basic	0.54	0.05	1.07	0.24

Approved By:

....
Director

PWI

PRICEWORTH INTERNATIONAL BERHAD (399292-V)

CONDENSED CONSOLIDATED BALANCE SHEETS
Statements of financial position
As at 31 March 2018

	AS AT END OF CURRENT QUARTER (UNAUDITED) 31.03.2018 RM'000	AS AT END OF PRECEDING FINANCIAL YEAR (AUDITED) 30.06.2017 RM'000
Assets		
Non-current assets		
Property, plant and equipment	235,833	225,415
Biological assets	107,499	99,969
Land use rights	13,743	13,494
Intangible assets	32,717	33,682
Deferred tax assets	14,159	14,159
	403,951	**386,719**
Current assets		
Inventories	43,485	40,769
Trade and other receivables	91,408	85,380
Prepayments	8,156	2,352
Cash and bank balances	1,209	975
	144,258	**129,476**
Total assets	**548,209**	**516,195**
Equity and liabilities		
Current liabilities		
Loans and borrowings	37,260	45,842
Trade and other payables	61,103	53,341
Income tax payable	274	124
	98,637	**99,307**
Net current assets / (liabilities)	**45,621**	**30,169**
Non-current liabilities		
Loans and borrowings	84,707	87,701
Deferred tax liabilities	22,368	21,625
	107,075	**109,326**
Total liabilities	**205,712**	**208,633**
Net assets	**342,497**	**307,562**
Equity attributable to owners of the parent		
Share capital	191,365	168,994
Share premium	-	-
Other reserves	75,335	76,085
Treasury shares	-	(10,324)
Retained earnings	76,174	73,184
	342,874	**307,939**
Non-controlling interests	**(377)**	**(377)**
Total equity	**342,497**	**307,562**
Total equity and liabilities	**548,209**	**516,195**
Net assets per share (RM)	**0.35**	**0.33**

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 31 MARCH 2018 (CONT'D)

PWI

PRICEWORTH INTERNATIONAL BERHAD (399292-V)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	← Attributable to Equity Holders of the Parent →										
	←	< Non - Distributable >				→		Distributable			
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Other Reserve RM'000	Foreign Currency Translation Reserve RM'000	Other Reserve, Total RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
At 1 July 2017	168,994	-	-	74,511	1,574	76,085	(10,324)	73,184	307,939	(377)	307,562
Total comprehensive income/(loss)	-	-	-	-	(750)	(750)	-	10,300	9,550	-	9,550
Issuance of shares	22,371	-	-	-	-	-	-	-	22,371	-	22,371
Disposal of Treasury Shares	-	-	-	-	-	-	10,324	(7,310)	3,014	-	3,014
At 31 March 2018	191,365	-	-	74,511	824	75,335	-	76,174	342,874	(377)	342,497
At 1 July 2016	65,459	76,034	-	74,511	75	74,586	(10,324)	69,019	274,774	(223)	274,551
Total comprehensive income	-	-	-	-	775	775	-	1,645	2,420	-	2,420
Issuance of shares	6,421	220	-	-	-	-	-	-	6,641	-	6,641
Share issue expenses	-	(10)	-	-	-	-	-	-	(10)	-	(10)
At 31 March 2017	71,880	76,244	-	74,511	850	75,361	(10,324)	70,664	283,825	(223)	283,602

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.)

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PRICEWORTH INTERNATIONAL BERHAD (399292-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

	9 months ended 31.03.18 RM'000	9 months ended 31.03.17 RM'000
Net profit before tax	10,435	1,908
Adjustments for:-		
Amortisation of land used right	162	162
Depreciation of property, plant and equipment	17,729	22,353
Impairment Loss on property, plant and equipment	-	-
(Gain) / Loss on disposal of property, plant and equipment	102	(625)
Amortisation of timber rights	767	1,141
Interest expense	9,309	11,413
Operating profit before changes in working capital	38,504	36,352
Changes in working capital:		
(Increased)/Decreased in inventories	(2,716)	(4,298)
(Increased)/Decreased in receivables	(6,028)	(1,227)
(Increased)/Decreased in prepayments	(5,804)	(2,411)
Increased/(Decreased) in payables	7,762	(2,634)
Net cash from operation	31,718	25,782
Interest paid	(9,309)	(11,413)
Tax paid	(7)	(9)
Net cash generated from operating activities	22,402	14,360
Investing activities		
Purchase of plant and equipment	(15,076)	(13,461)
Acquisition of intangible assets	-	-
Payment for forest planting expenditure	(7,530)	(7,218)
Proceeds from disposal of plant and equipment	379	1,024
Deposit paid for acquisition of timber concession company	(13,000)	(10,000)
Net cash used in investing activities	(35,227)	(29,655)
Financing activities		
Proceeds from issuance of Redeemable Convertible Notes	-	-
Proceeds from issuance of shares	22,371	6,631
Proceeds from disposal of treasury shares	3,014	-
Proceeds from Loan Drawdown / Hire Purchase	-	-
Repayment of term loan	-	-
Repayment of Bank Borrowings	(11,576)	(542)
Net cash from financing activities	13,809	6,089
Net Increase/(decrease) in cash and cash equivalents	984	(9,206)
Effect of exchange rate changes on cash and cash equivalents	(750)	775
Cash and cash equivalents at beginning of the year	975	12,720
Cash and cash equivalents at end of year	1,209	4,289

Cash and cash equivalents at end of the year comprise the following:

	RM'000	RM'000
Fixed deposits with licenced banks	-	-
Cash and bank balances	1,209	4,289
	1,209	4,289

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The preparation of an interim financial report in conformity with FRS 134, Interim Financial Reporting, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 30June 2017. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 30June 2017. The condensed consolidated interim financial report and notes there on do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2017.

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 venture (herein called "Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS framework for an additional Six (6) years. Consequently, adoption of the MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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 ending 30 June 2019. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

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

PRICEWORTH INTERNATIONAL BERHAD

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

Effective for annual periods commencing on or after 1 January 2018

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

The statutory financial statements for the year ended 30 June 2017 are available from the Company's registered office.

2. Auditors' Report on Preceding Annual Financial Statements

The Group's audited financial statements for the financial year ended 30 June 2017 were reported on without any qualification.

3. Segmental Information

No segmental report was prepared as the Group is primarily engaged in manufacturing, extracting and trading of timber and timber related products with its principal place of business in Sabah, Malaysia.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items as a result of their nature, size or incidence that had affected assets, liabilities, equity, net income or cash flows during the financial period.

5. Changes in Estimates

There were no significant changes in estimates that have had a material effect on the current quarter's results.

6. Seasonal or Cyclical Factors

The Group's performance was not subject to any material seasonal or cyclical factors except that the timber logs extraction operation could be affected to a certain extent by the prevailing weather conditions.

7. Dividends Paid

There were no dividends paid during the current quarter under review. No dividend has been proposed by the Directors for the quarter under review (corresponding period 31.03.2017: Nil).

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

8. Carrying Amount of Revalued Assets

There were no valuations of property, plant and equipment during the current quarter.

9. Debts and Equity Securities

a) Treasury Shares

During the current quarter, there were treasury shares bought back, cancelled or resold.

Listed below the number of treasury shares as at 31 March 2018:

	Number of Shares	Cost (RM)
Balance as at 01 July 2017	12,562,832	10,324,612
Increase / (Decrease) in treasury shares	(12,562,832)	(10,324,612)
Total treasury shares as at 31 March 2018	-	-

10. Changes in the Composition of the Group

There was no changes in the composition of the Group during the quarter.

11. Contingent Liabilities and Contingent Assets

Guarantees

The Company has provided corporate guarantees to subsidiaries as securities for hire purchase and lease financing facilities amounting to RM30,000,000.00. The balance of these facilities outstanding at 31.03.2018 amounted to RM6,313,912.00.

12. Subsequent Events

On 23 April 2018, the Board of Directors of PWI announced that its wholly-owned subsidiary, Sinora Sdn Bhd ("Sinora") had on 21 April 2018 entered into a Memorandum of Understanding ("MOU")with Foshan Zhengsen Woodworking Co., Ltd ("Foshan" or Purchaser") in respect of the intended supply of the container flooring ("Products") by Sinora to Foshan.

Pursuant to the MOU, a definitive Supply Agreement to document the sale, purchase and supply of the Products shall be executed by Sinora and Foshan within 6 months from the the date of the MOU and shall include the following key terms:

PRICEWORTH INTERNATIONAL BERHAD

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

1.	Products	Container flooring
2.	Sale Price	RMB 3,200 per cubic metre of Products
3.	Agreed Quantity	60,000 cubic metres per annum averaging approximately 5,000 cubic metres of Products per month with the first supply commencing within two (2) months after the full disbursement of the Advance Payment in accordance to the MOU.
4.	Term	5 years commencing from the execution of the definitive Supply Agreement
5.	Advance Payment	Foshan will provide an advance payment in the sum of RMB 4,000,000 to Sinora for the purpose of designing, engineering, procurement, construction, installation, testing and commissiong of a production line to manufacture the Products.

Other subsequent events in relation to Corporate Proposals are stated in Notes 21 (o) to 21 (q) below.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

13. Review of Performance

For the current quarter under review, the Group recorded revenue of RM41 million, 5% decrease in revenue when compared with the RM43 million in the corresponding quarter 31.03.2017. The Group also recorded a profit before tax of RM5.5 million compared to a profit before tax of RM0.36 million in the corresponding quarter 31.03.2017.

The decrease in sales revenue is due to decrease in production volume and slight increase in profit before tax is due to increase in selling price.

	Current Quarter 31.03.2018 RM'000	Corresponding Quarter 31.03.2017 RM'000
Revenue	41,080	43,557
Profit Before Tax	5,430	361
Profit After Tax	5,518	325
Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	5,518	325

14. Variation of Result to immediate preceding quarter

For the current quarter under review, the Group posted revenue of RM41 million compared to RM48 million in the immediate preceding quarter. The profit before tax was RM5.5 million compared to a profit before tax of RM3.9 million in the immediate preceding quarter.

15. Company's Prospects

As mentioned previously, the site preparatory works at FMU 5 were substantially completed in September 2017 but unfortunately the unusual adverse weather conditions and the festive session towards end of the year had badly affected the production volume of the Group.

Now that the weather conditions had improved, PWI is bullish on the future outlook. We envisage that FMU5 will be able to provide a sustainable supply of logs for the foreseeable future. Thus, the principal business segment of logs trading, sawmill operations and plywood manufacturing will be further enhanced with our margins improving beyond the breakeven level which we have been experiencing for the past few years.

PWI estimates that the harvest from FMU5 will contribute approximately 70% of the annual log supply for its downstream timber manufacturing business for the next ten (10) years from commencement of the logging activities and the Proposed Rights Issue will facilitate our Group to immediately deploy our resources to reap financial benefits from the readily available harvestable timber within FMU5 pursuant to the Log Extraction and Timber Sale Agreement.

PWI believes that with the adoption of Sustainable Forest Management by the Sabah Forestry Department, the Proposed Acquisition will further provide us with competitive advantage in terms of barrier to entry due to the strict requirements by the Sabah Forestry Department for a concessionaire to have all the necessary capacities and capabilities which requires significant investment and experience in order to own a forest management unit concession.

On 20 April 2018, Sinora Sdn Bhd (a wholly-owned subsidiary of PWI) had signed a Memorandum of Understanding (MOU) to supply Container Flooring totalling RM600 million over a five year period averaging RM120 million per annum to Chinese manufacturer Foshan Zhengsen Woodworking Co. which has been made possible due to the supply of timber from FMU 5.

Overall, the outlook for Malaysian timber industry remains stable with stable selling price in Japan and China as well as other Asian countries. The outlook for timber demand from Japan and China, who are major purchasers of plywood and round logs respectively, is promising with growth from various positive factors and a stabilizing economy. *(Source: Malaysian Timber Council's (MTC) seminar 2017, themed "Global Timber Outlook and Export Opportunities for Malaysian Timber Products and Furniture")*

For the financial year 2018, barring any unforeseen circumstances, the Board of Directors expect the Group's performance will improve. While the Group will continue to assess its internal and external risks and implement strategies to increase production yield from FMU5 and control operating costs, the Group's will explore the opportunities to venture into the production of high quality engineered wood products to achieve optimal returns from its newly acquired FMU5.

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

16. **Profit Forecast or Profit Guarantee**

This is not applicable as no profit forecast and profit guarantee were given.

17. **Additional disclosure Profit before tax**

	Current Quarter Year To Date 31.03.2018 RM'000	Cumulative Quarters Current Year To Date 31.03.2018 RM'000
Profit before tax is Arrived at after charging/(crediting)		
Other income	(667)	(1,596)
Interest expense	2,016	9,309
Amortization and depreciation	5,253	18,496

18. **Income Tax**

Taxation comprises the following:-

	Current Quarter Year To Date 31.03.2018 RM'000	Cumulative Quarters Current Year To Date 31.03.2017 RM'000
Current taxation	-	-
Deferred taxation	88	(136)
	88	(136)

The taxation is computed after taking into consideration the utilisation of unutilised tax losses and unabsorbed capital allowance from subsidiary companies.

19. **Profit or Loss on Sales of Unquoted Investments or Properties**

There were no sales of investments or properties during the current quarter and financial year to-date.

20. Quoted Securities

(a) Purchases and Disposals of Quoted Securities

There were no purchases and disposals of quoted securities for the current quarter and financial year to-date.

(b) Investments in quoted securities

There was no investment in quoted securities for the current quarter and financial year to-date.

21. Corporate Proposals

21.1 Multiple Proposals

(a) Proposed Acquisition
(b) Proposed Rights Issue
(c) Proposed Acquisition of Sinora Sdn Bhd and
(d) Proposed Listing

(a) The company has on 8 October 2016 and 19 October 2016 approved and announced the corporate proposals as follows:-

(i) GSR Pte. Ltd., the wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with Transkripsi Pintar Sdn. Bhd. (Transkripsi), forthe acquisition of the entire issued and paid up share capital of Rumpun Capaian Sdn. Bhd. (Rumpun) for a purchase consideration of RM260,000,000 upon such terms and conditions as stipulated in the SPA;

(ii) Rumpun is the holding company of Anika Desiran Sdn Bhd which has been awarded a 100-yearconcession on 10 September 1997 to carry out harvesting, forest management and rehabilitation, and industrial tree planting under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposed within the forest reserve area comprising 101,161 hectares inTrus Madi, Sabah known as Forest Management Unit 5 ("FMU");

(iii) Concurrently with the execution of SPA, Sinora Sdn. Bhd. (Sinora), the wholly

(iv) A proposed renounceable two-call rights issue of up to 1,694,968,244 new PWI Shares (2 Rights Shares for every 1 existing PWI shares held) together with a bonus issue of up to847,484,122 new PWI bonus shares (1 Bonus Share for every Rights Shares);

(v) The proposed acquisition of Sinora by GSR at net book value ("Proposed Acquisition of Sinora"); and

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

(vi) The proposed listing of GSR on the Singapore Exchange Securities Trading Limited (SGX) upon completion of the Proposed Listing.

(b) On 17 May 2017, the Company was informed by the Transkripsi Pintar Sdn Bhd that the Sabah Forestry Department has given approval for Anika Desiran Sdn Bhd to commence operations in 2017 for Compartment 57 and Compartment 58within FMU 5.

(c) On 3 July 2017, a listing application in relation to the Proposed Acquisition and Proposed Rights Issue has been submitted to Bursa Malaysia Securities Berhad. This has been withdrawn on 3 October 2017 in view of the withdrawal of the valuation report dated 25 May 2017. An updated listing application will be submitted to Bursa at least one month from the submission of the updated valuation report.

(d) On 30 November 2017, GSR a wholly owned subsidiary of PWI entered into a supplemental agreement with the Vendor to vary the terms of the SPA ("Supplement Agreement") as announced on 19 October 2016 ("Variation"). The details of the Variation are set out below:

(i) The Parties have mutually agree to extend the CP Fulfillment Period until 28 February 2018 with an automatic extension to 31 March 2018.

(ii) The Payment Schedule of the Proposed Acquisition has been modified as follows:-

As per the SPA	Variation
RM10,000,000 ("Balance Deposit") shall be payable to the Vendor within 7 days from the date upon which SPA becomes unconditional	RM5,000,000 shall be payable by 8 December 2017 and RM5,000,000 shall be payable by 15 December 2017.
New Term	RM3,000,000 shall be paid by 31 January 2018 ("Advance Payment"). The Advance Payment shall form part of the Consideration or the Discounted Consideration (as defined herein), as case may be.

(iii) Cash Option

In consideration of the Purchaser agreeing to modify the payment schedule for the Balance Deposit and to make the Advance Payment, the Vendor has agreed to grant to the Purchaser an option to complete the Proposed Acquisition in cash and at the revised Consideration of RM230,000,000 ("Discounted Consideration") representing a discount of RM30,000,000 to the Consideration ("Cash Option") on certain terms and conditions.

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(e) On 20 December 2017, the valuation report of the timber harvesting and planting rights based on the SFMLA within the FMU 5 with the date of valuation as at 4 September 2017("Valuation Report") has been submitted to Bursa Malaysia Securities.

(f) On 6 March 2018, the company announced that with the abolition of the par value under the Companies Act, 2016 ("Act"), the Proposed Rights Issue as stated in Note 21 (a) (vi) above will be revised to a renounceable one-call rights issue of 2,047,461,262 new PWI Shares together with 1,023,730,631 Bonus Shares, at an issue price of RM0.05 per Rights Share payable in full on application in cash as opposed to the previous two-call rights issue of RM0.10 where a second call of RM0.05 shall be capitalized from the Company's share premium account and capital redemption reserve. All other terms of the Proposed Rights Issue remain the same ("Proposed Revised Rights Issue").

(g) On 21 March 2018, the company announced that GSR a wholly owned subsidiary of PWI, was informed by the Vendor that the Sabah Forestry Department had on 15 March 2018, issued new Coupe Permits for Anika Desiran Sdn Bhd to commence operations in 2018 on two (2) additional compartments within FMU 5 comprising Compartment 63 and Compartment 64A.

(h) On 23 March 2018, the listing application in relation to the Proposed Acquisition and Proposed Rights Issue has been submitted to Bursa Malaysia Securities Berhad.

(i) On 29 March 2018, the Parties have entered into a fifth supplemental letter dated 29 March 2018 in respect of the SPA dated 19 October 2016 ("Fifth Supplement Letter") to mutually agree on the following:

(i) The CP Fulfillment Period shall be extended until 15 May 2018;

(ii) The Option Period shall correspondingly be extended until 15 May 2018 ("Extended Option Period");

(iii) Subject to the exercise by the Purchaser of the Cash Option within the Extended Option Period, the Discounted Consideration shall be revised to the sum RM235,000,000 only (hereinafter referred to as the "Revised Discounted Consideration"), which represents a discount of RM25,000,000 only to the Consideration payable for Consideration Shares;

(iv) The Completion Amount shall take into account of the Revised Discounted Consideration and be varied accordingly.

(j) On 3 May 2018, the company announced that Bursa Securities had, vide its letter dated 2 May 2018, resolved to approve the following:

(i) Listing of up to 2,047,461,262 Rights Shares to be issued pursuant to the Proposed Rights Issue; and

(ii) Listing of up to 1,023,730,631 Bonus Shares to be issued pursuant to the Proposed Rights Issue.

The approval granted by Bursa Securities for the listing and quotation of the Rights Shares and Bonus Shares is subject to the following conditions:

(i) PWI and RHB Investment Bank must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities ("Listing Requirement") at all times pertaining to the implementation of the Proposed Rights Issue;

(ii) PWI and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue;

(iii) PWI to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities approval once the Proposed Rights Issue is completed;

(iv) PWI to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at extraordinary general meeting for the Proposed Rights Issue; and

(v) PWI and RHB Investment Bank are required to make the relevant announcements pursuant to Paragraph 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements.

(k) On 4 May 2018, the Parties have entered into a sixth supplemental letter dated 4 May 2018 in respect of the SPA dated 19 October 2016 to mutually agree to extend the CP Fulfillment Period outlined in the SPA until 22 May 2018.

(l) On 15 May 2018, the Parties have entered into a seventh supplemental letter dated 15 May 2018 in respect of the SPA dated 19 October 2016 to mutually agree to extend the Extended Option Period outlined in the SPA until 22 May 2018.

23. Retained Earnings

	As at 31.03.2018 RM'000	**As at 31.03.2017 RM'000**
Total retained earnings of the Group;		
- Realised	101,961	96,460
- Unrealised	1,607	7,466
	103,568	103,926
Less : Consolidation adjustments	(27,394)	(30,742)
Total Group retained earnings as per Consolidated accounts	**76,174**	**73,184**

The disclosure of realized and unrealized profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

24. Borrowings

Long Term borrowings as at 31 March 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	82,334	-	82,334
2) Hire Purchase Creditors	2,373	-	2,373
Total	**84,707**	**-**	**84,707**

Short Term borrowings as at 31 March 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	33,319	-	33,319
2) Hire Purchase Creditors	3,941	-	3,941
Total	**37,260**	**-**	**37,260**

Total group borrowings as at 31 March 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	115,653	-	115,653
2) Hire Purchase Creditors	6,314	-	6,314
Total	**121,967**	**-**	**121,967**

The Term Finance of the Company is secured by way of a debenture over all fixed and floating assets of the Group, and of a third party. Included in Term Finance is also a soft loan under Maxland Sdn Bhd secured by a first party deed of assignment assigning to the lender all its harvesting rights of the planted timber in favour of the lender.

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

26. Material Litigation

There was no material litigation for the financial period under review.

27. Dividend Declared

There was no dividend declared for the financial quarter under review.

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIODENDED 31 MARCH 2018

28. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Basic earnings per share				
Net Profit (RM'000)	5,518	325	10,299	1,644
Weighted average number of ordinary shares in issue ('000)	1,021,262	718,800	966,580	680,886
Basic earning per share (sen)	0.54	0.05	1.07	0.24
Diluted earning per share (sen)	N/A	N/A	N/A	N/A

PKF
(AF 0911)

PKF
Accountants & business advisers

The Board of Directors
Priceworth International Berhad
1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4, Jalan Utara
90732 Sandakan, Sabah

Dear Sirs,

**PRICEWORTH INTERNATIONAL BERHAD ("PWI" OR "THE COMPANY")
REPORTING ACCOUNTANTS' LETTER ON THE ADEQUACY OF RESERVES FOR THE BONUS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE (AS DEFINED HEREIN) FOR INCLUSION IN THE ABRIDGED PROSPECTUS TO BE ISSUED TO THE SHAREHOLDERS OF PWI ("ABRIDGED PROSPECTUS")**

We have been engaged to report on the adequacy of the share premium and capital redemption reserves ("**Reserves**") of the Company as at 30 June 2017 (being the latest audited financial statements) and 31 March 2018 (being the latest unaudited financial statements) for illustrative purposes only, for inclusion in the Abridged Prospectus to shareholders and for no other purpose, in relation to the renounceable rights issue of 2,047,461,262 new ordinary shares in the Company ("**PWI Share(s)**") ("**Rights Share(s)**") at an issue price of RM0.05 per Rights Share, together with a bonus issue of 1,023,730,631 new PWI Shares ("**Bonus Share(s)**") to be credited as fully paid-up on the basis of two (2) Rights Shares for every one (1) existing PWI Share held and one (1) bonus share for every two (2) Rights Shares ("**Rights Issue**").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Statement of Reserves are described in **Appendix 1**. As part of this process, information about the statement of reserves has been extracted by the Directors from the relevant financial statements for the year ended 30 June 2017, on which an audit report has been published; and interim financial statements for the period ended 31 March 2018, on which no audit report has been published.

The Directors' Responsibility for the Pro Forma Statement of Reserves

The Directors are responsible for compiling the Pro Forma Statement of Reserves on the basis of the applicable criteria.

The Directors are responsible for ensuring that the reserves required for capitalisation of Bonus Shares in respect of the Rights Issue are unimpaired by losses on a consolidated basis, if any, based on the audited financial statements of PWI for the financial year ended 30 June 2017 and unaudited interim financial statements for the nine (9) months period ended 31 March 2018, up to the date of this report.

Our responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Statement of Reserves have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, approved by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Statement of Reserves on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statement of Reserves, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statement of Reserves .

The purpose of the Pro Forma Statement of Reserves is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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LETTER FROM THE REPORTING ACCOUNTANT ON THE ADEQUACY OF RESERVES FOR THE BONUS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE (CONT'D)

Our responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Statement of Reserves have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of Pro Forma Statement of Reserves provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The Pro Forma Statement of Reserves reflects the proper application of those adjustments to the unadjusted financial information; and
- the Reserves as at 30 June 2017 and 31 March 2018 adequately cover the capitalisation of the Bonus Shares in connection with the Rights Issue.

The procedures selected depends on our judgement, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro Forma Statement of Reserves has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statement of Reserves.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

(i) The Pro Forma Statement of Reserves of the Company, which have been prepared by the Directors of the Company, have been properly prepared on the basis of the notes set out in **Appendix 1**, using financial statements prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Company;

(ii) Each material adjustment made to the information used in the preparation of the Pro Forma Statement of Reserves is appropriate for the purposes of preparing the Pro Forma Statement of Reserves. In our opinion, the Pro Forma Statement of Reserves have been compiled, in all material respects, on the basis of the applicable criteria; and

(iii) Based on the Pro Forma Statement of Reserves of the Company as at 30 June 2017 and 31 March 2018, the Company has adequate reserves for the purpose of capitalisation of Bonus Shares pursuant to the Rights Issue.

Other matter

This letter has been prepared solely for the purpose for inclusion in the Abridged Prospectus in connection with the Rights Issue. As such, this letter should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid

PKF	CHAU MAN KIT
AF 0911	02525/03/2020 J
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 4 July 2018

Priceworth International Berhad **Appendix 1**
(Co. No. 399292-V)
(Incorporated in Malaysia)

Statement of Reserves as at 30 June 2017 and 31 March 2018

1. Basis of preparation

The Pro Forma Statement of Reserves of PWI as at 30 June 2017 and 31 March 2018 have been prepared based on the audited statement of financial position as at 30 June 2017 and the latest unaudited interim financial statements for the nine (9) months period ended 31 March 2018 respectively, on a basis consistent with the accounting policies adopted by PWI.

The Pro Forma Statement of Reserves of PWI as at 30 June 2017 and 31 March 2018 have been prepared on the assumption that at the date of capitalisation of the reserves for the Rights Issue, nothing has occurred or will occur which will cause the aggregate of the above-mentioned reserves to be less than RM48,065,304.

2. Pro Forma Statement of Reserves

2.1 Table 1

The Pro Forma Statement of Reserves available for capitalisation in respect of the Bonus Shares as at 30 June 2017 based on PWI's audited financial statements for the year ended 30 June 2017.

	Share premium (Part of share capital) (1) RM	Capital redemption reserve RM	Total RM
Company level			
Audited as at 30 June 2017	75,927,119	74,511,248	150,438,367
Amount to be capitalised for the Bonus Shares (2)	(27,861,815)	(74,511,248)	(102,373,063)
After the Bonus Shares	48,065,304	-	48,065,304

(1) Pursuant to the transitional provision under the Companies Act, 2016, the sum of RM75,927,119 standing to the credit of the share premium account has been reclassified and become part of the share capital as reflected in the audited financial statements 30 June 2017. However, such amount may within 24 months from 31 January 2017 be utilised in the manner as allowed under the Companies Act, 2016.

(2) Issuance of 1,023,730,631 Bonus Shares at RM0.10 each.

2. **Pro Forma Statement of Reserves** (continued)

2.2 Table 2

The Pro Forma Statement of Reserves available for capitalisation in respect of the Bonus Shares as at 31 March 2018 based on PWI's unaudited interim financial statements for the nine (9) months financial period ended 31 March 2018.

	Share premium (Part of share capital) [1] RM	Capital redemption reserve RM	Total RM
Company level			
Unaudited as at 31 March 2018	75,927,119	74,511,248	150,438,367
Amount to be capitalised for the Bonus Shares [2]	(27,861,815)	(74,511,248)	(102,373,063)
After the Bonus Shares	48,065,304	-	48,065,304

(1) Pursuant to the transitional provision under the Companies Act, 2016, the sum of RM75,927,119 standing to the credit of the share premium account has been reclassified and become part of the share capital as reflected in the audited financial statements 30 June 2017. However, such amount may within 24 months from 31 January 2017 be utilised in the manner as allowed under the Companies Act, 2016.

(2) Issuance of 1,023,730,631 Bonus Shares at RM0.10 each.

DIRECTORS' REPORT

PRICEWORTH INTERNATIONAL BERHAD

(Company No. 399292-V)
Lot 5, 1st Floor, Block 4, Bandar Indah, Mile 4, Jalan Utara, 90000 Sandakan
P. O. Box No. 2848
90732 Sandakan, Sabah, Malaysia.
Email: pwpbhd@streamyx.com, maxland@streamyx.com, maxland@tm.net.my,
Website: http://pwpmalaysia.com.my

Tel : 089-224771/2/3
Fax : 089-223969

Date: 16 July 2018

To: **The Shareholders of Priceworth International Berhad (PWI or "Company")**

Dear Sir/Madam,

On behalf of the Board of Directors of PWI ("**Board**"), I wish to report that after making due enquiries in relation to PWI and its subsidiary companies ("**Group**") during the period between 30 June 2017, being the date on which the last audited financial statements have been made up, and up to the date of this letter, being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus to the shareholders of PWI:

(a) the business of our Group has, in the opinion of our Board, been satisfactorily maintained;

(b) in the opinion of our Board, no circumstances have arisen since the last audited financial statements of our Group, which have adversely affected the trading or the value of the assets of our Group;

(c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by our Group;

(e) there has been, since the last audited financial statements of PWI, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings in our Group; and

(f) there have been, since the last audited financial statements of PWI, no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully
for Priceworth International Berhad (399292-V)

KOO JENN MAN
Executive Director

QUALITY SYSTEM
SIRIM
UKAS
074
MS ISO 9001:2000 REG NO. AR 3746

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ADDITIONAL INFORMATION

1. SHARE CAPITAL

(a) Save for the Rights Shares and Bonus Shares, no other securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.

(b) As at the LPD, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares in the share capital of our Company, all of which rank *pari passu* with one another.

(c) Save as disclosed in **Section 2** of Appendix II, no shares have been issued or proposed or intended to be issued as fully or partly paid-up in cash or otherwise than in cash within two (2) years preceding the date of this Abridged Prospectus.

(d) As at the LPD, no person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option.

2. DIRECTORS' REMUNERATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are set out below:-

Article 95

(a) The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

(b) Executive Director(s) shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one may and partly in another) as the Directors may from time to time determine. All remuneration payable to the non-executive Director(s) shall be determined by an ordinary resolution of the Company in general meeting.

(c) Fees payable to non-executive Directors shall be a fixed sum, and not by a commission or percentage of profits or turnover.

(d) Salaries payable to executive Director(s) shall not include a commission on or percentage of turnover.

(e) Any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 96

(1) The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of general meetings of the Company or in connection with the business of the Company.

(2) If any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Any extra remuneration payable to non-executive Directors(s) shall not include a commission on or percentage of turnover or profits.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by the Group within two (2) years preceding the date of this Abridged Prospectus:

(a) The SPA dated 19 October 2016 entered into between GSR and Transkripsi for the sale and purchase of all the 25,000,000 ordinary shares of RM1.00 each in Rumpun for the Purchase Consideration;

(b) Supplemental Letter to the SPA dated 18 January 2017 entered into between GSR and Transkripsi for the extension of the condition precedent fulfilment period under the SPA until 31 March 2017;

(c) Second Supplemental Letter to the SPA dated 31 March 2017 entered into between GSR and Transkripsi for the extension of the condition precedent fulfilment period under the SPA until 30 June 2017;

(d) Third Supplemental Letter to the SPA dated 23 June 2017 entered into between GSR and Transkripsi for the extension of the condition precedent fulfilment period under the SPA until 31 October 2017 with an automatic extension until 30 November 2017;

(e) Fourth Supplemental Agreement to the SPA dated 30 November 2017 entered into between GSR and Transkripsi to vary the terms of the SPA which includes, modification of the payment terms, inclusion of the Cash Option as a mode of settlement and extension of the condition precedent fulfilment period under the SPA until 28 February 2018 with an automatic extension until 31 March 2018;

(f) Fifth Supplemental Letter to the SPA dated 29 March 2018 entered into between GSR and Transkripsi to vary the terms of the SPA which includes modification of the terms of the Cash Option and extension of the condition precedent fulfilment period under the SPA until 15 May 2018;

(g) Sixth Supplemental Letter to the SPA dated 4 May 2018 entered into between GSR and Transkripsi for the extension of the condition precedent fulfilment period under the SPA until 22 May 2018;

(h) Seventh Supplemental Letter to the SPA dated 15 May 2018 entered into between GSR and Transkripsi for the extension of the Option Period under the SPA until 22 May 2018;

(i) Eight Supplemental Letter to the SPA dated 18 June 2018 entered into between GSR and Transkripsi for the extension of the Option Period under the SPA until 31 July 2018;

(j) the Log Extraction and Timber Sale Agreement;

(k) Call Option Agreement dated 19 October 2016 entered into between PWI (as grantee) and Transkripsi (as grantor) wherein in consideration of the payment of RM10.00 by PWI, Transkripsi has agreed to grant to PWI a call option in respect of the shares in GSR to be issued to Transkripsi pursuant to the Proposed Acquisition;

(l) Put Option Agreement dated 19 October 2016 entered into between PWI (as grantor) and Transkripsi (as grantee) wherein in consideration of the payment of RM10.00 by Transkripsi, PWI has agreed to grant to Transkripsi a put option in respect of the shares in GSR to be issued to Transkripsi pursuant to the Proposed Acquisition;

(m) the Subscription Agreement; and

(n) the Underwriting Agreement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, PWI nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board confirms that there are no proceedings pending or threatened against PWI, or any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of PWI.

5. GENERAL

(a) As at the LPD, there is no other existing or proposed service contract (contract for services) entered into or to be entered into between our Group and our Directors, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

(b) Save as disclosed in **Sections 6, 7 and 9** of this Abridged Prospectus, our Board confirms that, the financial conditions and operations of our Group are not affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

(ii) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of funding;

(iii) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from operations and the extent to which income was so affected;

(iv) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on our Group's revenue or operating income;

(v) substantial increase in revenues; and

(vi) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits

6. CONSENTS

Our Principal Adviser, Company Secretaries, Share Registrar, Solicitors for the Rights Issue, Joint Managing Underwriters, Joint Underwriters and Bloomberg Finance LP have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Abridged Prospectus, including the proforma consolidated statements of financial position of our Group as at 30 June 2017 together with the Reporting Accountants' letter thereon, the audited consolidated financial statements of our Group for the FYE 30 June 2017 together with the auditors' report thereon, the Reporting Accountant's letter on the adequacy of reserves for the Bonus Shares to be issued pursuant to the Rights Issue.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at 1st Floor, Lot 5, Block No. 4, Bandar Indah, Mile 4 Jalan Utara, 90000 Sandakan, Sabah, Malaysia, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

(i) Constitution (previously known as M&A) of PWI;

(ii) the audited financial statements of PWI for the past two (2) financial years up to and including FYE 30 June 2017 and the latest unaudited interim financial statements for the nine (9) months FPE 31 March 2018;

(iii) the material contracts referred to in **Section 3** of this Appendix VIII;

(iv) the Pro Forma consolidated statements of financial position of PWI as at 30 June 2017 together with the reporting accountants' letter thereon;

(v) the letter from the Reporting Accountants on the adequacy of reserves for the Bonus Shares to be issued pursuant to the Rights Issue;

(vi) the Directors' Report as set out in **Appendix VII** of this Abridged Prospectus;

(vii) the irrevocable letter of undertakings issued by each of the Undertaking Shareholders in respect of their respective Undertakings;

(viii) the letters of consent referred to in **Section 6** of this Appendix VIII; and

(ix) the Underwriting Agreement dated 18 May 2018.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the NPA and the RSF has been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

RHB Investment Bank, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 20 JULY 2018 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS STATED OTHERWISE.

THE PROVISIONAL ALLOTTED RIGHTS SHARES ATTACHED WITH BONUS SHARES AS CONTAINED IN THIS NPA ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT, 1991 AS AMENDED FROM TIME TO TIME ("SICDA"). THEREFORE, ALL DEALINGS IN THE PROVISIONAL ALLOTTED RIGHTS SHARES ATTACHED WITH BONUS SHARES WILL BE SUBJECT TO THE SICDA AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD ("BURSA DEPOSITORY").

PWI

PRICEWORTH INTERNATIONAL BERHAD

(Company No. 399292-V)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF 2,047,461,262 NEW ORDINARY SHARES IN PRICEWORTH INTERNATIONAL BERHAD ("PWI") ("PWI SHARES") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.05 PER RIGHTS SHARE, TOGETHER WITH A BONUS ISSUE OF 1,023,730,631 NEW PWI SHARES ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING PWI SHARE HELD, AND ONE (1) BONUS SHARE FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AS AT 5.00 P.M. ON FRIDAY, 20 JULY 2018 ("RIGHTS ISSUE")

Principal Adviser, Joint Managing Underwriter and Joint Underwriter

RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Managing Underwriters & Joint Underwriters

AmInvestment Bank Berhad
(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Mercury Securities Sdn Bhd
(Company No. 113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriters

MIDF Amanah Investment Bank Berhad
(Company No. 23878-X)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Kenanga Investment Bank Berhad
Company No. 15678-H
(A Participating Organisation of Bursa Malaysia Securities Berhad)

To: Our Shareholders of PWI

Dear Sir/Madam,

Our Board of Directors ("**Board**") has provisionally allotted to you the number of Rights Shares attached with Bonus Shares as indicated below ("**Provisional Allotment**"), in accordance with the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") vide its letter dated 2 May 2018 and the resolution passed by our shareholders at the EGM held on 22 May 2018 in relation to the Rights Issue.

We wish to advise that the following number of Provisional Allotment in respect of the Rights Issue have been confirmed by Bursa Depository and upon acceptance will be credited into your Central Depository System ("**CDS**") Account subject to the terms and conditions stated in the Abridged Prospectus and the Rights Subscription Form ("**RSF**") issued by our Company.

The Provisional Allotment is made subject to the provisions in the Abridged Prospectus issued by our Company. Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Allotment are prescribed securities and as such, all dealings in the Provisional Allotment will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL RIGHTS SHARES AND BONUS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND BONUS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following sequence:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account in our Company as at the Entitlement Date;
(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot calculated based on the quantum of their respective Excess Rights Shares applied for; and
(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

After the above sequence of allocations is completed, any balance of Excess Rights Shares will be allocated again through steps (ii)-(iv) above until all Excess Rights Shares are fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the relevant RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i)-(iv) above are achieved. Our Board also reserves the right to accept the Excess Rights Application, in full or in part, without assigning any reason.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER

NUMBER OF PWI SHARES HELD AT 5.00 P.M. ON 20 JULY 2018	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF BONUS SHARES ATTACHED TO THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM0.05 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date .... : Friday, 20 July 2018 at 5.00 p.m.

Last date and time for

Sale of Provisional Allotment .... : Friday, 27 July 2018 at 5.00 p.m.
Transfer of Provisional Allotment .... : Wednesday, 1 August 2018 at 4.00 p.m.
Acceptance and Payment for the Provisional Allotment .... : Monday, 6 August 2018 at 5.00 p.m.
Excess Application and Payment for the the Excess Rights Shares........ : Monday, 6 August 2018 at 5.00 p.m.

By Order of our Board,

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
Company Secretaries

Share Registrar
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House, Pusat Perdagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 03 7849 0777
Facsimile No. : 03 7841 8151 / 8152

THIS NOTICE OF PROVISIONAL ALLOTMENT IS DATED 20 JULY 2018

RIGHTS SUBSCRIPTION FORM

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 20 JULY 2018 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS RIGHTS SUBSCRIPTION FORM ("RSF") AND THE NOTES AND INSTRUCTIONS FOR COMPLETING THIS RSF UNLESS STATED OTHERWISE.

THIS RSF RELATES TO THE ABRIDGED PROSPECTUS AND IS ISSUED FOR THE PURPOSE OF ACCEPTING THE RIGHTS SHARES PROVISIONALLY ALLOTTED AND APPLYING FOR EXCESS RIGHTS SHARES PURSUANT TO THE RIGHTS ISSUE (AS DEFINED HEREIN) OF PRICEWORTH INTERNATIONAL BERHAD ("PWI" OR THE "COMPANY"). THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT IS 5.00 P.M. ON 6 AUGUST 2018. THIS RSF IS ONLY APPLICABLE TO PERSONS WHO HAVE PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF HIS/HER/THEIR RESPECTIVE CENTRAL DEPOSITORY SYSTEM ("CDS") ACCOUNTS.

PRICEWORTH INTERNATIONAL BERHAD

(Company No. 399292-V)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF 2,047,461,262 NEW ORDINARY SHARES IN PWI ("PWI SHARES") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.05 PER RIGHTS SHARE, TOGETHER WITH A BONUS ISSUE OF 1,023,730,631 NEW PWI SHARES ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING PWI SHARE HELD, AND ONE (1) BONUS SHARE FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AS AT 5.00 P.M. ON FRIDAY, 20 JULY 2018 ("RIGHTS ISSUE")

NAME AND ADDRESS OF APPLICANT (in block letters as per the records of Bursa Depository Sdn. Bhd. ("Bursa Depository")) :

NRIC NO. / PASSPORT NO. (state country) / COMPANY NO.*

CDS ACCOUNT NO. ☐☐☐ - ☐☐☐☐ - ☐☐☐☐☐☐☐☐☐

To: The Board of Directors of PWI ("**Board**")

PART I - ACCEPTANCE OF RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

In accordance with the terms of this RSF and the Abridged Prospectus, I/we* hereby irrevocably:-

(A) *accept the number of Rights Shares as stated below, which were provisionally allotted/transferred/renounced to me/us*;
(B) *apply for the number of Excess Rights Shares as stated below in addition to the above;

in accordance with and subject to the Constitution of PWI.

I/We* enclose herewith the appropriate remittance(s) for the payment stated below, in favour of the respective account stated below and crossed "**ACCOUNT PAYEE ONLY**", being the full amount payable for the said number of Rights Shares accepted/applied for, and hereby request for the said Rights Shares and Excess Rights Shares to be credited into my/our* valid and subsisting CDS account as stated below:-

NUMBER OF RIGHTS SHARES ACCEPTED / EXCESS RIGHTS SHARES APPLIED FOR		AMOUNT PAYABLE BASED ON RM0.05 PER RIGHTS SHARE (RM)	BANKER'S DRAFT/CASHIER'S ORDER/MONEY ORDER/ POSTAL ORDER NO.	PAYABLE TO
(A) ACCEPTANCE				PWI RIGHTS ISSUE ACCOUNT
(B) EXCESS				PWI EXCESS RIGHTS ISSUE ACCOUNT

***Note:** If you have subsequently purchased additional Provisional Allotment from the open market, you should indicate your acceptance of the total Provisional Allotment that you have standing to the credit in your CDS Account under Part 1(A).*

I/We* authorise you to refund without interest, the full or the balance (as the case may be) amount of my/our* application money for the Provisional Allotment and/or the Excess Rights Shares if such application is unsuccessful or late or partially successful (as the case may be) to me/us* at my/our* address in Malaysia as shown in the Record of Depositors by ordinary post at my/our* own risk.

PART II - DECLARATION

I/We* hereby confirm and declare that:-

(i) All information provided by me/us* is true and correct;
(ii) All information is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from Bursa Depository's record as mentioned earlier, the exercise of my/our* rights may be rejected; and

- * I am 18 years of age or over.
- * I am/We are* resident(s) of Malaysia.
- * I am/We are* resident(s) of ………………….…….. (country) and having ….………………………. citizenship.
- * I am/We are* nominee(s) of a person who is a *Bumiputera/*Non-Bumiputera/*Non Citizen resident in …..…….…………..… (country) and having ….……….…..……… citizenship.

I/We* consent to the Company and the Share Registrar collecting the information and personal data (collectively, "**Data**") required herein, to process and disclose such Data to any person for the purposes of implementing the Rights Issue and storing such Data in any servers located in Malaysia or outside Malaysia in accordance with the relevant laws and regulations.

I/We* hereby accept all the terms and conditions set out in this RSF and the Abridged Prospectus and further confirm compliance with all requirements for acceptance and payment as set out therein.

AFFIX MALAYSIAN REVENUE STAMP OF RM10.00 HERE

Date

Signature/Authorised Signatory(ies)
(Corporate Bodies must affix their Common Seal)

Contact telephone number during office hours

LAST DATE AND TIME FOR:-

Acceptance and payment for the Provisional Allotment	:	Monday, 6 August 2018 at 5.00 p.m.
Excess Rights Application and payment for the Excess Rights Shares	:	Monday, 6 August 2018 at 5.00 p.m.

* Please delete whichever is not applicable.

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. All enquiries concerning the Rights Issue should be addressed to our Share Registrar, **Symphony Share Registrars Sdn Bhd (378993-D), at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan (Tel: +603 - 7849 0777)**. **INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.**

The Abridged Prospectus is issued in compliance with the laws of Malaysia only. This RSF together with the Abridged Prospectus and the Notice of Provisional Allotment ("**NPA**") are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of countries or jurisdictions other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue and the Abridged Prospectus, together with the NPA and the RSF comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Abridged Prospectus, together with the NPA and the RSF relates, is only available to persons receiving these documents within Malaysia. Accordingly, these documents will not be despatched to Entitled Shareholders who do not have a registered address in Malaysia as stated in the Record of Depositors of our Company on the Entitlement Date. Any Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance and/or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and Bonus Shares would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) should note the additional terms and restrictions as set out in **Section 10.10** of the Abridged Prospectus.

Neither our Company, RHB Investment Bank Berhad nor any other professional advisers shall accept any responsibility or liability whatsoever to any party in the event that any acceptance and/or renunciation (as the case may be) of the entitlements to the Rights Shares and Bonus Shares made by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

A copy of the Abridged Prospectus has been registered by the Securities Commission Malaysia ("**SC**"). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes the responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Abridged Prospectus together with the NPA and the RSF has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue was obtained at our EGM held on 22 May 2018. The approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") has also been obtained on 2 May 2018 for, amongst others, the admission of the Rights Shares and Bonus Shares to the Official List of Bursa Securities and the listing of the Rights Shares and Bonus Shares on the Main Market of Bursa Securities. The listing of and quotation for all the new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue and does not indicate that Bursa Securities recommends the Rights Issue. The admission of the Rights Shares and Bonus Shares to the Official List and the listing of and quotation for the Rights Shares and Bonus Shares will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

Our Board have seen and approved all the documentations relating to the Rights Issue, including the Abridged Prospectus, together with the NPA and RSF. We collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of our knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia (or "**RM**" in abbreviation) and sen.

INSTRUCTIONS:

(I) LAST DATE AND TIME FOR ACCEPTANCE, APPLICATION AND PAYMENT

This RSF is valid for acceptance and/or application until 5.00 p.m. on Monday, 6 August 2018.

(II) FULL OR PART ACCEPTANCE AND PAYMENT

If you wish to accept all or any part of the Provisional Allotment, please complete Parts I(A) and II of this RSF in accordance with the notes and instructions contained herein and return this RSF, together with the appropriate remittance made in RM for the full amount payable for the Rights Shares accepted in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed "**A/C PAYEE ONLY**", made payable to "**PWI RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with your name, address in block letters and CDS Account number so as to be received by our Share Registrar by 5.00 p.m. on Monday, 6 August 2018.

If acceptance of and payment for the Provisional Allotment are not received by our Share Registrar by 5.00 p.m. on Monday, 6 August 2018, the provisional entitlement made to you or the remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Our Board will then reserve the right to allot such Rights Shares to the applicants who have applied for the Excess Rights Shares in the manner as set out in note (III) below.

The remittance must be made in the exact amount payable for the Rights Shares. No acknowledgement of receipt of this RSF or application monies in respect of the Rights Issue will be made by our Company or our Share Registrar. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at your own risk within 8 Market Days from the last date for application and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities.

(III) APPLICATION FOR EXCESS RIGHTS SHARES

If you wish to apply for additional Rights Shares in excess of your entitlement, please complete Part I(B) of this RSF (in addition to Parts I(A) and II) and forward this RSF with a separate remittance made in RM for the full amount payable for the Excess Rights Shares applied for, to our Share Registrar. Payment for the Excess Rights Shares applied for should be made in the same manner as described in note (II) above, and in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed "**A/C PAYEE ONLY**", made payable to "**PWI EXCESS RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with your name, address in block letters and CDS Account number so as to be received by our Share Registrar by 5.00 p.m. on Monday, 6 August 2018.

No acknowledgement of receipt of this RSF or application monies in respect of the Excess Rights Shares will be issued. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at your own risk within 8 Market Days from the last date for application of and payment for the Excess Rights Shares or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Excess Rights Shares applications, the full amount or the balance of the application monies, as the case may be, shall be refunded without interest and shall be despatched to the applicant by ordinary post to the address as shown on our Record of Depositors provided by Bursa Depository at your own risk within 15 Market Days from the last date of application and payment for the Excess Rights Shares.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following sequence:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account in our Company as at the Entitlement Date;
(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot calculated based on the quantum of their respective Excess Rights Shares applied for; and
(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

After the above sequence of allocations is completed, any balance of Excess Rights Shares will be allocated again through steps (ii)-(iv) above until all Excess Rights Shares are fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the relevant RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i)-(iv) above are achieved. Our Board also reserves the right to accept the Excess Rights Application, in full or in part, without assigning any reason.

(IV) SALE OR TRANSFER OF PROVISIONAL ALLOTMENT

If you wish to sell or transfer all or part of your entitlement to the Provisional Allotment to 1 or more person(s), you may do so immediately through your stockbroker(s) for the period up to the last date and time for sale or transfer of such Provisional Allotment, without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Accounts. To sell or transfer all or part of your entitlement to the Provisional Allotment, you may sell such entitlement or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository.

If you have sold or transferred only part of the Provisional Allotment, you may still accept the balance of the Provisional Allotment by completing Parts I(A) and II of this RSF.

In selling or transferring all or part of your Provisional Allotment, you need not deliver any document including this RSF to your stockbroker(s). However, you must ensure that there is sufficient Provisional Allotment standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Allotment may obtain a copy of this RSF from his/ her/ their stockbroker(s), our Share Registrar, our Registered Office or the website of Bursa Securities (http://www.bursamalaysia.com).

(V) GENERAL INSTRUCTIONS

(a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal.
(b) The Rights Shares subscribed by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) will be credited into their respective CDS Accounts as stated in this RSF or the exact accounts appearing on Bursa Depository's Record of Depositors.
(c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of our Company and our Company shall not be under any obligation to account for such interest or other benefit to you.
(d) The contract arising from the acceptance of the Provisional Allotment by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
(e) Our Board reserves the right not to accept or to accept any application if the instructions herein stated are not strictly adhered to or which are illegible.
(f) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.