

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
(2511 – M)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
30TH JUNE 2005

Company No. 2511 – M

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005**

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Company No. 2511 - M

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
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**DIRECTORS' REPORT
 FOR THE YEAR ENDED 30TH JUNE 2005**

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30th June 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year other than the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies which are engaged in the business as timber contractors and trading of timber logs.

CHANGE OF NAME

The Company changed its name from Aokam Perdana Berhad to Java Incorporated Bhd. on 7th February 2005.

RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the year	51,182	94,605

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 30th June 2005.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company have been written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature, other than as mentioned in Notes 29, 30 and 31 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM500,000,000/- comprising 500,000,000 ordinary shares of RM1.00 each to RM600,000,000/- comprising 500,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Cumulative Convertible Preference Shares of RM1/- each. The creation of Irredeemable Cumulative Convertible Preference Shares is to facilitate the issuance of the new Irredeemable Cumulative Convertible Preference Shares pursuant to the proposed acquisition of subsidiary companies.

The existing issued and paid-up ordinary share capital of the Company was reduced during the financial year from RM83,415,113/- to RM4,170,756/- by the cancellation of RM0.95 of the par value of every existing ordinary share of RM1.00 each and subsequently consolidating the ordinary shares into RM1.00 each in the proportion of twenty (20) ordinary shares of RM0.05 each into one (1) ordinary share of RM1.00 each.

The issued and paid-up share capital of the Company after the capital reduction and consolidation of RM4,170,756/- was increased to RM167,961,540/- through the following issues:-

- a) 71,036,000 new ordinary shares of RM1.00 each as partial settlement of the purchase consideration for the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies;
- b) 41,957,138 new ordinary shares of RM1.00 each as partial settlement of the secured and unsecured scheme creditors of the Company and three of its subsidiary companies under the capital reconstruction and restructuring scheme of the Company (“Scheme Creditors”);
- c) A renounceable rights issue of 14,597,646 new ordinary shares of RM1.00 each (“Rights Shares”) on the basis of seven (7) Rights Shares for every two (2) existing ordinary shares held after the capital reduction and consolidation together with 14,597,646 free detachable warrants on the basis of one (1) warrant for every one (1) Rights Share subscribed at an issue price of RM1.00 per share (“Rights Issue”). The purpose of the Rights Issue is either to expand the timber operations of the Group through acquisitions of new timber concessions in the future or to broaden the Group’s earnings base by diversifying into the oil palm plantation sector.

ISSUE OF SHARES AND DEBENTURES (Continued)

- d) A special issue of 10,000,000 new ordinary shares of RM1.00 each together with 10,000,000 free detachable warrants to Bumiputera investors at an issue price of RM1.00 each (“Special Issue”) for working capital purposes; and
- e) 2,700,000 new ordinary shares of RM1.00 each pursuant to the conversion of 1.5% 3-year 2004/2007 Irredeemable Cumulative Convertible Preference Shares (“ICCPS”).
- f) The Company issued 23,500,000 ICCPS at the nominal amount of RM1.00 each as partial settlement of the purchase consideration for the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies. The ICCPS are listed on the Bursa Malaysia Securities Berhad.

The principal terms of the ICCPS are as follows:-

- a) The registered holder/(s) of the ICCPS will have the right at any time during the conversion period to convert the ICCPS at the conversion price into ordinary shares of RM1.00 each in the Company.
- b) The conversion of ICCPS shall be at one (1) ICCPS for every one (1) new ordinary share of RM1.00 each of the Company.

Subject to the Articles of Association of the Company and in consultation with its professional advisors, the Company will make provision for such adjustment/(s), if any, as the Company may deem appropriate to the conversion price in certain circumstances such as capitalisation of reserves or rights issue of shares or convertible securities which would, in the opinion of the Company, have effect of diluting the interests of the ICCPS holders.

- c) The holder/(s) of ICCPS will have the right to convert the ICCPS at any time commencing from and including the date of issuance of ICCPS to and including the maturity date, i.e. the date preceding the third (3rd) anniversary of the issuance date. All outstanding ICCPS will be mandatorily converted into new ordinary shares of the Company on the maturity date at the conversion price.
- d) The ICCPS shall bear dividend at the rate of 1.5% per annum cumulatively throughout the tenure of the ICCPS, subject to the availability of profits.
- e) The ICCPS holder/(s) shall have the same rights as the holders of ordinary shares as regards to receiving notices, reports and accounts and attending general meetings of the Company but shall only have the right to vote at any general meeting convened for the purposes of reducing the capital, or the disposal of the whole of the property, business or undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six (6) months or on a proposal to and during the winding-up of the Company.

ISSUE OF SHARES AND DEBENTURES (Continued)

- f) The new ordinary shares to be issued pursuant to the conversion of ICCPS will, rank pari passu in all respects with the existing ordinary shares of the Company, except that they will not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date of which is prior to the allotment of the said shares.
- g) The ICCPS will rank in priority to the ordinary shares of the Company in respect of return of capital on liquidation or otherwise for the par value of the ICCPS together with premium and accumulated dividends.

As at the balance sheet date, 2,700,000 ICCPS have been converted to ordinary shares of RM1/- each. The balance of ICCPS stands at 20,800,000 as at the balance sheet date.

No debenture was issued by the Company during the financial year.

2004/2014 WARRANTS (“Warrants”)

Pursuant to the Rights Issue and the Special Issue under the Capital Reconstruction and Restructuring Scheme (“Rescue Scheme”) of the Company as mentioned in Note 29 to the financial statements, 14,597,646 and 10,000,000 free detachable warrants respectively were attached with the Rights Issue and the Special Issue. The warrants are constituted under a Deed Poll dated 18th August 2004 executed by the Company. The warrants are listed on the Bursa Malaysia Securities Berhad.

There is no movement of the warrants since the date of issuance:-

	Number of Warrants			At 30.6.2005
	At date of Issuance	Exercise	Expired	
Warrants issued on 29th November 2004	24,597,646	-	-	24,597,646

The salient terms of the warrants are as follows:-

- a) Each warrant entitles the registered holder/(s) at any time during the subscription period to subscribe for one (1) new ordinary share of RM1.00 each at an exercise price of RM1.00 per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.
- b) The exercise price for the warrants is fixed at RM1.00 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
- c) The subscription period is ten (10) years from the date of issuance until the maturity date, i.e. the date preceding the tenth (10th) anniversary of the date of issuance. Upon the expiry of the subscription period, any unexercised rights will lapse and cease to be valid for any purposes.

2004/2014 WARRANTS (Continued)

- d) The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the warrants will rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the new ordinary shares pursuant to the exercise of the warrants.

EMPLOYEES' SHARE OPTION SCHEME

Java Incorporated Bhd.'s Employees' Share Option Scheme ("ESOS") is governed by the Bye-Laws approved by the shareholders at the Extraordinary General Meeting held on 30th July 2004.

The salient features of the ESOS are as follows:-

- a) The maximum number of new ordinary shares in the Company which may be made available under the share options ("Options") granted pursuant to the ESOS shall not exceed ten percent (10%) (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS. The Company will, during the Option period, keep available sufficient authorised and unissued ordinary shares to satisfy all outstanding Options which may be exercisable from time to time throughout the duration of the ESOS;
- b) An Eligible Employee is any executive director or employee of the Company or its subsidiary companies ("the Group") who at the date of allocation:-
- i) has attained the age of eighteen (18) years;
 - ii) is a confirmed employee of the Group;

Provided that the ESOS committee may, at its discretion, nominate any employee (including executive directors) of the Group to be an Eligible Person despite the eligibility criteria under the Bye-Laws 3.1 here in if not met, at any time and from time to time.

No Options will be offered to an Eligible Director of the Company unless the specific allotment of Options to that Eligible Director to participate in the ESOS shall have previously been approved by the shareholders of the Company in a general meeting;

- c) The ESOS shall be in force for a period of five (5) years from the date of full compliance with the statutory requirements ("Commencement Date") and is subject to an extension for a maximum period of up to five (5) years commencing from the day the date of expiration of the original five (5) year period;
- d) The number of ESOS shares that may be offered and allotted to any one of the Eligible Person shall be at the discretion of the ESOS Committee and the Board of Directors after taking into consideration the performance, length of service and seniority of the Eligible Person and such other factors that the ESOS Committee and the Board of Directors may deem relevant, subject to the following:-

EMPLOYEES' SHARE OPTION SCHEME (Continued)

- i) the number of ESOS shares allocated, in aggregate, to Eligible Directors and senior management of the Group shall not exceed fifty percent (50%) of the total ESOS shares available under the ESOS; and
- ii) the number of ESOS shares allocated to any individual Eligible Person who, either singly or collectively through person/(s) connected with them as defined in the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), hold twenty percent (20%) or more in the total issued and paid-up share capital of the Company shall not exceed ten percent (10%) of the total ESOS shares available under the ESOS.

At the discretion of the ESOS Committee, an Eligible Person may be eligible for more than one (1) offer provided that the total aggregate number of shares to be offered to such Eligible Person shall not exceed the maximum allowable allotment as set out in the Bye-Laws;

- e) The subscription price shall be determined by the Board of Directors upon the recommendation of the ESOS Committee in accordance with the Listing Requirements based on the 5-day weighted average market price of the Company's ordinary shares immediately prior to the date of offer with a discount of not more than 10% (or such higher discount as may be allowed under the Listing Requirements from time to time) if deemed appropriate, subject to the par value of the Company's ordinary shares and subject to adjustments in accordance with the Bye-Laws;
- f) The Option granted to an Eligible Person is exercisable only by the Eligible Person during his/her tenure of services whilst he/she is employed/appointed/retained for services by the Group and subject to any extension pursuant to the Bye-Laws. No option shall be exercised after the expiry of the option period; and
- g) The new ordinary shares to be allotted upon the exercise of an option shall, upon issue and allotment, rank pari passu in all respects with the existing issued and paid up shares of the Company for any dividends, rights, allotments and/or other distributions (including those arising on a liquidation of the Company or its subsidiary company, as the case may be), if the date of allotment is on or before the entitlement date and subject to all the provisions of the Articles of Association of the Company.

The ESOS Committee of the Company was formed on 29th August 2005 and the entitlement is yet to be determined by the ESOS Committee.

DIRECTORS

The directors in office since the date of the last report are:-

Tunku Mahmood Bin Tunku Mohammed	- appointed on 6.1.2005
Dato' Choo Keng Weng	- appointed on 1.3.2005
Dr. Tee Choon Hwa	
Sy Choon Yen	- appointed on 1.3.2005
Mohd. Zulkhairis Bin Mohd. Zain	
Tan Sri Dato' Samshuri Bin Haji Arshad	- retired on 31.12.2004
Peter Lee Pui Tet	- resigned on 15.4.2005
Andrew Genard Purcell	- resigned on 31.12.2004
Dato' Hj. Mohd. Salleh Bin Zakaria	- resigned on 16.9.2004

In accordance with Article 112 of the Company's Articles of Association, Dr. Tee Choon Hwa retires from the Board at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 83 of the Company's Articles of Association, Tunku Mahmood Bin Tunku Mohammed, Dato' Choo Keng Weng and Sy Choon Yen retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of those directors who held office at the end of the financial year in shares and warrants in the Company during the financial year are as follows:-

	Number of ordinary shares of RM1/- each				
	At 1.7.2004 or date of appointment	Capital reduction*	Bought	Sold	At 30.6.2005
The Company Java Incorporated Bhd. <i>(formerly known as Aokam Perdana Berhad)</i>					
Dr. Tee Choon Hwa	400,000	380,000	70,000	-	90,000
Dato' Choo Keng Weng	-	-	6,975	-	6,975

* Under the Rescue Scheme which was completed during the financial year as disclosed in Note 29 to the financial statements, the par value of the Company's issued and paid-up ordinary shares was reduced from RM1.00 each to RM0.05 each and followed by a consolidation of twenty (20) ordinary shares of RM0.05 each into one ordinary share of RM1.00 each.

DIRECTORS' INTERESTS (Continued)

	At 1.7.2004 or date of appointment	Number of warrants			At 30.6.2005
		Warrant Granted	Warrant Exercised	Warrant Expired	
The Company Java Incorporated Bhd. <i>(formerly known as Aokam Perdana Berhad)</i>					
Dr. Tee Choon Hwa	-	70,000	-	-	70,000
Dato' Choo Keng Weng	-	5,425	-	-	5,425

By virtue of their interests in shares of the Company, Dr. Tee Choon Hwa and Dato' Choo Keng Weng are deemed interested in the shares in the subsidiary companies to the extent the Company has an interest.

By virtue of his interest in a corporate shareholder of the Company, Sy Choon Yen is deemed interested in 25,779,899 ordinary shares and 10,132,550 ICCPS respectively in the Company in which the corporate shareholder has an interest.

By virtue of his interest in the said corporate shareholder of the Company, Sy Choon Yen is also deemed interested in the shares in the subsidiary companies to the extent the Company has an interest.

None of the directors in office at the end of the financial year had any other interests in shares in the Company and its related corporations during the financial year.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

Significant events during and after the financial year are disclosed in Notes 29 and 31 to the financial statements respectively.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS of the Company of which the entitlement is to be determined by the ESOS Committee.

AUDITORS

The auditors, Messrs Monteiro & Heng, have expressed their willingness to continue in office.

On behalf of the Board,

.....
DR. TEE CHOON HWA
Director

.....
SY CHOON YEN
Director

Kuala Lumpur

Date: 28th September 2005

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2005

	Note	Group	
		2005 RM'000	2004 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	21,314	14,860
OTHER INVESTMENTS	5	-	-
CURRENT ASSETS			
Inventories	7	23,958	4,295
Trade and other receivables and advanced payments	8	54,584	2,146
Deposits placed with licensed banks	10	27,575	-
Cash and bank balances		5,207	507
		111,324	6,948
CURRENT LIABILITIES			
Trade and other payables and advanced payments	11	27,613	30,966
Acknowledgement of obligations	13	-	41,511
Hire purchase liabilities	14	250	-
Short term borrowings	15	9,796	82,022
Provision for closure costs		-	5,000
Provision for taxation		14,603	373
		52,262	159,872
NET CURRENT ASSETS/(LIABILITIES)		59,062	(152,924)
		80,376	(138,064)
Financed by:			
SHARE CAPITAL	16	165,261	83,415
SHARE PREMIUM		-	15
ACCUMULATED LOSS		(91,053)	(221,494)
SHAREHOLDERS' FUNDS/(CAPITAL DEFICIENCY)		74,208	(138,064)
HIRE PURCHASE LIABILITIES	14	667	-
LONG TERM LOANS - SECURED	17	4,936	-
DEFERRED TAXATION	18	565	-
		80,376	(138,064)

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.
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BALANCE SHEET AS AT 30TH JUNE 2005

	Note	Company	
		2005 RM'000	2004 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	14	17
INVESTMENTS IN SUBSIDIARY COMPANIES	4	94,536	-
OTHER INVESTMENTS	5	-	-
ACKNOWLEDGEMENT OF OBLIGATIONS TRANSFERRED FROM SUBSIDIARY COMPANIES	6	-	-
CURRENT ASSETS			
Trade and other receivables and advanced payments	8	2,468	1,560
Amount due from subsidiary companies	9	35,542	-
Deposits placed with licensed banks	10	16,597	-
Cash and bank balances		269	146
		54,876	1,706
CURRENT LIABILITIES			
Trade and other payables and advanced payments	11	1,898	14,872
Amount due to a subsidiary company	12	2,572	2,572
Acknowledgement of obligations	13	-	41,511
Short term borrowings	15	-	48,507
Provision for closure costs		-	5,000
Provision for taxation		306	306
		4,776	112,768
NET CURRENT ASSETS/(LIABILITIES)		50,100	(111,062)
		144,650	(111,045)
Financed by:			
SHARE CAPITAL	16	165,261	83,415
SHARE PREMIUM		-	15
ACCUMULATED LOSS		(20,611)	(194,475)
SHAREHOLDERS' FUNDS/(CAPITAL DEFICIENCY)		144,650	(111,045)

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.
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**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005**

	Note	Group	
		2005 RM'000	2004 RM'000
REVENUE	19	268,493	9,674
Cost of sales	20	(229,890)	(10,959)
GROSS PROFIT/(LOSS)		38,603	(1,285)
Other operating income		2,006	775
Distribution costs		(2,464)	(1,405)
Administrative expenses		(13,558)	(2,188)
OPERATING PROFIT/(LOSS)	21	24,587	(4,103)
Finance costs (net)	22	(2,509)	(5,052)
Exceptional items			-
- waiver of debts by Scheme Creditors		106,084	-
- goodwill written off		(72,511)	-
- provision for closure costs no longer required		5,000	-
		38,573	-
PROFIT/(LOSS) BEFORE TAXATION		60,651	(9,155)
Pre-acquisition profit	23	(5,400)	-
PROFIT/(LOSS) BEFORE TAXATION BUT AFTER PRE-ACQUISITION PROFIT		55,251	(9,155)
Taxation	24	(4,069)	-
NET PROFIT/(LOSS) FOR THE YEAR		51,182	(9,155)
Earnings/(loss) per share (sen)	25		
Basic		49.2	(10.9)
Fully diluted		39.3	(10.9)

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.
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**INCOME STATEMENT
 FOR THE YEAR ENDED 30TH JUNE 2005**

	Note	Company	
		2005 RM'000	2004 RM'000
REVENUE	19	2,737	150
Cost of sales	20	-	-
GROSS PROFIT		<u>2,737</u>	<u>150</u>
Other operating income		324	114
Other operating expenses		-	-
Distribution costs		-	-
Administrative expenses		(1,913)	(3,756)
OPERATING PROFIT/(LOSS)	21	<u>1,148</u>	<u>(3,492)</u>
Finance costs (net)	22	6,298	(132)
Exceptional items			
- waiver of debts by Scheme Creditors		82,159	-
- provision for closure costs no longer required		5,000	-
		<u>87,159</u>	<u>-</u>
PROFIT/(LOSS) BEFORE TAXATION		94,605	(3,624)
Taxation	24	-	-
NET PROFIT/(LOSS) FOR THE YEAR		<u>94,605</u>	<u>(3,624)</u>

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.

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(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2005**

		← Share Capital → Non-Distributable				Total
		Ordinary Shares	Preference Shares	Share Premium	Accumulated Loss	
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1st July 2003		83,415	-	15	(212,339)	(128,909)
Net loss for the year		-	-	-	(9,155)	(9,155)
Balance at 30th June 2004		83,415	-	15	(221,494)	(138,064)
Capital Reduction	16	(79,244)			79,244	-
Share premium account reduction		-	-	(15)	15	-
Issued during the year	16	137,590	23,500	-	-	161,090
Conversion during the year	16	2,700	(2,700)	-	-	-
Net profit for the year		-	-	-	51,182	51,182
Balance at 30th June 2005		144,461	20,800	-	(91,053)	74,208

The accompanying notes form an integral part of these financial statements.

JAVA INCORPORATED BHD.
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2005**

	← Share Capital →	Non-Distributable			Accumulated Loss	Total
		Ordinary Shares	Preference Shares	Share Premium		
Company	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1st July 2003		83,415	-	15	(190,851)	(107,421)
Net loss for the year		-	-	-	(3,624)	(3,624)
Balance at 30th June 2004		83,415	-	15	(194,475)	(111,045)
Capital reduction	16	(79,244)			79,244	-
Share premium account reduction		-	-	(15)	15	-
Issued during the year	16	137,590	23,500	-	-	161,090
Conversion during the year	16	2,700	(2,700)	-	-	-
Net profit for the year		-	-	-	94,605	94,605
Balance at 30th June 2005		144,461	20,800	-	(20,611)	144,650

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
 (Incorporated in Malaysia)

**CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30TH JUNE 2005**

	Group	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit/(loss) before taxation	60,651	(9,155)
Less : Pre-acquisition profit	(5,400)	-
	55,251	(9,155)
Adjustments for:		
Allowance for doubtful debts for other receivables, deposits and prepayments	-	4
Allowance for doubtful debts no longer required for trade receivables	-	(12)
Bad debts written off	404	-
Depreciation and amortisation	4,672	3,669
Gain on disposal of property, plant and equipment	-	(3)
Gain on disposal of unquoted investment	(67)	-
Goodwill on consolidation written off	72,511	-
Interest expenses	2,161	5,052
Interest income	(420)	(3)
Inventories written down	-	38
Property, plant and equipment written off	1	-
Provision for closure costs no longer required	(5,000)	-
Waiver of debts by Scheme Creditors	(106,084)	-
Operating Profit/(loss) before Working Capital Changes	23,429	(410)
(Increase)/decrease in inventories	(6,614)	482
(Increase)/decrease in receivables	(5,781)	171
Decrease in payables	(1,408)	(528)
Cash Generated From/(Used In) Operations	9,626	(285)
Interest received	420	3
Tax paid	(980)	-
Net Cash From/(Used In) Operating Activities	9,066	(282)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	-	4
Proceeds from disposal of unquoted investments	67	-
Purchase of property, plant and equipment*	(1,390)	-
Net Cash (Used In)/From Investing Activities	(1,323)	4

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005 (Continued)**

	Group	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of subsidiary companies net of cash acquired**	(11,544)	-
Deposits held as security values	(359)	-
Interest paid	(1,145)	-
Proceeds from issues of shares	24,598	-
Payment for hire purchase liabilities	(206)	-
Repayment of term loans	(1,731)	-
Net Cash From Financing Activities	<u>9,613</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,356	(278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	507	785
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>17,863</u>	<u>507</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	5,207	507
Deposits placed with licensed banks	27,575	-
Less : Bankers' acceptance	(8,011)	-
	<u>24,771</u>	<u>507</u>
Less : Deposits held as securities values	(6,908)	-
	<u>17,863</u>	<u>507</u>

* During the financial year, the Group acquired property, plant and equipment amounting to RM1,994,932/- (2004 : RM Nil) of which RM802,608/- (2004 : RM Nil) were purchased under the hire purchase arrangements. Cash payments of RM197,808/- (2004 : RM Nil) were made towards the hire purchase.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005 (Continued)**

**** SUMMARY EFFECTS ON ACQUISITION OF SUBSIDIARY COMPANIES**

	Group	
	2005 RM'000	2004 RM'000
Assets		
<i>Property, plant and equipment</i>	9,132	-
<i>Inventories</i>	13,050	-
<i>Trade and other receivables</i>	47,110	-
<i>Deposits placed with licensed banks</i>	6,549	-
<i>Cash and bank balances</i>	1,679	-
	77,520	-
Liabilities		
<i>Trade and other payables</i>	21,598	-
<i>Borrowings</i>	22,192	-
<i>Deferred taxation</i>	576	-
<i>Provision for taxation</i>	11,129	-
	55,495	-
<i>Net assets acquired</i>	22,025	-
<i>Goodwill on consolidation</i>	72,511	-
<i>Purchase consideration</i>	94,536	-
<i>Consideration settled by issuance of shares in the Company</i>	(94,536)	-
<i>Cash of subsidiary companies acquired</i>	(11,544)	-
<i>Net cash outflow from acquisition of subsidiary companies</i>	(11,544)	-

On 17th December 2002, Java Incorporated Bhd. (formerly known as Aokam Perdana Berhad) entered into a Definitive Agreement with the shareholders of Key Heights Sdn. Bhd. to acquire the 100% equity interest in Key Heights Sdn. Bhd and its subsidiary companies for a total purchase consideration of RM150 million. The Definitive Agreement was subsequently varied and supplemented by supplemental agreements entered with the same parties on 19th September 2003 and 15th December 2003, and vide a letter dated 14th October 2003 respectively. The total purchase consideration was subsequently revised to RM94.536 million.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005 (Continued)**

**** SUMMARY EFFECTS ON ACQUISITION OF SUBSIDIARY COMPANIES (Continued)**

The effects of the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies on the financial results of the Group from the effective date of acquisition on 1st October 2004 to 30th June 2005 were as follows:-

Revenue	232,598	-
Cost of sales	(200,813)	-
Gross profit	31,785	-
Other operating income	404	-
Administrative expenses	(10,616)	-
Operating Profit	21,573	-
Finance costs	(1,399)	-
Profit before taxation	20,174	-
Pre-acquisition profit	(5,400)	-
Profit before taxation but after pre-acquisition profit	14,774	-
Taxation	(4,069)	-
Profit after taxation	10,705	-

The effects of the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies on the financial position of the Group are as follows:-

	2005 RM'000	2004 RM'000
Assets		
Property, plant and equipment	9,351	-
Inventories	9,389	-
Trade and other receivables	32,314	-
Deposits placed with licensed bank	6,908	-
Cash and bank balances	3,741	-
Liabilities		
Trade and other payables	(20,015)	-
Borrowings	(15,648)	-
Deferred taxation	(565)	-
Provision for taxation	(14,229)	-
Net assets	11,246	-

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
 (Incorporated in Malaysia)

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30TH JUNE 2005**

	Company	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit/(loss) before taxation	94,605	(3,624)
Adjustments for:		
Allowance for doubtful debts for amount due from subsidiary companies		
- current	-	3,189
- no longer required	-	(108)
Depreciation and amortisation	3	11
Gain on disposal of unquoted investment	(67)	-
Gain on disposal of property, plant and equipment	-	(3)
Interest expenses	158	2,458
Interest income	(6,712)	(2,329)
Provision for closure costs no longer required	(5,000)	-
Waiver of debts by Scheme Creditors	(82,159)	-
Operating Profit/(loss) before Working Capital Changes	828	(406)
(Increase)/decrease in receivables	(908)	2,662
(Decrease)/increase in payables	(473)	321
Cash (Used In)/Generated From Operations	(553)	2,577
Interest paid	(2)	-
Interest received	256	3
Net Cash (Used In)/Generated From Operating Activities	(299)	2,580
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	-	4
Proceeds from disposal of unquoted investment	67	-
Net Cash From Investing Activities	67	4

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005 (Continued)

	Company	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in amounts owing by/(to) subsidiary companies	(7,646)	(3,081)
Proceeds from issues of shares	24,598	-
Net Cash From/(Used In) Financing Activities	16,952	(3,081)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,720	(497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	146	643
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16,866	146
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
	-	
Cash and bank balances	269	146
Deposits placed with licensed banks	16,597	-
	16,866	146

The accompanying notes form an integral part of these financial statements.

Company No. 2511 - M

JAVA INCORPORATED BHD.

(formerly known as Aokam Perdana Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year other than the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies which are engaged in the business as timber contractors and trading of timber logs.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office and business office of the Company is located at M.02, Mezzanine Floor, Wisma E & C, No. 2 Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

The number of employees of the Group and of the Company (including directors) at the end of the financial year was 1,185 (2004 : 279) and 7 (2004 : 9) respectively.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28th September 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared on a going concern basis following the successful implementation of the Rescue Scheme during the financial year as disclosed in Note 29 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies set out below, and comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) **Basis of Accounting (Continued)**

The comparative figures have been prepared on a break-up basis. However, no reinstatement was made to the comparative figures as their carrying values as at 30th June 2004 approximate their fair values.

(b) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from their respective effective dates of acquisitions or up to their respective dates of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

The financial statements of the parent and its subsidiary companies are all drawn up to the same reporting date.

Intra group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its assets together with any unamortised balance of goodwill or reserve on consolidation which was not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Goodwill on Consolidation**

Goodwill is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d). Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition.

Goodwill arising from the acquisition of subsidiary companies during the financial year was written off to the consolidated income statements.

(d) Impairment of Assets

At each balance sheet date, the carrying values of assets, other than inventories, deferred tax assets and financial assets, are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised as an expense in the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or at estimated net realisable value made by the Board of Directors less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, Plant and Equipment and Depreciation (Continued)

Depreciation is calculated on a straight line method so as to write off their costs of the property, plant and equipment over their expected useful lives or their estimated net realisable value over their remaining estimated useful lives. The annual rates used for this purpose are as follows:-

Long term leasehold land	50 - 93 years
Short term leasehold land	36 years
Buildings	2.3% - 14.3%
Plant and machinery	10% - 25%
Motor vehicles	20% - 50%
Furniture, fittings and equipment	10% - 50%
Construction of camp road	Over 9 years
Renovation	10%

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

In the case of work-in-progress and manufactured goods costs include cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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

(g) Provisions

Provisions for liabilities are recognised when the Group has a present 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 obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for closure costs made in 2004 no longer required in 2005 was made in view of the break-up basis of preparation of the financial statements. It was based on estimated liabilities to be incurred in the event of cessation of the operations of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Investments

Long term investment in subsidiary companies and other investments are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d).

Short term quoted investments is stated at the lower of cost or market value and unquoted investments are stated at the lower or cost and net realisable value.

On disposal of an investment, the difference between the disposal proceeds and its carrying amount is charged or credited to the income statements.

(j) Trade And Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(k) Liabilities

Borrowings, trade and other payables and acknowledgement of obligations are stated at cost which is the fair value of the consideration to be paid in the future, whether or not billed to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(l) Equity Instruments****(i) Ordinary shares**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the financial year in which they are declared.

The transaction costs of an equity transaction are accounted for as deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Preference shares

Preference shares are classified as equity if they are non-redeemable and dividends are discretionary at the option of the issues. Preference shares are classified as liability if they are redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense. Preference shares that are compound instruments are split into liability and equity components. Each component is accounted for separately.

(m) Hire Purchase Transactions

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

The cost of assets acquired under hire purchase agreements is capitalised at their cost or valuation modified by their revaluation on an estimated realisable value basis in 2002 in view of the break-up basis preparation of the financial statements as disclosed in Note 2(a). Finance charges are charged to the income statements over the period of the respective agreements.

Pursuant to the Scheme of Arrangement as disclosed in Note 30 to the financial statements, the interest taken up in the income statement is calculated as follows:

- (i) Interest for the unsecured amount, which represents amount in excess of the break-up values of the corresponding assets, is charged on the unpaid principal from 9th March 1999 (the effective date of the Scheme) at 3-month KLIBOR rate; and
- (ii) Interest for the secured amount is charged at 3% above 3-month KLIBOR rate on 1st March 1999 (the 5th business day preceding the effective date of the Scheme).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue Recognition

(i) *Manufacturing And Trading Of Downstream Timber Products*

Revenue from manufacturing and trading of downstream timber products is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyers.

(ii) *Harvesting And Trading Of Raw Timber Products*

Revenue derived from harvesting and trading of raw timber products is recognised upon goods delivered and customer's acceptance.

(iii) *Management Fee*

Management fee is recognised upon services rendered.

(o) Income Tax

Income tax on the income statements represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee Benefits

(i) *Short Term Employee Benefits*

Wages, salaries and bonuses are recognised as expenses in the 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 absences occur.

(ii) *Defined Contribution Plan*

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statements in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(iii) *Equity and Equity Related Compensation Benefits*

The Company's Employees' Shares Option Scheme allows the Group's employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received and no compensation cost or obligation is recognised.

(q) Foreign Currency Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted into Ringgit Malaysia at the rate of exchange ruling on that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

The principal closing rate used in translation of foreign currency amounts is stated below:-

	2005	2004
Foreign currency	RM	RM
1 United States Dollar	3.798	3.800

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(r) Borrowing Costs**

Borrowing costs are charged to the income statements as an expense in the financial year in which they are incurred.

(s) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(t) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, bank balances, demand deposit and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of deposits pledged to financial institutions and bankers' acceptance.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Long Term Leasehold Land	Short Term Leasehold Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Equipment	Construction of Camp Road	Renovation	Total
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Estimated Realisable Value									
At 1st July 2004	1,560	809	6,155	13,381	237	47	-	-	22,189
Additions	-	-	220	455	1,053	182	-	85	1,995
New subsidiary companies acquired	-	-	907	3,120	1,678	774	5,800	39	12,318
Disposals/write-off	-	-	-	-	(16)	(1)	-	-	(17)
At 30th June 2005	1,560	809	7,282	16,956	2,952	1,002	5,800	124	36,485
Representing:									
Cost	-	-	1,127	3,576	2,730	956	5,800	124	14,313
Estimated Realisable Value	1,560	809	6,155	13,380	222	46	-	-	22,172
	1,560	809	7,282	16,956	2,952	1,002	5,800	124	36,485

3. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group 2005	Long Term Leasehold Land RM'000	Short Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Furniture, Fittings and Equipment RM'000	Construction of Camp Road RM'000	Renovation RM'000	Total RM'000
Accumulated Depreciation									
At 1st July 2004	38	38	309	6,710	222	12	-	-	7,329
Charged for the period	20	19	162	3,566	311	106	483	5	4,672
New subsidiary companies acquired	-	-	12	547	694	201	1,717	15	3,186
Disposals/write-off	-	-	-	-	(16)	-	-	-	(16)
At 30th June 2005	58	57	483	10,823	1,211	319	2,200	20	15,171
Net Book Value at 30th June 2005	1,502	752	6,799	6,133	1,741	683	3,600	104	21,314
Representing:									
Cost	-	-	1,106	2,780	1,729	653	3,600	104	9,972
Estimated Realisable Value	1,502	752	5,693	3,353	12	30	-	-	11,342
	1,502	752	6,799	6,133	1,741	683	3,600	104	21,314

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Long Term Leasehold Land RM'000	Short Term Leasehold Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor Vehicles RM'000	Furniture, Fittings And Equipment RM'000	Total RM'000
Estimated Realisable Value							
At 1st July 2003	1,535	471	6,518	13,381	237	62	22,204
Additions	-	-	-	-	-	-	-
Disposals/write-off	-	-	-	-	-	(15)	(15)
Transfer	25	338	(363)	-	-	-	-
At 30th June 2004	1,560	809	6,155	13,381	237	47	22,189
Accumulated Depreciation							
At 1st July 2003	20	13	162	3,355	111	13	3,674
Charged for the year	18	20	152	3,355	111	13	3,669
Disposals	-	-	-	-	-	(14)	(14)
Reclassifications	-	5	(5)	-	-	-	-
At 30th June 2004	38	38	309	6,710	222	12	7,329
Net Book Value at 30th June 2004	1,522	771	5,846	6,671	15	35	14,860

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2005	Motor Vehicles RM'000	Furniture, Fittings And Equipment RM'000	Total RM'000
Estimated Realisable Value			
At 1st July 2004	25	-	25
Additions	-	-	-
Disposals	-	-	-
At 30th June 2005	25	-	25
Accumulated Depreciation			
At 1st July 2004	8	-	8
Charged for the period	3	-	3
Disposals	-	-	-
At 30th June 2005	11	-	11
Net Book Value at 30th June 2005	14	-	14
2004			
Estimated Realisable Value			
At 1st July 2003	25	15	40
Additions	-	-	-
Disposals	-	(15)	(15)
At 30th June 2004	25	-	25
Accumulated Depreciation			
At 1st July 2003	4	7	11
Charged for the year	4	7	11
Disposals	-	(14)	(14)
At 30th June 2004	8	-	8
Net Book Value at 30th June 2004	17	-	17

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group and Company

Property, plant and equipment stated at their estimated realisable value were based on professional valuation made by Mr. Chew Kwong Cheong, a chartered surveyor in Jordan Lee, Jaafar & Chew Sdn. Bhd., on forced sale value basis conducted in August 2002.

As at the balance sheet date, the valuation of these assets has not been updated and they continue to be stated at their previous estimated realisable value less accumulated depreciation. The directors are of the opinion that the net recoverable amount of these assets would not be lower than their estimated realisable values.

Had these assets been carried at historical cost less accumulated depreciation, the net book values of these assets that would have been included in the financial statements of the Group and of the Company are as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Leasehold land	2,990	3,028	-	-
Buildings	126,159	129,454	-	-
Plant and machinery	3,606	13,235	-	-
Motor vehicles	-	31	-	-
Furniture, fittings and equipment	161	307	-	-
	<u>132,916</u>	<u>146,055</u>	<u>-</u>	<u>-</u>

Included in property, plant and equipment of the Group and of the Company are assets pledged to the licensed banks to secure credit facilities granted to the Company and its subsidiary companies with net book values as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Long term leasehold land	-	1,522	-	-
Short term leasehold land	-	771	-	-
Buildings	938	5,846	-	-
Construction of camp road	3,600	-	-	-
Plant and machinery	2,328	6,671	-	-
Renovation	104	-	-	-
Motor vehicles	1,729	15	-	17
Furniture, fittings and equipment	653	35	-	-
	<u>9,352</u>	<u>14,860</u>	<u>-</u>	<u>17</u>

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase instalment plans with net book values as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Plant and machineries	-	1,718	-	-
Motor vehicles	1,290	787	-	-

Certain long term leasehold land are held under native titles and sub-leased to a subsidiary company.

The comparative figures for property, plant and equipment were reclassified from current assets to non-current assets during the financial year following the successful implementation of the Rescue Scheme as mentioned in Note 29 to the financial statements.

4. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares - at cost	120,964	26,428
Less : Impairment losses	(26,428)	(26,428)
	<u>94,536</u>	<u>-</u>

The following information relates to the subsidiary companies which are all incorporated in Malaysia:-

Name of the Company	Effectiv Equity		Principal Activities
	2005 %	2004 %	
Direct subsidiary companies			
Pembangunan Papan Lapis (Sabah) Sdn. Bhd.	100	100	Manufacturing and marketing of sawntimber, moulded timber and other timber related products and providing wood treatment and kiln drying services
Java-Inc Industries Sdn. Bhd. (formerly known as Aokam Industries Sdn. Bhd.)	100	100	Manufacturing and marketing of veneer, plywood and related products
Pacific Wood Products Sdn. Bhd.	100	100	Manufacturing and marketing of veneer related products

4. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

Name of the Company	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
Direct subsidiary companies			
Java-Inc Resources Sdn. Bhd. (formerly known as Aokam Resources Sdn. Bhd.)	100	100	Dormant
NuovaEra Sdn. Bhd.	100	100	Dormant
Samquity Sdn. Bhd.*	100	100	Dormant
Fastwork Holdings Sdn. Bhd.*	100	100	Dormant
Java-Inc Tech Sdn. Bhd.* (formerly known as AokamTech Sdn. Bhd.)	100	100	Dormant
Inti-Juara Sdn. Bhd.*	100	100	Dormant
Key Heights Sdn. Bhd.	100	-	Investment holding
Indirect subsidiary company held through Pacific Wood Products Sdn. Bhd.			
PWP Industries Sdn. Bhd.*	100	100	Dormant
Indirect subsidiary companies held through Key Heights Sdn. Bhd.			
Pinawantai Sdn. Bhd.	100	-	Trading of timber logs
Kumpulan Kinabatangan Timber Sdn. Bhd.	100	-	Timber contractor
Bizkaya Sdn. Bhd.	100	-	Trading of timber logs
Wincohasil Sdn. Bhd.	100	-	Timber contractor

* Subsequent to the balance sheet date and on 18th August 2005, these subsidiary companies were disposed of to a third party for a total cash consideration of RM5/.

5. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Quoted shares in Malaysia	4	4	4	4
Unquoted shares at cost	1,325	1,325	1,325	1,325
Unquoted shares outside Malaysia	-	1,192	-	1,192
	1,329	2,521	1,329	2,521
Less: Impairment losses	(1,329)	(2,521)	(1,329)	(2,521)
	-	-	-	-
Market values of the quoted shares in Malaysia	1	2	1	2

6. ACKNOWLEDGEMENT OF OBLIGATIONS TRANSFERRED FROM SUBSIDIARY COMPANIES

	Company	
	2005 RM'000	2004 RM'000
Long term payment obligations transferred from subsidiary companies	-	41,405
Less : Allowance for long term payment obligations transferred from subsidiary companies	-	(41,405)
	-	-

Long term payment obligations transferred from subsidiary companies in year 2004 represented restructured creditors of subsidiary companies under the Scheme of Arrangement completed in 1999 as stated in Note 30 to the financial statements. Interest at 3 months KLIBOR was accrued on the amount owing and was payable quarterly from 9th March 1999.

7. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Raw material and consumables	7,774	143
Work-in-progress	7,272	184
Manufactured goods	8,602	347
	23,648	674
At net realisable value:		
Raw material and consumables	-	2557
Work-in-progress	-	343
Manufactured goods	310	721
	310	3,621
	23,958	4,295

8. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	27,860	99,734	-	-
Less : Allowance for doubtful debts	(1,506)	(99,473)	-	-
	26,354	261		-
Other receivables	11,001	40,955	*	15,403
Less : Allowance for doubtful debts	-	(39,355)	-	(13,873)
	11,001	1,600	*	1,530
Sundry deposits	4,050	11	4	11
Less : Allowance for doubtful debts	-	(1)	-	(1)
	4,050	10	4	10
Prepayments	4,241	343	2,464	88
Less : Allowance for doubtful debts	-	(68)	-	(68)
	4,241	275	2,464	20
Advanced payments	8,938	-	-	-
	54,584	2,146	2,468	1,560

* RM89/-

8. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS (Continued)

The currency exposure profile of trade and other receivables and advanced payments are as follows:-

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	49,943	2,018	2,468	1,560
US Dollar	4,641	128	-	-
	<u>54,584</u>	<u>2,146</u>	<u>2,468</u>	<u>1,560</u>

The Group's normal trade credit terms range from 1 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in other receivables is an amount of RM9,585,230/- (2004 : RM Nil) which represents deposit paid for the purchase of logs and timber.

Included in sundry deposits of the Group is an amount of RM3,900,000/- (2004 : RM Nil) which represents the deposit paid for the securing of timber logging contracting works.

Included in prepayments are amounts totalling RM2,441,690/- (2004 : RM1,215,932/-) represent the restructuring expenses incurred pursuant to the implementation of the Rescue Scheme of the Company. The said expenses is amortised over five years commencing from the current financial year.

The advanced payments represent payments made in advance to the suppliers and contractors of subsidiary companies for goods and services to be received.

9. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	Company	
	2005	2004
	RM'000	RM'000
Amount due from subsidiary companies		
- Advances	102,755	67,213
Less : Allowance for doubtful debts	(67,213)	(67,213)
	<u>35,542</u>	<u>-</u>

Amounts due from subsidiary companies are unsecured, no fixed terms of repayment and interest free except for amounts totalling approximately RM31,619,000/- in 2004 which bore interest at the rate of 2% above KLIBOR per annum. The said interest bearing advances in year 2004 was funded from the Company's secured term loan due to a financial institution related to a substantial shareholder.

10. DEPOSITS PLACED WITH LICENSED BANKS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Repo	6,370	-	2,300	-
Fixed deposits	21,205	-	14,297	-
	<u>27,575</u>	<u>-</u>	<u>16,597</u>	<u>-</u>

Group

Included in fixed deposits placed with licensed banks are amounts totalling RM6,908,097/- (2004 : RM Nil) pledged to a licensed bank to secure credit facilities granted to the subsidiary companies.

11. TRADE AND OTHER PAYABLES AND ADVANCED PAYMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	8,973	1,152	-	-
Other payables	10,935	11,627	1,131	8,421
Sundry deposits	5	-	-	-
Accruals	5,615	7,247	767	1,791
Advanced payments received from customers	2,085	-	-	-
Restructured liabilities	-	10,940	-	4,660
	<u>27,613</u>	<u>30,966</u>	<u>1,898</u>	<u>14,872</u>

Group and Company

The normal trade credit terms granted to the Group range from 30 to 90 days.

Included in other payables in year 2004 was an amount of RM6,479,074/- due to a substantial shareholder in connection with restructuring expenses paid on behalf of the Group and of the Company. The said amount was fully settled during the financial year pursuant to the successful implementation of the Rescue Scheme as mentioned in Note 29 to the financial statements.

Interest on the restructured liabilities for year 2004 was accrued at 3 month KLIBOR.

12. AMOUNT DUE TO A SUBSIDIARY COMPANY

Company

The amount due to a subsidiary company comprises advances and is unsecured, interest free and has no fixed term of repayment.

13. **ACKNOWLEDGEMENT OF OBLIGATIONS**

	Group and Company	
	2005	2004
	RM'000	RM'000
Unsecured :		
Bank borrowings	-	22,265
Restructured creditors	-	13,393
Hire purchase liabilities	-	5,853
	<u>-</u>	<u>41,511</u>

Group and Company

Acknowledgement of obligations in year 2004 included the unsecured creditors of subsidiary companies amounting to approximately RM41,405,000/- which have been transferred to the Company (Note 6 to the financial statements refers) in line with the terms of the Scheme of Arrangement.

Acknowledgement of obligations in year 2004 were payable in three equal instalments on the 4th, 5th, and 6th annual anniversaries of the effective date of the Scheme of Arrangement. Interest was payable quarterly in arrears from 9th March 1999 at 3 month KLIBOR accruing on the outstanding restructured amount.

Acknowledgment of obligations was fully settled during the financial year pursuant to the successful implementation of the Rescue Scheme as mentioned in Note 29 to the financial statements.

Included in bank borrowings in year 2004 was an amount of RM1,046,000/- due to a substantial shareholder.

14. **HIRE PURCHASE LIABILITIES**

	Group	
	2005	2004
	RM'000	RM'000
Minimum hire purchase payments		
- not later than one year	326	-
- later than one year and not later than five years	696	-
- later than five years	1	-
	<u>1,023</u>	<u>-</u>
Future finance charges	(106)	-
	<u>917</u>	<u>-</u>

14. HIRE PURCHASE LIABILITIES (Continued)

	Group	
	2005 RM'000	2004 RM'000
Represented by:		
Current		
- not later than one year	250	-
Long term		
- later than one year and not later than five years	666	-
- later than five years	1	-
	667	-
	917	-

15. SHORT TERM BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bankers' acceptance - secured	8,011	-	-	-
Term loans due within one year (Note 17)	1,785	-	-	-
Restructured term loans - secured	-	33,515	-	-
Secured term loan due to a financial institution	-	38,266	-	38,266
Advances due to a substantial shareholder	-	10,241	-	10,241
	9,796	82,022	-	48,507

Group

The bankers' acceptance of the Group is secured over the following:-

- fixed deposits of the subsidiary companies of RM3.0 million;
- second debenture by way of fixed and floating charge over the entire assets of the subsidiary companies;
- creation of sinking funds of RM7.0 million in the form of fixed deposits which is to be built up with a minimum monthly deposit of RM200,000/- up to a total maximum of RM7.0 million of the subsidiary companies;

15. SHORT TERM BORROWINGS (Continued)**Group (Continued)**

- (d) jointly and severally guaranteed by a director of the Company and a director of a subsidiary company; and
- (e) a corporate guarantee from the Company up to RM14 million.

The bankers' acceptance bear interest at rates ranging from 3.0% to 3.1% (2004 : Nil) per annum.

Restructured secured term loans in year 2004 were payable in four instalments on the 4th, 5th, 6th and 7th annual anniversaries from 9th March 1999. Interest was payable quarterly in arrears from 9th March 1999 and is charged at 3% above 3 month KLIBOR on the principal amount. Restructured secured term loans were secured by the following:-

- (a) a first priority fixed charge on all land, plant and machinery, equipment and motor vehicles of the respective subsidiary companies, as the case may be, wheresoever located both present and future;
- (b) a second priority floating charge on all the undertaking and the rest of the properties and assets not specified in (a), as the case may be; and
- (c) a corporate guarantee from the Company.

Included in the restructured secured term loans of the Group in year 2004 was an amount approximately RM10,327,000/- due to a substantial shareholder.

The secured term loan due to a financial institution in year 2004 was due to a financial institution related to a substantial shareholder. The secured term loan carried interest at 2% per annum and was repayable on demand. The said term loan was secured on the following:

- (a) a first priority fixed and floating charge on all of the assets of the Company and a subsidiary company;
- (b) a second priority fixed charge on all land, plant and machinery, equipment and motor vehicles of certain subsidiary companies, wheresoever located both present and future; and
- (c) a first priority floating charge on all of the undertakings and the rest of the properties and assets not specified in (b) above, wheresoever located both present and future.

The advance from a substantial shareholder in year 2004 was interest free, unsecured and was repayable on demand.

The restructured secured term loans, secured term loan due to a financial institution and advances due to a substantial shareholder were fully settled during the financial year pursuant to the successful implementation of the Rescue Scheme as mentioned in Note 29 to the financial statements.

16. SHARE CAPITAL

	Group and Company	
	2005	2004
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1/- each	500,000	500,000
Preference shares of RM1/- each		
Balance at 1st July	-	-
Created during the financial year	100,000	-
	100,000	-
Balance at 30th June	600,000	500,000
Issued and fully paid :		
Ordinary shares of RM1/- each		
Balance at 1st July	83,415	83,415
Capital reduction and consolidation	(79,244)	-
Issued during the financial year		
- acquisition of subsidiary companies	71,036	-
- settlement of Scheme Creditors	41,957	-
- Renounceable Rights Issue	14,597	-
- Special Issue	10,000	-
- conversion of ICCPS	2,700	-
	144,461	83,415
Irredeemable Cumulative Convertible Preference Shares ("ICCPS") of RM1/- each		
Balance at 1st July	-	-
Issued during the financial year pursuant to the acquisition of subsidiary companies	23,500	-
Conversion into ordinary shares	(2,700)	-
	20,800	-
Balance at 30th June	165,261	83,415

The movements in the authorised and issued and paid-up share capital of the Company are pursuant to the implementation of the Rescue Scheme as disclosed in Note 29 to the financial statements.

16. SHARE CAPITAL (Continued)**(a) ICCPS**

Pursuant to the Rescue Scheme of the Group as disclosed in Note 29 to the financial statements, the Company issued 23,500,000 1.5% 3-year 2004/2007 ICCPS of RM1/- each at the nominal amount of RM1/- as partial settlement of the purchase consideration for the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies. The ICCPS are listed on Bursa Malaysia Securities Berhad.

The principal terms of the ICCPS are as follows:-

- i) The registered holder(s) of the ICCPS will have the right at any time during the conversion period to convert the ICCPS at the conversion price into ordinary shares of RM1.00 each in the Company.
- ii) The conversion of ICCPS shall be at one (1) ICCPS for every one (1) new ordinary share of RM1.00 each of the Company.

Subject to the Articles of Association of the Company and in consultation with its professional advisors, the Company will make provision for such adjustment/(s), if any, as the Company may deem appropriate to the conversion price in certain circumstances such as capitalisation of reserves or rights issues of shares or convertible securities which would in the opinion of the Company have effect of diluting the interests of the ICCPS holders.

- iii) The holder/(s) of ICCPS will have the right to convert the ICCPS at any time commencing from and including the date of issuance of ICCPS to and including the maturity date, i.e. the date preceding the third (3rd) anniversary of the issuance date. All outstanding ICCPS will be mandatorily converted into new ordinary shares of the Company on the maturity date at the conversion price.
- iv) The ICCPS shall bear dividend at the rate of 1.5% per annum cumulatively throughout the tenure of the ICCPS, subject to the availability of profits.
- v) The ICCPS holders shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and accounts and attending general meetings of the Company but shall only have the right to vote at any general meeting convened for the purposes of reducing the capital, or the disposal of the whole of the property, business or undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six (6) months or on a proposal to and during the winding-up of the Company.

16. SHARE CAPITAL (Continued)

(a) ICCPS (Continued)

- vi) The new ordinary shares to be issued pursuant to the conversion of ICCPS will, rank pari passu in all respects with the existing ordinary shares of the Company, except that they will not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date of which is prior to the allotment of the said shares.
- vii) The ICCPS will rank in priority to the ordinary shares of the Company in respect of return of capital on liquidation or otherwise for the par value of the ICCPS together with premium and accumulated dividends.

(b) 2004/2014 Warrants

Pursuant to the Rights Issue and Special Issue under the Rescue Scheme of the Company, 14,597,646 and 10,000,000 free detachable warrants respectively were attached with the Rights Issue and Special Issue. The warrants are constituted under a Deed Poll dated 18th August 2004 executed by the Company. The warrants are listed on the Bursa Malaysia Securities Berhad.

There is no movement of the warrants since the date of issuance:-

	Number of Warrants			At 30.6.2005
	At date of Issuance	Exercise	Expired	
Warrants issued on 29th November 2004	24,597,646	-	-	24,597,646

The salient terms of the warrants are as follows:-

- i) Each warrant entitles the registered holder/(s) at any time during the subscription period to subscribe for one (1) new ordinary share of RM1.00 each at an exercise price of RM1.00 per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.
- ii) The exercise price for the warrants is fixed at RM1.00 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
- iii) The subscription period is ten (10) years from the date of issuance until the maturity date, i.e. the date preceding the tenth (10th) anniversary of the date of issuance. Upon the expiry of the subscription period, any unexercised rights will lapse and cease to be valid for any purposes.

16. **SHARE CAPITAL (Continued)**(b) **2004/2014 Warrants (Continued)**

- iv) The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the warrants will rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the new ordinary shares pursuant to the exercise of the warrants.

17. **LONG TERM LOANS - SECURED**

	Group	
	2005 RM'000	2004 RM'000
Outstanding loans principal	6,721	-
Less : Portion due within one year (Note 15)	(1,785)	-
Portion due after one year	4,936	-

The secured long term loans due to a licensed bank are secured over the following:-

- (a) a debenture in the form and substance prescribed by the lender;
- (b) creation of a first fixed and floating charge over all the assets of the subsidiary companies;
- (c) an assignment in favour of the lender the contract proceeds from the subsidiary companies;
- (d) jointly and severally guaranteed by a director of the Company and a director of a subsidiary company; and
- (e) a corporate guarantee by the Company.

17. **LONG TERM LOANS – SECURED (Continued)**

The long term loans bear interest at the rates ranging from 2.25% to 8.5% (2004 : Nil) per annum and are repayable by fixed monthly instalments. The terms of repayment of the term loans are as follows:-

	Group	
	2005	2004
	RM'000	RM'000
Within the next twelve months (included under current liabilities)	1,785	-
After the next twelve months (included under long term liabilities)		
- not later than two years	1,858	-
- later than two years but not later than five years	2,973	-
- later than five years	105	-
	4,936	-
	<u>6,721</u>	<u>-</u>

18. **DEFERRED TAXATION**

	Group	
	2005	2004
	RM'000	RM'000
Balance at 1st July	-	-
New subsidiary companies acquired	575	
Transfer to income statement (Note 24)	(10)	-
Balance at 30th June	<u>565</u>	<u>-</u>
Representing the tax effects of:-		
Temporary differences between net book values and the corresponding tax written down values	<u>565</u>	<u>-</u>

18. DEFERRED TAXATION (Continued)

Deferred tax assets have not been recognised in respect of the following items:-

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	63,116	67,688	-	4,877
Unabsorbed capital allowances	202,668	228,570	-	944
Unutilised tax losses	321,656	328,897	552	7,484
	<u>587,440</u>	<u>625,155</u>	<u>552</u>	<u>13,305</u>
Unrecognised deferred tax assets at 28%	164,483	175,043	155	3,725

The deductible temporary differences, unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

19. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Manufacturing and trading of downstream timber products	49,729	9,674	-	-
Harvesting and trading of raw timber products	218,764	-	-	-
Management fee	-	-	2,737	150
	<u>268,493</u>	<u>9,674</u>	<u>2,737</u>	<u>150</u>

20. COST OF SALES

Cost of sales represents the cost of inventories sold, production cost, direct material and labour cost and related overheads.

21. OPERATING PROFIT/(LOSS)

Operating profit/(loss) has been arrived at:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
After charging:-				
Allowance for doubtful debts				
- amount due from subsidiary companies	-	-	-	3,189
- other receivables, deposits and prepayments	-	4	-	-
Amortisation of restructuring expenses	271	-	271	-
Audit fee	135	75	30	30
Bad debts written off	404	-	-	-
Depreciation	4,672	3,669	3	11
Directors' remuneration				
- fee				
· current directors	132	135	52	15
· former directors	51	-	6	-
- remunerations				
· current directors	686	127	686	123
· former directors	89	-	1	-
- retirement gratuity				
· former director	300	-	-	-
Hire of motor vehicles	56	-	-	-
Inventories written down	-	38	-	-
Property, plant and equipment written off	1	-	-	-
Rental of premises				
- land	68	35	-	-
- office	180	46	(4)	46
Staff costs				
- Employees' Provident Fund	467	188	47	74
- SOCSO	52	17	1	1
- salaries, allowances and bonuses	7,643	2,117	403	101
- other staffs' related expenses	388	18	12	8

21. OPERATING PROFIT/(LOSS) (Continued)

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Directors' remuneration excludes estimated monetary value of benefits in kind of RM13,925/- (2004 : RM13,925/-).

22. FINANCE COSTS (NET)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income				
- Amount due from subsidiary companies	-	-	-	2,326
- waiver of interest by Scheme Creditors	1,727	-	6,456	-
	<u>1,727</u>	<u>-</u>	<u>6,456</u>	<u>2,326</u>
Interest expenses				
- acknowledgement of obligations	(287)	(1,693)	-	(1,689)
- restructured term loans - secured	(398)	(2,378)	-	(3)
- term loan - secured	(2,640)	(765)	-	(765)
- bankers' acceptance	(435)	-	-	-
- hire purchase	(52)	-	-	-
- others	(268)	(216)	(2)	(1)
	<u>(4,080)</u>	<u>(5,052)</u>	<u>(2)</u>	<u>(2,458)</u>
Dividend on ICCPS	(156)	-	(156)	-
	<u>(2,509)</u>	<u>(5,052)</u>	<u>6,298</u>	<u>(132)</u>

23. **PRE-ACQUISITION PROFIT**

The pre-acquisition profit is in respect of the profit of Key Heights Sdn. Bhd. and its subsidiary companies for the period from 1st July 2004 to 30th September 2004, i.e. prior to the acquisition of Key Heights Sdn. Bhd. and its subsidiary companies pursuant to the Rescue Scheme as disclosed in Note 29 to the financial statements. The financial results of Key Heights Sdn. Bhd. and its subsidiary companies prior to the effective date of acquisition are as follows:

	Group	
	1.7.2004 To 30.9.2004 RM'000	1.7.2003 To 30.6.2004 RM'000
REVENUE	53,952	-
Cost of sales	(47,066)	-
GROSS PROFIT	<u>6,886</u>	<u>-</u>
Other operating income	204	-
Administrative expenses	(1,349)	-
OPERATING PROFIT	<u>5,741</u>	<u>-</u>
Finance costs (net)	(341)	-
PROFIT BEFORE TAXATION	<u>5,400</u>	<u>-</u>

24. **TAXATION**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income tax				
- current year's provision	(5,690)	-	-	-
- underprovision in prior year	(29)	-	-	-
Deferred taxation				
- current year's provision	(7)	-	-	-
- overprovision in prior year	17	-	-	-
	<u>(5,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pre-acquisition current year's provision for taxation	1,640	-	-	-
	<u>(4,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>

24. **TAXATION (Continued)**

The reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective income tax rate are as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit/(loss) before taxation	55,251	(9,155)	94,605	(3,624)
Taxation at applicable tax rate of 28%	(15,470)	2,563	(26,489)	1,015
Tax effects arising from				
- non-taxable income	22,662	3	24,403	-
- non-deductible expenses	(20,831)	(99)	(119)	(947)
- double deductions	3	-	-	-
- originating/reversal of deferred tax assets not recognised in financial statements	9,382	(2,468)	2,205	(69)
- small and medium enterprises tax savings	197	-	-	-
- underprovision in prior year	(12)	-	-	-
- other items	-	1	-	1
	(4,069)	-	-	-

25. **EARNINGS/(LOSS) PER SHARE****Basic Earnings/(Loss) Per Share**

The basic earnings/(loss) per share for the financial year has been calculated based on the Group's profit/(loss) for the year of approximately RM51,182,000/- (2004 : (RM 9,155,000/-)) and on the weighted average number of 104,031,000 (2004: 83,415,000) ordinary shares in issue during the financial year.

Diluted Earnings/(loss) Per Share

For the diluted earnings/(loss) per share calculation, the net profit/(loss) for the financial year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares, i.e. the conversion of ICCPS and the exercised warrants. The ICCPS and the exercised warrants are deemed to have been converted into ordinary shares at the date of issuance.

25. EARNINGS/(LOSS) PER SHARE

Diluted Earnings/(loss) Per Share (Continued)

	Group	
	2005 RM'000	2004 RM'000
Net profit/(loss) for the year	51,182	(9,155)
After-tax effect of dividend on ICCPS	112	-
	51,294	(9,155)
Weighted average number of ordinary shares in issue	104,031	83,415
Effects of dilution on:-		
- conversion of ICCPS	12,195	-
- exercise of warrants	14,422	-
Adjusted weighted average number of ordinary shares in issue and issuable	130,648	83,415

26. CONTINGENT LIABILITIES

As at 30th June 2005, the Group and the Company are contingently liable for the following:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank guarantee issued for:-				
- execution of contracts	50	-	-	-
- secured restructured term loans extended to subsidiary companies	-	33,515	-	33,515
Corporate guarantees issued to licensed banks to secure credit facilities granted to the subsidiary companies to the extent of RM14 million (2004 : RM Nil)	-	-	9,494	-
	50	33,515	9,494	33,515

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Management fees received/receivable from subsidiary companies				
- Kumpulan Kinabatangan Timber Sdn. Bhd.	-	-	252	-
- Pinawantai Sdn. Bhd.	-	-	1,017	-
- Bizkaya Sdn. Bhd.	-	-	927	-
- Wincohasil Sdn. Bhd.	-	-	207	-
- Pembangunan Papan Lapis (Sabah) Sdn. Bhd.	-	-	105	60
- Pacific Wood Products Sdn. Bhd.	-	-	42	45
- Java-Inc Industries Sdn. Bhd. (formerly known as Aokam Industries Sdn. Bhd.)	-	-	187	45
Interest income received/receivable from subsidiary companies				
- Pembangunan Papan Lapis (Sabah) Sdn. Bhd.	-	-	-	979
- Pacific Wood Products Sdn. Bhd.	-	-	-	72
- Java-Inc Industries Sdn. Bhd. (formerly known as Aokam Industries Sdn. Bhd.)	-	-	-	1,282
Interest on a secured term loan due to a financial institution related to a substantial shareholder, namely Credit Suisse First Boston, Labuan	-	636	-	636
Rental expenses paid to Desa Samudra Sdn. Bhd., a company in which a director, Dato' Choo Keng Weng has financial interest	49	-	-	-

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms are no less favourable than those arranged with third parties.

28. SEGMENTAL INFORMATION

The Group's operating business are classified according to the nature of activities as follows:-

Forestry Management	: Harvesting and trading of raw timber products.
Manufacturing	: Manufacturing and trading of downstream timber products.
Investment	: Comprise mainly investment holding.

28. **SEGMENTAL INFORMATION (Continued)**

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

PRIMARY REPORTING – BUSINESS SEGMENTS

Group 2005	Forestry				Total RM'000
	Management RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	
REVENUE	232,598	51,974	5,238	(21,317)	268,493
RESULTS					
Segment results	21,582	1,831	3,640	(2,467)	24,586
Finance costs (net)	(628)	4,209	5,528	(11,618)	(2,509)
Exceptional items					
- waiver of debts by Scheme Creditors	-	53,724	82,159	(29,798)	106,085
- goodwill written off	-	-	(72,511)	-	(72,511)
- provision for closure costs no longer required	-	-	5,000	-	5,000
Profit before taxation	20,954	59,764	23,816	(43,883)	60,651
Pre-acquisition profit	(5,400)	-	-	-	(5,400)
Profit before taxation but after pre-acquisition profit	15,554	59,764	23,816	(43,883)	55,251
Taxation	(4,069)	-	(700)	700	(4,069)
Net profit for the year	11,485	59,764	23,116	(43,183)	51,182
OTHER INFORMATION					
Segment assets	61,703	54,001	19,349	-	135,053
Total assets	61,703	54,001	19,349	-	135,053
Segment liabilities	29,165	8,157	8,355	-	45,677
Total liabilities	43,959	8,224	8,662	-	60,845
Capital expenditure	1,369	626	-	-	1,995
Depreciation and amortisation	1,148	3,520	4	-	4,672

28. SEGMENTAL INFORMATION (Continued)

Segmental information by geographical segment is not presented as the Group's operations are derived solely from Malaysia.

The comparative figure for segmental information for the financial year 2004 is not presented as the Group's turnover and losses are derived solely from the manufacturing and trading of downstream timber products in Malaysia.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, Southern Investment Bank Berhad on behalf of the Board of Directors announced that the Proposed Rescue Scheme as disclosed in the financial statements of the Company in the previous financial year involving the Company and three of its subsidiary companies were approved by all the relevant regulatory authorities and have been completed on 20th December 2004.

The Rescue Scheme involved the following:-

(a) Capital Reduction and Consolidation

Pursuant to Section 64 of the Companies Act, 1965 ("the Act"), the issued and paid-up share capital of the Company was reduced from RM83,415,113/- to RM4,170,756/- by the cancellation of RM0.95 of the par value of each existing ordinary share of RM1/- each and subsequently consolidating into ordinary share of RM1/- each in the proportion of twenty (20) ordinary shares of RM0.05 each into one (1) new ordinary share of RM1/- each.

(b) Share Premium Reduction

Pursuant to Section 60 and 64(1) of the Act, the share premium of RM15,543/- in the share premium account of the holding company as at 30th June 2003 was written off against the Company's accumulated losses.

(c) Debt Settlement

The settlement of debts involving four (4) separate schemes of arrangement, comprising the secured and unsecured creditors of the Company, secured creditors of Java-Inc Industries Sdn. Bhd. (*formerly known as Aokam Industries Sdn. Bhd.*) ("*JISB*"), Pembangunan Papan Lapis (Sabah) Sdn. Bhd. ("*PPL*") and Pacific Wood Products ("*PWP*") respectively (collectively referred to as the "*Scheme Companies*") which have been compromised as follows:-

(i) Secured Creditors

Waiver of all charges and interest from 9th March 2002 until the completion of the Rescue Scheme on 20th December 2004, a cash payment of RM53,169/- and the issuance of 22,200,000 of the Company's new ordinary shares of RM1/- each.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Continued)**(c) Debt Settlement (Continued)****(ii) Unsecured Creditors**

Waiver of 82.67% of the outstanding amounts as at 8th March 2002 and conversion of the remaining amounts into 19,757,137 of the Company's new ordinary shares of RM1/- each.

(d) Acquisition of Subsidiary Company

The Company acquired the entire issued and paid-up share capital of Key Heights Sdn. Bhd. ("KHSB") for a total purchase consideration of RM94,536,000/-, which was satisfied by the issuance of 71,036,000 of the Company's new ordinary shares of RM1/- each at an issue price of RM1/- per share and the issuance of RM23,500,000/- nominal value of 1.5% 3-year 2004/2007 Irredeemable Cumulative Convertible Preference Shares ("ICCPS") at an issue price of RM1/- each. The ICCPS were quoted on the Main Board of Bursa Malaysia Securities Berhad on 20th December 2004.

(e) Rights Issue

The Company issued a renounceable rights issue of 14,597,646 new ordinary shares of RM1/- each of the Company ("Rights Shares") on the basis of seven (7) Rights Shares for every two (2) existing shares of the Company held after the capital reduction and consolidation together with 14,597,646 free detachable warrants on the basis of one (1) new warrant for every one (1) new Rights Share subscribed. The said warrants were quoted on the Main Board of Bursa Malaysia Securities Berhad on 20th December 2004.

(f) Special Issue

A special issue by the Company of 10,000,000 new ordinary shares of RM1/- each together with free detachable warrants on the basis of one (1) warrant for every one (1) new share subscribed. The said warrants were quoted on the Main Board of Bursa Malaysia Securities Berhad on 20th December 2004.

(g) Increase in Authorised Share Capital

The authorised share capital of the Company was increased from RM500,000,000/- to RM600,000,000/- which comprises 500,000,000 ordinary shares of RM1/- each and 100,000,000 ICCPS of RM1/- each to facilitate the issuance of the new ICCPS pursuant to the Acquisition of Subsidiary Company as stated in (d) above.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Continued)**(h) ESOS**

The Company established an ESOS involving the issuance of up to 10% of the Company's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to eligible executive directors and employees of the Company and its subsidiary companies.

30. THE SCHEME OF ARRANGEMENT

The scheme of arrangement ("the Scheme") undertaken by the Company and three (3) of its subsidiary companies, namely JISB, PPL and PWP with their shareholders, creditors, bankers and bondholders which included waiver and capitalisation of debts, restructuring of borrowings and raising of funds. The Scheme was approved by the shareholders and creditors on 23rd November 1998. The effective date of the Scheme was 9th March 1999 and has since been fully implemented and accounted for in the financial statements.

However the Scheme Companies defaulted in repayment of advance from a substantial shareholder and payment of interest on the restructured secured term loans, Acknowledgement of Obligations and secured term loan. The Scheme Companies also defaulted the repayment of the principal for the restructured secured term loan and Acknowledgement of Obligations since the previous financial years.

The Scheme was subsequently settled during the current financial year following the successful implementation of the Rescue Scheme as disclosed in Note 29 to the financial statements.

31. SUBSEQUENTS EVENTS

There were no significant events subsequent to the balance sheet date for the Group except for the following:-

- a) The disposal of five of the dormant subsidiary companies, i.e. Samquity Sdn. Bhd., Fastwork Holdings Sdn. Bhd., Inti-Juara Sdn. Bhd., PWP Industries Sdn. Bhd. and Java-Inc Tech Sdn. Bhd. (*formerly known as AokamTech Sdn. Bhd.*) on 18th August 2005 for a total cash consideration of RM5/-. The said disposal was to streamline the Group's corporate structure.
- b) On 5th September 2005, the Company has entered into a Share Sale Agreement to acquire the entire equity interests in RSJ Trading Sdn. Bhd. ("RSJ") for a total purchase consideration of RM4.5 million for the expansion of the Group's business into oil palm plantation as RJS hold 80% in the issued and paid-up share capital of Ladang Bunga Tanjung Sdn. Bhd. ("LBT"), a joint venture company incorporated to undertake the development and cultivation of a parcel of agricultural land measuring 3120 acres in the Mukim of Lubok Bongor, Daerah Jeli, Kelantan into an oil palm plantation.

32. FINANCIAL INSTRUMENTS

(a) **Financial Risk Management Objectives and Policies**

The Group is exposed to credit, foreign currency, liquidity and interest rate risks arise in the normal course of business. The Group's overall financial risk management objectives are to ensure that the Group creates and optimises value for its shareholders and to minimise any potential adverse effects on the financial performance and position based on its prevailing capability and capacity. The general risk management philosophy, policies and the overall business strategies are reviewed annually by the Board of Directors and quarterly reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

(b) **Credit Risk**

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The carrying amount of cash, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

(c) **Foreign Currency Risk**

The Group incurs foreign currency risk on sales that are denominated in a currency other than Ringgit Malaysia. The currency give rise to this risk is primarily US dollars. Management monitors the foreign currency exposure on an ongoing basis.

Whilst the Group's operating results are subject to the effect of changes in the exchange rate of US dollars relative to Ringgit Malaysia, the effect is constantly monitored and managed through close consultation and negotiation with regular customers by way of price adjustments.

The Group and the Company do not transact in any derivative instruments.

(d) **Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

(e) **Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debt as at 30th June 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

32. FINANCIAL INSTRUMENTS (Continued)

(e) Interest Rate Risk (Continued)

Effective Interest Rates

Group	Effective interest rate per annum %	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 years RM'000	Total RM'000
At 30th June 2005					
Financial Asset					
Deposits placed with licensed banks	1.20 - 3.70	27,575	-	-	27,575
Financial Liabilities					
Bankers' acceptance	3.00 - 3.10	8,011	-	-	8,011
Hire purchase liabilities	2.60 - 5.00	250	666	1	917
Long term loans	2.25 - 8.50	1,785	4,831	105	6,721
At 30th June 2004					
Financial Liabilities					
Restructured secured term loans	7.08	33,515	-	-	33,515
Long term loans	2.00	38,266	-	-	38,266
Acknowledgement of Obligations	4.08	41,511	-	-	41,511
Company					
At 30th June 2005					
Financial Asset					
Deposits placed with licensed banks	1.20 - 3.00	16,597	-	-	16,597
At 30th June 2004					
Financial Liabilities					
Secured term loan	2.00	38,266	-	-	38,266
Acknowledgement of Obligations	4.08	41,511	-	-	41,511

32. FINANCIAL INSTRUMENTS (Continued)**(f) Fair Values*****Recognised financial instruments***

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company, except for amount owing by/to subsidiary companies.

It is not practical to estimate the fair value of the amount owing by/to subsidiary companies due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts either lack a fixed repayment term. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received or settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:-

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Long Term Borrowings Due Within One Year

The carrying amounts approximate fair values due to the relatively short term to maturity of these financial instruments.

(ii) Other Investments

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 26 to the financial statements) are not recognised in the balance sheet as at 30th June 2005 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

Unrecognised financial instruments

There are no financial instruments not recognised in the balance sheet as at 30th June 2005 that are required to be disclosed.

33. CHANGE OF NAME

The Company has changed its name from Aokam Perdana Berhad to Java Incorporated Bhd. on 7th February 2005.

34. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of Chartered Accountants other than Monteiro & Heng.

Certain comparative figures had been reclassified to conform with current year's presentation.

Company No. 2511 - M

JAVA INCORPORATED BHD.

(formerly known as Aokam Perdana Berhad)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **DR. TEE CHOON HWA** and **SY CHOON YEN**, being two of the directors of JAVA INCORPORATED BHD. *(formerly known as Aokam Perdana Berhad)*, do hereby state that in the opinion of the directors, the financial statements set out on pages 11 to 65, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30th June 2005 and of the results and cash flows of the Group and of the Company for the year ended on that date in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

On behalf of the board,

.....
DR. TEE CHOON HWA

Director

.....
SY CHOON YEN

Director

Kuala Lumpur

Date: 28th September 2005

Company No. 2511 - M

JAVA INCORPORATED BHD.
(formerly known as Aokam Perdana Berhad)
(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **CHEW PECK KIM**, being the officer primarily responsible for the financial management of JAVA INCORPORATED BHD. *(formerly known as Aokam Perdana Berhad)*, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 65 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
CHEW PECK KIM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 28th September 2005.

Before me,

.....
Commissioner for Oaths

Company No. 2511 - M

**REPORT OF THE AUDITORS TO THE MEMBERS OF
JAVA INCORPORATED BHD.**

(formerly known as Aokam Perdana Berhad)

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 11 to 65.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 30th June 2005 and of the results and cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Company No. 2511 - M

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

Monteiro & Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/06 (J/PH)
Partner

Kuala Lumpur

Date: 28th September 2005