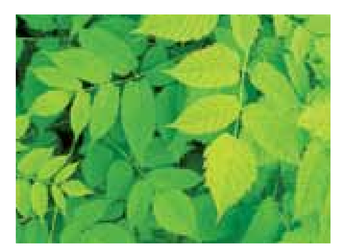
CYMAO Holdings Berhad (445931-U)

Sabah Office
9.1 KM, Jalan Batu Sapi,
Locked Bag No. 13,
90009 Sandakan,
Sabah, East Malaysia

Tel : 6089 612 233 (5 Lines)
Fax : 6089 612 607
6089 606 489

website : www.cymao.com
email : info@cymao.com

CYMAO
HOLDINGS BERHAD
445931-U



annual report 2010

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MISSION STATEMENT

Our Vision

To be a world class supplier of construction materials, through sound business practices, that is profitable, sustainable and socially responsible to all our stakeholders.

Our Mission

Sustainable profitability through vertical integration, capacity expansion and product offerings.

Corporate Information

BOARD OF DIRECTORS

Datuk Mohd. Zain Bin Omar
Chairman/Independent Non-Executive Director

Lin, Tsai-Rong
Managing Director

Lin, Kai-Min
Executive Director

Lin, Kai-Hsuan
Executive Director

Lin Hsu, Li-Chu
Non-Independent Non-Executive Director

Hiew Seng
Independent Non-Executive Director

AUDIT COMMITTEE

Hiew Seng
Chairman, Independent Non-Executive Director

Datuk Mohd. Zain Bin Omar
Member, Independent Non-Executive Director

Lin Hsu, Li-Chu
Member, Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Datuk Mohd. Zain Bin Omar
Chairman, Independent Non-Executive Director

Hiew Seng
Member, Independent Non-Executive Director

Lin Hsu, Li-Chu
Member,Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Datuk Mohd. Zain Bin Omar
Chairman, Independent Non-Executive Director

Hiew Seng
Member, Independent Non-Executive Director

Lin Hsu, Li-Chu
Member, Non-Independent Non- Executive Director

COMPANY SECRETARY

Katherine Chung Mei Ling (MAICSA 7007310)

REGISTERED OFFICE

MPT 4604, 3rd Floor
Lot 15-16, Block B, Bandaran Baru
Jalan Baru, 91000 Tawau
Sabah, Malaysia

Tel : +06(89) 767-600

Fax : +06(89) 766-100

CORPORATE OFFICE

9.1 KM, Jalan Batu Sapi
Locked Bag No. 13
90009 Sandakan, Sabah

Tel : +06(89) 612-233

Fax : +06(89) 612-607

AUDITORS

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

OCBC Bank (Malaysia) Berhad

Public Bank Berhad

RHB Bank Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

Tel : +06(03) 7841-8000

Fax : +06(03) 7841-8008

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

Stock Short Name : CYMAO
Stock Code : 5082

Corporate Structure

CYMAO HOLDINGS BERHAD
445931-U

Xuzhou Richwood Co. Ltd ("XRCL")
(Incorporated in People Republic of China) (Registration No. 001641)
100%

Billion Apex Sdn. Bhd. ("BASB")
(Co. No.683097-U)
100%

Hanswood Corporation Co. Ltd ("HWC")
(Incorporated in Taiwan ROC)
(53085463) *100%*

Cymao Plywood Sdn. Bhd. ("CPSB")
(Co. No.196313-U)
100%

Poly-Ply Industries Sdn. Bhd. ("PISB")
(Co. No.31892-A)
100%

Inovwood Sdn. Bhd. ("ISB")
(Co. No.585609-D)
100%

Malsa Wood Products Sdn. Bhd. ("MWPSB")
(Co. No.238949-T)
100%

Syabas Mujur Sdn. Bhd. ("SMSB")
(Co. No.728141-A)
100%

Kupiano Forest Product (PNG) Ltd. ("KFP")
(Incorporated in Papua New Guinea) (1-57260)
100%

Directors' Profile

DATUK MOHD. ZAIN BIN OMAR
(Chairman/Independent Non-Executive Director)

Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Malaysian, aged 69, was appointed to the Board of Cymao Holdings Berhad ("Cymao") on 13 November 2003. He graduated from Maktab Latihan Harian, Pulau Pinang and began his career as a teacher from 1963 to 1982. Subsequently, he entered politics and became a Member of State Assembly for the Constituency of Bayan Lepas and State Executive Committee as well as Chairman of Cultural, Youth and Sport Committee from 1982 to 1986. From 1986 to 1990, he became a Member of State Assembly for the Constituency of Teluk Kumbar and State Executive Committee as well as Chairman of Infrastructure Committee. From 1990 to 1995, he served as a Member of State Assembly for the Constituency of Teluk Kumbar for the second term as well as Chairman of Audit Committee of State of Pulau Pinang. He was a Member of Parliament for the Constituency of Balik Pulau until 2004.

LIN, TSAI-RONG
(Managing Director)

Taiwanese, aged 75, was appointed to the Board of Cymao on 13 November 2003. He obtained a Bachelor of Science majoring in Plant Pathology from National Chong Hsien University, Taiwan, in 1958. He started his career in wood-based industries with Cyma Plywood and Lumber Co. Ltd, Taiwan ("CPLC") in 1962 and worked his way up from being the Production Line Foreman, Supervisor, Section Chief, Production Manager, Factory Manager, Director of Research and Development (R&D) to Vice President of CPLC. He has in-depth and comprehensive knowledge of running an efficient and innovative wood-based company. In 1991, He founded Cymao Plywood Sdn Bhd ("CPSB") and built the company into what it is today. Being the Managing Director of CPSB, he commands very strong and loyal support from the production workforce necessary to ensure the success of the business.

LIN, KAI-MIN
(Executive Director)

Taiwanese, aged 41, was appointed to the Board of Cymao on 13 November 2003. He graduated from Fu-Jen University, Taiwan, with a Bachelor of Science majoring in Accounting in 1993. He joined CPSB in 1994 as a Production Line Foreman and was given extensive production training. He became the Log Purchasing Manager from 1997 to 1998 in CPSB and subsequently headed its Finance Department. Armed with extensive training and experience from all aspects of production, raw materials and accounting, he is now heading the Finance and Marketing Department.

LIN, KAI-HSUAN
(Executive Director)

Taiwanese, aged 43, was appointed to the Board of Cymao on 13 November 2003. He graduated from University of California Los Angeles, USA, with a Bachelor of Science in Applied Mathematics and a minor in economics in 1991. He subsequently obtained a Master of Science in Forest Science with emphasis in Expert System from Texas A & M University, USA in 1993. He joined CPSB in 1994 as the Quality Controller, then took on the post of Factory Manager in 2000 and in the same year he was made the R&D Director. He was appointed as the Vice President of CPSB in 2001and still holds the position todate.

Directors' Profile (cont'd.)

LIN HSU, LI-CHU
(Non-Independent Non-Executive Director)

Member of Audit Committee
Member of Nomination Committee and Remuneration Committee

Taiwanese, aged 68, was appointed to the Board of Cymao on 13 November 2003. She was a teacher at Hsi-Chih Primary School from 1960 to 1981 after earning her Diploma in Education from National Taipei Teachers' College in 1961.

HIEW SENG
(Independent Non-Executive Director)

Chairman of Audit Committee
Member of Remuneration and Nomination Committee

Malaysian, aged 60, was appointed to the Board of Cymao on 25 February 2004. He is Chartered Accountant by training. He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. He began his accountancy training as an articled clerk in 1974 with a firm of Chartered Accountants in London, United Kingdom. Upon his qualification as a Chartered Accountant, he joined an international accounting firm as a qualified assistant for two (2) years and worked in the New Straits Times Press (Malaysia) Berhad, a public listed company, as Internal Auditor heading the Internal Audit Department for five and a half years (5½) and was promoted to Manager, Organisition & Method, a department created to conduct efficiency and productivity study during the economic crisis in 1986. He held the position for three (3) years. Thereafter, he joined an advertisement production house as a finance consultant for four (4) years before he joined Messrs. SK Hiew & Associates in 1996, where he became the Principal-In-Charged of the Kajang Branch of the firm.

OTHER INFORMATION OF DIRECTORS

Family Relationship of Directors

Save as disclosed for Lin, Tsai-Rong is the father of Lin, Kai-Hsuan and Lin, Kai-Min and Lin Hsu, Li-Chu is the wife of Lin, Tsai-Rong, none of the other Directors has any family relationship with any Directors and/or substantial shareholders of the Company.

Conflict of Interest

None of the Directors has any conflict of interest with the Company.

Conviction of Offence

None of the Directors has been convicted of any offence within the past ten (10) years.

Shareholdings

The particulars of the Directors' shareholdings are set out on pages 81 of this Annual Report.

Directors' Profile (cont'd.)

Attendance of the Board of Directors ("Board")

There were a total of five (5) Board Meetings held during the financial year ended 31 December 2010.

Name of Directors	Attendance
Datuk Mohd. Zain Bin Omar	5/5
Lin, Tsai-Rong	5/5
Lin, Kai-Min	5/5
Lin, Kai- Hsuan	5/5
Lin Hsu, Li-Chu	5/5
Hiew Seng	5/5

Directors' Training

The seminars attended by each Director during the financial year ended 31 December 2010 are shown below:-

Name of Directors	Title of Seminars	Duration
Datuk Mohd. Zain Bin Omar	Company Secretarial Practise for plcs Part I: Related Party Transactions Part II: Practical guide to preparing board, committee and general meetings	1 day
Lin, Tsai-Rong	What every director should know about fraud: A new approach towards the prevention and detection of fraud	1 day
Lin, Kai-Min	What every director should know about fraud: A new approach towards the prevention and detection of fraud	1 day
Lin, Kai-Hsuan	Analysing and interpreting financial statements	2 days
Lin Hsu, Li-Chu	What every director should know about fraud: A new approach towards the prevention and detection of fraud	1 day
Hiew Seng	MIA-Bursa Malaysia evening talk on corporate governance	2 hours
	2011 Budget Seminar- Highlights & Implications	1 day

Chairman's Statement

It is my pleasure to present to you the financial statements of Cymao Holdings Berhad (the "Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2010.

PERFORMANCE REVIEW

For the financial year ended 2010, the Group posted a turnover of RM123.67 million and a loss before taxation of RM2.94 million against RM124.16 million of turnover and a loss before taxation of RM5.79 million in the preceding year. The Group's total sales volumes were recorded at 90,159m^3 that made up of the timber logs of 16,917m^3, and the plywood of 73,242m^3, a 15% lower than the previous financial year. It was noted that the drop in sales volumes was most pronounced in the second half of the financial year. The main contributing factors were the weakening trend of the US Dollar in the second half of the financial year when the exchange loss suffered was as high as 14.3% and paying extra overtime wages due to labour shortage. In addition, the operating cost for plywood has increased significantly due to higher diesel, glue and lubricant prices coupled with lower production volumes for the financial year ended 2010.

CORPORATE DEVELOPMENT

On 20th August 2010, the Company had incorporated a wholly-owned subsidiary, Hanswood Corporation Co. Ltd ("HWC") in the Taiwan Republic of China to break new ground. HWC is expected to commence operation in the financial year ending 2011 and the intended business activity is to manufacture plywood for the domestic and export markets. The paid-up share capital of HWC is US$0.79 million and the investment is financed by internally generated fund.

DIVIDEND

In view of the financial results, the Board does not recommend any dividend for the financial year ended 31 December 2010.

OUTLOOK AND PROSPECTS

The Group will remain cautious on the impact of global economic slowdown, monitoring cost control and profitability of each production. Despite the present state of slow economic recovery, the Group will continue with its expansion to tap into the market opportunities in Taiwan via HWC.

The Group will continuously seek for new timber concession area which is crucial for the Group to secure a steady supply of logs for its plywood production. The Group will uphold its competitive edge and quality of its products by investing in automation so as to be less dependent on labour and expect on better recovery rate on the usage of raw materials.

The management will stay vigilant in the challenging business environment and continue to focus on its operational efficiency by adopting effective cost saving measures. The management will closely monitor on market development, assess major operational and financial risks to mitigate any possible negative impact.

Barring any unforeseen circumstances, the Board remains confidence of the Group's better performance in the next financial year.

Chairman's Statement (cont'd.)

APPRECIATION

On behalf of the Board, I wish to convey my sincere appreciation to the directors, management and employees of the Group for their continued diligence and commitment.

I also wish to express my gratitude to our valued customers, suppliers and business associates for their support and confidence in us.

Lastly, to our shareholders, I wish to express my heartfelt appreciation for placing your confidence in the future of the Group.

Datuk Mohd. Zain Bin Omar
Chairman

Dated 16 April 2011

Corporate Governance Statement

The Board of Cymao Holdings Berhad recognises the importance in achieving high standard of corporate governance and observes the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The Code is observed throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Group.

It is a continuing task of the Board to evaluate the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code in their operation towards achieving the optimal governance framework.

The statements below set out the manner in which the Company has applied the Principles of the Code (revised 2007) and the extend of compliance with the Best Practices of the good corporate governance as set in Part 1 and part 2 of the Code.

BOARD OF DIRECTORS

Board Composition and Balance

The Group is led by an effective and experienced Board comprising of members drawn from a wide spectrum of experience in relevant fields such as production, engineering, economics, accounting, finance, marketing, management and business administration. Together they bring a broad range of skills, experience and knowledge required to successfully direct, supervise and manage the Group's business, which are vital to the success of the Group and enhancement of long term shareholders' value.

The Board currently has six (6) Directors, comprises of one (1) Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors, and two (2) Non-Executive Directors, one (1) of whom is an independent director. The Board composition complies with Paragraph 15.02 of the Listing Requirements which requires that at least two (2) or one-third (1/3) of the Board Members, whichever is higher, to be Independent Directors.

The profiles of the members of the Board are set out on pages 5 to 7 of the Annual Report.

The Board Meetings are presided by the Chairman whose role is clearly separated from the role of the Managing Director to ensure a balance of power and authority.

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

Board Meetings

The Board meets at least four (4) times a year which is scheduled at quarterly basis with additional meetings convened as necessary.

The Board held five (5) meetings during the financial year ended 31 December 2010. Details of the attendance of the Directors are disclosed on page 7 of the Annual Report.

Board Committees

The Board is assisted by the Audit Committee, the Nomination Committee and the Remuneration Committee in discharging its responsibilities and duties. Each Committee is operated within the defined terms of reference which have been approved by the Board. These Committees will address issues and risks that will affect the operation of the Group and to recommend measures to the Board on mitigate such risks.

Corporate Governance Statement (cont'd.)

(i) **Audit Committee**

The composition, terms of reference and activities of the Audit Committee are presented on pages 13 to 15 of the Annual Report.

(ii) **Nomination Committee**

The Nomination Committee at present is comprised of three (3) Non-Executive Directors, majority of whom are independent.

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2010 to propose to the Board on re-election and re-appointment of retiring Directors, to review the mix of skills of the Board, to assess the effectiveness of the Board as a whole, its committees and the contribution of each individual Director.

(iii) **Remuneration Committee**

The Remuneration Committee is currently made up of three (3) Non-Executive Directors, a majority of whom are independent.

The primary duty of the Remuneration Committee is to review and recommend the remuneration packages of Executive Directors are sufficiently attractive to retain such persons of high caliber, drawing from outside advice, if necessary. The Board as a whole determines the remuneration of Non-Executive Directors, and each Director is not allow to participate in discussion of his/her own remuneration.

The Remuneration Committee met twice during the financial year ended 31 December 2010 to review the remuneration packages for Executive Directors and Non-Executive Directors.

Supply of Information

Notice of meetings, setting out the agenda and accompanied by the Board papers are given to all Directors prior to each Board Meeting to enable the Directors to peruse, obtain further information and/or seek further clarification on the matters to be deliberated.

All information within the Group is accessible to the Directors in furtherance of their duties and every Director has unhindered access to the advice and services of the Company Secretary. They are also entitled to seek independent professional advice, where necessary and in appropriate circumstances at the Group's expense.

Directors' Training

The Group acknowledges that continuous education is vital for the Board member to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All Directors completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analyst Malaysia (RIIAM) in compliance with the Listing Requirements.

During the financial year, the Directors attended seminars and training programmes accredited by Bursa Securities as part of their obligation to constantly stay update with current issues and changes which will assist them to discharge their duties effectively. Details of the training programme attended by the Board members are disclosed on page 7 of the Annual Report.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge, where relevant, and to keep abreast with the new regulatory development and Listing Requirements.

Corporate Governance Statement (cont'd.)

Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third (1/3) or nearest to one-third (1/3) of the Directors, shall retire by rotation at each annual general meeting provided that all Directors shall retire from office once in every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed to the Board during the financial year are subject to re-election by shareholders at the annual general meeting following their appointment.

A director who is over seventy (70) years of age is required to submit himself for re-appointment and re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Remuneration

The Directors' remuneration is determined at level which enables the Company to attract and retain Directors with the relevant experience and expertise to assist in managing the Group effectively. The aggregate of remuneration received by the Directors from the Company and its subsidiaries for the financial year ended 31 December 2010, are categorized into appropriate components as disclosed under Note 10 of the Financial Statements on page 55 of the Annual Report.

SHAREHOLDERS AND INVESTORS

The Group always recognises the importance of communications with shareholders and investors. In this respect, the Group disseminates information to its shareholders and investors through its Annual Report, timely public announcement and the quarterly financial results released by the Company to the Bursa Securities will provide the shareholders and investors with an overview of the Group's performances and operations.

The Board recognises the use of the Annual General Meeting as a principal forum for dialogue and to communicate with shareholders. Extraordinary General Meetings are held as and when required.

The Company has maintained a website at www.cymao.com for the access of shareholders and the general public to retrieve information of the Group. Investors and members of the public who wish channel queries on matters relating to the Group may email to info@cymao.com.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Audit Committee assists the Board by scrutinizing the information to be disclosed, to ensure accuracy and adequacy. The Group's financial statements are presented on page 21 to 80 of the Annual Report and the Directors' Responsibilities Statement pursuant to Paragraph 15.27(a) of the Listing Requirements is set out on page 18 of the Annual Report.

Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls which cover not only financial controls but also controls in relation to operations, compliance and risk management. A Statement on Internal Control of the Company is set out on page 17 of the Annual Report.

Relationships with Auditors

The external auditors, on completion of their annual audit, express an opinion on the annual financial statements. The Board and the Audit Committee have established a formal and transparent relationship with the external auditors. The external auditors may from time to time throughout the financial year highlight to the Audit Committee and the Board on matters that require the Board's attention.

Audit Committee Report

MEMBERS OF THE AUDIT COMMITEE

Committee Chairman	:	Hiew Seng (Independent Non-Executive Director)
Committee Members	:	Datuk Mohd. Zain Bin Omar (Independent Non-Executive Director)
	:	Lin Hsu, Li-Chu (Non-Independent Non-Executive Director)

TERMS OF REFERENCE

1. Composition Of The Audit Committee

1.1 The Audit Committee shall be appointed by the Board from amongst its members who fulfill the following requirements:

(a) the Audit Committee Members shall be non-executive directors and no fewer than three (3) members;

(b) a majority of the Audit Committee shall be Independent Non-Executive Directors of the Company or its related corporation;

(c) all Audit Committee Members should be financially literate with at least a member of the Audit Committee

- must be a member of Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience, and
  (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
- fulfils such other requirements as prescribed by Bursa Securities that,
  (a) he has a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
  (b) he has at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management for the financial affairs of a corporation; or
- fulfils such other requirements as approved by Bursa Securities relating to the financial-related qualifications and experience.

(d) no alternate director shall be appointed as a member of the Audit Committee.

1.2 The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.

1.3 In the event of any vacancy in the Audit Committee resulting in the number of members is reduced to below three (3), the Board shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

1.4 The Board shall review the terms of office of Committee members at least once every three (3) years.

Audit Committee Report (cont'd.)

2. Objectives

The main objectives of the Audit Committee are to:

2.1 Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in relation to the accounting and management controls and financial reporting of the Company and the Group; and

2.2 Provide greater emphasis to audit functions performed by internal and external auditors by serving as a focal point of communication between the Board, the external auditor, the internal auditor and the management by means of a forum for discussion that is independent of the management.

3. Authority Of The Audit Committee

The Audit Committee shall have the authority to:

3.1 investigate any matter within its terms of reference;

3.2 have the resources which are reasonable required to enable to perform its duties;

3.3 have full and unrestricted access to any information pertaining to the Company and the Group;

3.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

3.5 obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise where necessary; and

3.6 convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

4. Functions

The functions of the Audit Committee should be to review and report to the Board on the following matters:

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

4.2 the external auditors' audit plan, the nature and scope of audit, the evaluation of the system of internal controls of the Company and the Group, the external auditors' management letter and management's response.

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

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

4.5 in relation to the internal audit function,
- review the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.

Audit Committee Report (cont'd.)

- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

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

4.7 the Group's quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:

- o changes in or implementation of major accounting policy changes;
- o significant adjustment arising from audit and unusual events;
- o the going concern assumption; and
- o compliance with accounting standards and other legal requirements;

4.8 any additional duties as may from time to time prescribed by the Board.

5. Reporting of breaches to Bursa Securities

The Audit Committee shall report promptly to the Bursa Securities on any matters reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

6. Meetings And Reporting Procedures

6.1 The Audit Committee may regulate its own procedures and in particular, the calling of the meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such minutes.

6.2 A quorum for meeting of the Audit Committee meeting shall be two (2) members and the majority of members present must be Independent Non-Executive Directors.

6.3 The Audit Committee shall meet as often as the Chairman deems necessary but not less than four (4) times a year. The finance director, the head of internal audit and a representative of the external auditors should normally attend the meeting of Audit Committee.

6.4 The Audit Committee should meet with the external auditors without executive directors present at least twice a year. The Chairman shall also convene a meeting if requested by the external auditors to consider any matter within the scope and responsibilities of the Audit Committee.

6.5 Other directors and employees shall attend any particular audit committee's meeting only at the invitation of the Audit Committee, whenever deemed necessary.

6.6 The Company Secretary shall be the secretary of the Audit Committee.

6.7 The Secretary shall circulate the minutes of the meeting of the Committee to all members of the Board.

Audit Committee Report (cont'd.)

MEETINGS ATTENDANCE

There were five (5) Audit Committee Meetings held during the financial year ended 31 December 2010. The numbers of meetings attended by the Committee Members are as follow:-

Audit Committee Members	Number of Meetings Attended
Hiew Seng	5/5
Datuk Mohd. Zain Bin Omar	5/5
Lin Hsu, Li-Chu	5/5

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year, the main activities carried out by Audit Committee are as follows:-

- Reviewed the Group's quarterly financial results with the management and recommended to the Board for approval prior to release to the Bursa Securities.
- Reviewed the audited financial statements of the Group prior to submission to the Board for consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards.
- Reviewed the Audit Committee Report and the Statement on Internal Control and recommended to the Board for inclusion in the Annual Report.
- Evaluated the performance of the External Auditors and made recommendations to the Board on the re-appointment of Auditors and audit fees.
- Reviewed the Internal Audit Reports to ensure that all risk areas were covered and corrective actions were taken by the management on audit findings.
- Reviewed and approved Internal Audit Plan Memorandum.
- Reviewed and discussed the scope of audit plan with the external auditors.

INTERNAL AUDIT FUNCTION

The Group's in-house Internal Audit Department reports to the Audit Committee, assists in monitoring and updating risks and adequacy of the internal control system. Its role is to undertake independent regular and systematic reviews of internal controls, so as to provide the Audit Committee with independent and objective feedback and reports that the internal controls continue to operate satisfactorily and effectively.

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

During the financial year ended 31 December 2010, the Internal Auditor conducted an internal audit review on one (1) of its subsidiary and presented the results to the Audit Committee at a quarterly meeting.

Statement on Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

A set of policies and procedures is in place to ensure that assets are adequately protected against unauthorized use or disposal and that the interests of shareholders are safeguarded. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

The Executive Directors and senior management team conduct meeting every week. The weekly meetings serve as a monitoring tool and provide communication channel of reporting and feedback to all level of management, whereby, changes in business environment and operations are reviewed while operation performance is assessed with detailed corrective actions being identified, discussed and aligned to the corporate plan.

The Company's in-house internal audit function provides assurance on the adequacy of internal control and governance systems. The internal audit department reports directly to the Audit Committee. Reviews are carried out on the business processes to monitor compliance with the Group's procedures, assess the effectiveness of internal controls and recommend corrective changes.

Effective monitoring and review are the essential components of a sound system of internal control. The review on the system of internal control of the Group is currently addressed by the Audit Committee with the assistance of the internal auditor. In addition, the Audit Committee reviews the financial results and statements with the assistance of the management. These reviews complement the Audit Committee assessment on the management's system of internal control and understanding of the financial performance of the Group. Matters reviewed at the Audit Committee Meeting are communicated at the Board Meeting to ensure all Board members are kept abreast of the state of the internal control and financial performance of the Group.

The Audit Committee, together with internal auditor and senior management, reviews the effectiveness of the internal financial and operating control environment of the Group. The Audit Committee holds regular meetings and reviews reports from internal and external auditor covering such matters. Significant issues are brought to the attention of the Board.

Directors' Responsibility Statement

The Directors are required to issue a statement explaining their responsibility for preparing the annual audited financial statements.

It is required by law that the Directors to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of the results and cash flow of the Group and of the Company for the financial year then ended.

While the financial statements of Cymao Holdings Berhad were prepared for the financial year ended 31 December 2010 on pages 21 to 80 of the printed version of this Annual Report, the Directors believe the Company has applied appropriate accounting policies consistently, supported by reasonable and prudent judgements and estimates. The Directors also believe that all applicable approved accounting standards have been followed in accordance with the Financial Reporting Standards and confirm that the financial statements have been prepared on a going concern basis.

It is the Directors' responsibility to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable that the financial statements comply with the provisions of the Companies Act, 1965 in Malaysia.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report to the shareholders.

Additional Compliance Information

(a) Utilisation of Proceeds

The Company did not implement any fund raising exercise during the financial year.

(b) Share Buy-Back

The shareholders of the Company, by an ordinary resolution in the last Annual General Meeting held on 21 May 2010 approved the Company's Proposed Renewal Share Buy-Back Scheme ("Share Buy-Back") to purchase up to 10% of its own issued and paid-up ordinary share capital of RM1.00 each.

Date of purchase	No. of shares purchased	Purchase price RM	Total purchase consideration RM
10-02-2010	10,000	0.60	6,000.00
24-08-2010	6,000	0.57	5,700.00

As at 31 December 2010, the total 36,000 shares bought back are held as treasury shares and none of the treasury shares held were resold or cancelled during the financial year.

(c) Options, Warrants or Convertible Securities

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

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

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

(e) Sanctions and/or Penalties

There were no sanctions or penalties imposed by any regulatory bodies on the Company or its subsidiaries, or on the Directors or management of the Company or its subsidiaries during the financial year.

(f) Non-Audit Fees

The non-audit fees of RM2,000.00 were paid by the Group to the external auditors during the financial year.

(g) Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2010 and the unaudited results released for the quarter ended 31 December 2010 for the Group.

(h) Profit Guarantee

During the financial year, there was no profit guarantee given by the Company and its subsidiaries.

(i) Material Contracts

There were no material contracts, including contract relating to loan, entered into by the Company and/or its subsidiaries involving Directors and major shareholders that are still subsisting at the end of the financial year or since the end of the previous financial year.

(j) Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties.

(k) Recurrent Related Party Transactions

There were no related party transactions of a revenue or trading nature entered into between the Company and its subsidiaries with the Directors, major shareholders or persons connected with such Directors or major shareholders during the financial year.

Corporate Social Responsibility Statement

The Board recognizes the importance of playing its role as a socially responsible corporate citizen on the workplace, community, environment and marketplace. The good corporate governance through practising accountability, honesty, transparency coupled with effective adoption of corporate social responsibility will ensure sustainability in the competitive corporate world and positive influence on the Group's business strategy and performance in the short-term and long-term. The Corporate Social Responsibility accentuated by Cymao Group is broadly divided into four (4) focal areas as follows:

1. The Workplace

Cymao Group places an importance to its human capital as the most valuable asset. The Group has conducted various in-house training programmes which are job-related in nature for the required skills, knowledge and experience. Cymao also provides a safe and healthy conducive working condition for its employees and factory workers. Preventive actions and risk mitigation measures such as fire drills, factory safety site briefings are conducted from time to time. The Board believes in continuous learning and human capital development will produce effective performance, high commitment in all levels of employees and ultimately contributes an added value to the Group as a whole.

2. The Community

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

3. The Environment

The Group identifies the importance in preserving environment and has taken efforts on waste recycle. Cymao reuses its wood waste and combined with resin turn into composite material suitable for use disposables in construction, temporary flooring and packing material. Cymao has also extended its contribution to the conservation of wildlife by working closely with the Department of Forestry in Sabah to provide wood housing for endangered bird species such as hornbill and owl.

4. The Marketplace

At the marketplace, Cymao Group operates in tandem with its vision through sound business practices, good corporate governance and effective management with the aim to enhance the stakeholders' value.

As a socially responsible corporate citizen, the Group's efforts are evident in its products certificates accorded such as the FSC Chain-of-Custody Certificate issued by SGS South Africa (Pty) Ltd, an independent certification body from South Africa for the products compliance with the rules of Forest Stewardship Council, and the CE Certificate of Factory Production Control issued by BM Trada Certification Ltd, an independent UK certification body certifies on the structural plywood manufactured by Cymao Group are in compliance with the EU Construction Product Directive.

Cymao complies with the Japanese Agriculture Standard (JAS) as certified by the Registered Overseas Certifying Bodies under the PT MutuAgung Lestari, an independent certification body from Indonesia. With this certification, the Cymao Group will have a more competitive edge to market its products in Japan.

The Cymao Group obtained another certification from PT MutuAgung (TP–6) for the CARB (California Air Resources Board) certificate as it complies with the new regulation of the CARB-ATCM (Air Toxic Contaminant Measure) for our composite wood products.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principle activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, provision of barge hiring services, trading of decorative plywood and sale and extraction of log timbers.

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

RESULTS

	Group RM	Company RM
Loss net of tax	(4,146,746)	(454,240)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd. Zain Bin Omar
Lin, Tsai-Rong
Lin, Kai-Min
Lin, Kai-Hsuan
Lin Hsu, Li-Chu
Hiew Seng

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Report (cont'd.)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2010	**Acquired**	**Sold**	**31.12.2010**
Direct Interest:				
Datuk Mohd. Zain Bin Omar	100,000	–	–	100,000
Lin, Tsai-Rong	21,100,000	–	–	21,100,000
Lin, Kai-Min	5,923,750	–	(750,000)	5,173,750
Lin, Kai-Hsuan	1,247,500	750,000	–	1,997,500
Lin Hsu, Li-Chu	222,500	–	–	222,500
Hiew Seng	62,500	–	–	62,500
Indirect Interest:				
Lin, Tsai-Rong	650,000#	–	–	650,000
Lin Hsu, Li-Chu	650,000#	–	–	650,000

Interest by virtue of shares held by their children

Lin, Tsai-Rong by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

TREASURY SHARES

During the financial year, the Company repurchased 16,000 of its issued ordinary shares from the open market at an average price of RM0.59 per share. The total consideration paid for the repurchase including transaction costs was RM9,513. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2010, the Company held as treasury shares a total of 36,000 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM40,138 and further relevant details are disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report (cont'd.)

OTHER STATUTORY INFORMATION (cont'd.)

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

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

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 15 to the financial staments.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 April 2011.

LIN, TSAI-RONG **LIN, KAI-MIN**

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **LIN, TSAI-RONG** and **LIN, KAI-MIN**, being two of the Directors of **CYMAO HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 80 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 April 2011.

LIN, TSAI-RONG **LIN, KAI-MIN**

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **LIN, KAI-MIN**, being the Director primarily responsible for the financial management of **CYMAO HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **LIN, KAI-MIN** at Sandakan in the State of Sabah on 18 April 2011

LIN, KAI-MIN

Before me,

RAMSAH BINTI MOHD TAHA
Commissioner for Oaths
S-029

Independent Auditors' Report

to the members of CYMAO HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cymao Holding Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 80.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report (cont'd.)

to the members of CYMAO HOLDINGS BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

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

OTHER MATTERS

The supplementary information set out in Note 34 on page 80 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Yong Voon Kar
1769/04/12 (J/PH)
Chartered Accountant

Sandakan, Malaysia
18 April 2011

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	123,672,629	124,160,008	–	–
Cost of sales		(113,995,481)	(112,659,142)	–	–
Gross profit		9,677,148	11,500,866	–	–
Other items of income					
Interest income	5	37,683	119,318	22	25
Other income	6	291,615	1,039,725	86,568	226,645
Other items of expense					
Selling and marketing expenses		(8,255,110)	(9,589,949)	–	–
Administrative expenses		(4,359,740)	(7,011,097)	(505,927)	(912,983)
Finance costs	7	(53,009)	(115,456)	(34,903)	(115,456)
Other expenses		(277,920)	(1,733,734)	–	(918,656)
Loss before tax	8	(2,939,333)	(5,790,327)	(454,240)	(1,720,425)
Income tax expense	11	(1,207,413)	(168,653)	–	–
Loss net of tax		(4,146,746)	(5,958,980)	(454,240)	(1,720,425)
Other Comprehensive Loss:					
Foreign currency translation		(54,594)	(29,836)	–	–
Total comprehensive loss for the year		(4,201,340)	(5,988,816)	(454,240)	(1,720,425)
Loss attributable to owners of the parent		(4,146,746)	(5,958,980)	(454,240)	(1,720,425)
Total comprehensive loss attributable to owners of parent		(4,201,340)	(5,988,816)	(454,240)	(1,720,425)
Loss per share attributable to owners of the parent (sen):					
Basic	12	(5.53)	(7.95)		
Diluted	12	–	–		

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

Statements of Financial Position

As at 31 December 2010

	Note	Group 2010 RM	Group 2009 (restated) RM	Group As at 1.1.2009 (restated) RM	Company 2010 RM	Company 2009 RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	13	73,912,006	72,671,716	82,043,828	111,591	110,029
Land use rights	14	1,175,120	1,228,350	1,244,502	–	–
Investments in subsidiaries	15	–	–	–	103,832,235	97,297,490
Deferred tax assets	16	6,100,000	6,234,303	6,262,629	–	–
Other receivables	17	7,204,100	9,657,376	8,649,018	–	2,000,000
Timber concessions	18	2,714,525	6,862,709	–	–	–
		91,105,751	96,654,454	98,199,977	103,943,826	99,407,519
Current Assets						
Inventories	19	37,974,003	33,760,476	37,647,369	–	–
Trade and other receivables	17	14,533,948	17,943,088	8,967,510	18,791,004	21,044,775
Tax refundable		745,758	172,069	309,965	–	–
Derivatives	20	10,625	–	–	–	–
Cash and bank balances	21	6,258,596	4,615,079	15,114,573	169,131	413,696
		59,522,930	56,490,712	62,039,417	18,960,135	21,458,471
Total Assets		**150,628,681**	**153,145,166**	**160,239,394**	**122,903,961**	**120,865,990**
EQUITY AND LIABILITIES						
Current Liabilities						
Income tax payable		601	87,031	–	–	–
Borrowings	22	–	2,332,161	2,496,983	–	2,332,161
Trade and other payables	23	13,236,676	9,242,806	7,836,724	11,406,004	6,572,119
		13,237,277	11,661,998	10,333,707	11,406,004	8,904,280
Net Current Assets		46,285,653	44,828,714	51,705,710	7,554,131	12,554,191

Statements of Financial Position (cont'd.)

As at 31 December 2010

	Note	Group 2010 RM	Group 2009 (restated) RM	Group As at 1.1.2009 (restated) RM	Company 2010 RM	Company 2009 RM
Non-Current Liabilities						
Deferred tax liabilities	16	1,656,302	1,528,463	1,524,463	–	–
Borrowings	22	–	–	2,437,703	–	–
		1,656,302	1,528,463	3,962,166	–	–
Total Liabilities		14,893,579	13,190,461	14,295,873	11,406,004	8,904,280
Net Assets		**135,735,102**	**139,954,705**	**145,943,521**	**111,497,957**	**111,961,710**
Equity attributable to owners of the parent						
Share capital	24	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Share premium	24	17,374,387	17,374,387	17,374,387	17,374,387	17,374,387
Treasury shares	24	(40,138)	(30,625)	(30,625)	(40,138)	(30,625)
Other reserves	25	118,302	172,896	202,732	–	–
Retained earnings	26	43,282,551	47,438,047	53,397,027	19,163,708	19,617,948
Total Equity		**135,735,102**	**139,954,705**	**145,943,521**	**111,497,957**	**111,961,710**
Total Equity and Liabilities		**150,628,681**	**153,145,166**	**160,239,394**	**122,903,961**	**120,865,990**

Statements of Changes in Equity

For the Financial Year Ended 31 December 2010

		← Attributable to owners of the parent →				
	Equity, Total RM	Share Capital RM	Share Premium RM	Treasury Shares RM	Distributable Retained Earnings RM	Foreign Currency Translation Reserve RM
2010						
Group						
Opening balance at 1 January 2010	139,954,705	75,000,000	17,374,387	(30,625)	47,438,047	172,896
Effects of adopting of FRS 139	(8,750)	–	–	–	(8,750)	–
	139,945,955	75,000,000	17,374,387	(30,625)	47,429,297	172,896
Total comprehensive loss for the year	(4,201,340)	–	–	–	(4,146,746)	(54,594)
Transaction with owners: Purchase of treasury shares	(9,513)	–	–	(9,513)	–	–
Closing balance at 31 December 2010	135,735,102	75,000,000	17,374,387	(40,138)	43,282,551	118,302
2009						
Group						
Opening balance at 1 January 2009	145,943,521	75,000,000	17,374,387	(30,625)	53,397,027	202,732
Total comprehensive loss for the year	(5,988,816)	–	–	–	(5,958,980)	(29,836)
Closing balance at 31 December 2009	139,954,705	75,000,000	17,374,387	(30,625)	47,438,047	172,896

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

Statements of Changes in Equity (cont'd.)

For the Financial Year Ended 31 December 2010

	Equity, Total RM	Share Capital RM	Non-Distributable Share Premium RM	Treasury Shares RM	Distributable Retained Earnings RM
2010					
Company					
Opening balance at 1 January 2010	111,961,710	75,000,000	17,374,387	(30,625)	19,617,948
Total comprehensive loss for the year	(454,240)	–	–	–	(454,240)
Transaction with owners: Purchase of treasury share	(9,513)	–	–	(9,513)	–
Closing balance at 31 December 2010	111,497,957	75,000,000	17,374,387	(40,138)	19,163,708
2009					
Company					
Opening balance at 1 January 2009	113,682,135	75,000,000	17,374,387	(30,625)	21,338,373
Total comprehensive loss for the year	(1,720,425)	–	–	–	(1,720,425)
Closing balance at 31 December 2009	111,961,710	75,000,000	17,374,387	(30,625)	19,617,948

Statements of Cash Flows

For the Financial Year Ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Operating Activities					
Loss before tax		(2,939,333)	(5,790,327)	(454,240)	(1,720,425)
Adjustments for:					
Bad debts written off	8	156,540	45,721	88,010	–
Interest income	5	(37,683)	(119,318)	(22)	(25)
Finance costs	7	53,009	115,456	34,903	115,456
Goodwill written off	8	–	258,151	–	–
Gain on disposal of property, plant and equipment	6	(76,908)	(69,821)	–	–
Property, plant and equipment written off	8	728	–	–	–
Depreciation of property, plant and equipment	8	11,317,337	10,838,638	3,282	3,804
Impairment loss on property	8	258,735	–	–	–
Amortisation of timber concessions	8	4,148,184	–	–	–
Amortisation of land use rights	8	53,230	16,152	–	–
Net fair value gain on derivatives	6	(19,375)	–	–	–
Net gain of unrealised foreign exchange	6	(57,515)	(35,844)	–	–
Total adjustments		15,796,282	11,049,135	126,173	119,235
Operating cash flows before changes in working capital		12,856,949	5,258,808	(328,067)	(1,601,190)
Changes in working capital					
(Increase)/decrease in inventories		(4,213,527)	6,211,474	–	–
Decrease/(increase) in trade and other receivables		3,310,680	(8,230,988)	2,165,761	4,504,505
Increase in trade and other payables		3,993,305	847,843	4,833,885	2,959,540
Total changes in working capital		3,090,458	(1,171,671)	6,999,646	7,464,045
Cash flows from operations		15,947,407	4,087,137	6,671,579	5,862,855
Interest paid		(53,009)	(115,456)	(34,903)	(115,456)
Income tax (paid)/refunded		(1,596,190)	122,258	–	500
Net cash flows from operating activities		14,298,208	4,093,939	6,636,676	5,747,899

Statements of Cash Flows (cont'd.)

For the Financial Year Ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Investing Activities					
Payment for timber concessions		–	(3,063,709)	–	–
Deposit for acquisition of a subsidiary		–	(2,000,000)	–	(2,000,000)
Deposit for acquisition of leasehold land		–	(4,275,000)	–	–
Deposit for acquisition of machinery		(3,821,724)	–	–	–
Purchase of property, plant and equipment		(4,592,619)	(1,493,350)	(4,844)	–
Proceeds from disposal of plant and equipment		124,970	108,600	–	–
Acquisition of subsidiaries		(2,005,733)	(1,387,161)	(4,534,745)	(2,037,300)
Additional investment in subsidiary		–	–	–	(240,000)
Interest received		37,683	119,318	22	25
Net cash used in investing activities		(10,257,423)	(11,991,302)	(4,539,567)	(4,277,275)
Financing Activities					
Repayment of term loans		(2,332,161)	(2,602,525)	(2,332,161)	(2,602,525)
Purchase of treasury shares		(9,513)	–	(9,513)	–
Net cash flows used in financing activities		(2,341,674)	(2,602,525)	(2,341,674)	(2,602,525)
Net increase/(decrease) in cash and cash equivalents		1,699,111	(10,499,888)	(244,565)	(1,131,901)
Effects of exchange rate changes on cash and cash equivalents		(55,594)	394	–	–
Cash and cash equivalents at beginning of year		4,615,079	15,114,573	413,696	1,545,597
Cash and cash equivalents at end of year	21	6,258,596	4,615,079	169,131	413,696

Notes to the Financial Statements

For the Financial Year Ended 31 December 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at MPT 4604, 3rd Floor, Lot 15 - 16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah. The principal place of business of the Company is located at 9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding.

The principle activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, provision of barge hiring services, trading of decorative plywood and sale and extraction of log timbers. There have been no significant changes in the nature of these principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9: Reassessment of Embedded Derivatives

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in Accounting Policies (cont'd.)

- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual financial periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 31).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in Accounting Policies (cont'd.)

Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial positions as at 31 December 2010 arising from the above change in accounting policy:

	Group RM
Increase/(decrease) in:	
Property, plant and equipment	14,676,011
Land use rights	(14,676,011)

The following comparatives have been restated:

	As previously stated RM	Adjustments RM	As restated RM
Consolidated statement of financial position			
31 December 2009			
Property, plant and equipment	60,600,897	12,070,819	72,671,716
Land use rights	13,299,169	(12,070,819)	1,228,350
1 January 2009			
Property, plant and equipment	69,855,601	12,188,227	82,043,828
Land use rights	13,432,729	(12,188,227)	1,244,502

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in Accounting Policies (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Non-hedging derivatives

  Prior to 1 January 2010, all derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS139. Hence, upon the adoption of FRS139, all derivatives held by the Group as at 1 January 2010 are recognised at their fair value totaling RM8,750 and are classified as financial liabilities at fair value through profit or loss.

  The following are effects arising from the above changes in accounting policies:

	Increase/(Decrease)	
	As at 31 December 2010 RM	As at 1 January 2010 RM
Group		
Statements of Financial Position		
Derivatives (assets)	10,625	–
Derivatives (liabilities)	–	8,750

	Increase/(Decrease) 2010 RM
Group	
Statements of Comprehensive Income	
Other income	19,375
Loss net of tax	(19,375)

	Increase/(Decrease) 2010 Sen per share
Loss per share:	
Basic	(0.03)
Diluted	–

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Standards and Interpretations Issued but Not Yet Effective

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132: Financial Instruments: Presentation (paragraphs 11,16 and 97E relating to classification of Right Issues)

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 30 August 2010

- Amendments to IC Interpretation 15: Agreements for the Construction of Real Estate

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First - Time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash - Settled Share-based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- IC Interpretation 4 : Determining whether an Arrangement Contain a Lease
- IC Interpretation 18 : Transfer of Assets from Customers
- Technical Release 3: Guidance on Disclosures of Transition to IRFSs

Effective for financial periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirements
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods beginning on or after 1 January 2012

- IC Interpretation 15: Agreements for the Construction of Real Estate
- Amendments to FRS 124: Related Party Disclosure

The Malaysian Accounting Standards Board also issued "Improvements to FRSs (2010)" which contain amendments to eleven FRSs and are effective for financial periods beginning on or after 1 January 2011.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Standards and Interpretations Issued but Not Yet Effective (cont'd.)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognized as income in profit or loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Foreign Currency

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on the initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is classified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign Operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.6 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold lands are amortised by equal annual instalments over the remaining period of the lease.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	5% - 10%
Plant and machinery	7% - 20%
Motor vehicles	20%
Furniture, fixtures and equipment	7% - 33%
Renovations	20%

Assets under construction are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in the profit or loss in the year the asset is derecognised.

2.7 Timber Concessions

Timber concessions are stated at cost. They are amortised based on the proportion of timber volume logged for the period over the estimated volume of extractable timber from the concession areas.

The estimated volume of extractable timber is reviewed periodically and any material adjustment arising therefrom is dealt with through the amortisation account.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.8 Land Use Rights

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

2.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.11 Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

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

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

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

(b) Loans and receivables

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

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

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

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.11 Financial Assets (cont'd.)

(c) *Held-to-maturity investments*

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.12 Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress comprises costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.16 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

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

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

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.16 Financial Liabilities (cont'd.)

***(b) Other financial liabilities** (cont'd.)*

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.18 Employee Benefits

(a) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.19 Leases

(a) As Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.20 Revenue Recognition

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

(a) Sale of Goods

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

(b) Rendering of Services

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

(c) Dividend Income

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

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.21 Income Taxes

(a) Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.21 Income Taxes (cont'd.)

(b) Deferred Tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.23 Treasury Shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sale consideration and the carrying amount is recognised in equity.

2.24 Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Key Sources of Estimation Uncertainty

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

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 14 years. These are common life expectancies applied in the wood products industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 13. A 1% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.8% (2009: 1.8%) variance in the Group's loss for the year.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 17.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
4. REVENUE				
Sale of decorative plywood	5,738,565	3,713,025	–	–
Sale of logs	4,505,784	–	–	–
Sale of plywood	110,006,019	120,171,636	–	–
Sale of veneer	3,123,349	146,646	–	–
Barge hiring income	298,912	128,701	–	–
	123,672,629	124,160,008	–	–
5. INTEREST INCOME				
Interest income from:				
Fixed deposits	36,791	63,179	22	25
Currency accounts	892	1,300	–	–
Repos	–	54,839	–	–
	37,683	119,318	22	25
6. OTHER INCOME				
Gain on disposal property, plant and equipment	76,909	69,821	–	–
Net gain on foreign exchange				
- realised	86,568	734,857	86,568	226,645
- unrealised	58,080	35,844	–	–
Net fair value gain on derivaties	19,375	–	–	–
Insurance claim received	36,361	161,583	–	–
Miscellaneous	14,322	37,620	–	–
	291,615	1,039,725	86,568	226,645
7. FINANCE COSTS				
Interest expense on:				
Banker acceptance	18,075	–	–	–
Bank overdraft	31	–	–	–
Term loan	34,903	115,456	34,903	115,456
	53,009	115,456	34,903	115,456

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM

8. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Auditors' remuneration:				
- statutory audits				
- current year	92,425	83,895	20,000	20,000
- under/(over)provision in prior year	500	(6,500)	–	(5,000)
- other services	24,720	23,800	5,600	5,500
Employee benefits expense (Note 9)	16,722,173	12,270,913	84,000	149,500
Non-executive directors' remuneration (Note 10)	96,000	96,000	96,000	96,000
Bad debts written off	156,540	45,721	88,010	–
Goodwill written off	–	258,151	–	–
Depreciation of property, plant and equipment (Note 13)	11,317,337	10,838,638	3,282	3,804
Property, plant and equipment written off (Note 13)	728	–	–	–
Impairment loss on property (Note 13)	258,735	–	–	–
Amortisation of land use rights (Note 14)	53,230	16,152	–	–
Amortisation of timber concessions (Note 18)	4,148,184	–	–	–
Rental of premises	–	6,000	–	–
Rental of warehouse	299,850	307,800	–	–
Rental of factory facilities	59,400	59,400	–	–
Loss on foreign exchange				
- realised	284,738	388,317	–	193,656
- unrealised	565	–	–	–

9. EMPLOYEE BENEFITS EXPENSE

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Salaries, wages and allowances	16,463,711	12,091,611	84,000	149,500
Contributions to defined contribution plan	227,378	153,684	–	–
Social security contributions	31,084	25,618	–	–
	16,722,173	12,270,913	84,000	149,500

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM912,000 (2009: RM847,000) and RM84,000 (2009: RM118,000) respectively.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive:				
Fees	84,000	118,000	84,000	118,000
Salaries and other emoluments	828,000	729,000	–	–
Total executive directors' remuneration	912,000	847,000	84,000	118,000
Non-executive:				
Fees	96,000	96,000	96,000	96,000
Total directors' remuneration	1,008,000	943,000	180,000	214,000

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

	Number of directors	
	2010	2009
Executive directors:		
RM150,001 - RM200,000	–	2
RM200,001 - RM300,000	2	–
RM300,001 - RM400,000	–	1
RM400,001 - RM500,000	1	–
Non-executive directors:		
Below RM50,000	3	3

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current income tax:				
- On results for the year	953,776	140,790	–	–
- Overprovided in prior years	(8,505)	(2,463)	–	–
	945,271	138,327	–	–
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	258,767	(209,255)	–	–
- Effect of changes in tax rates	–	239,781	–	–
- Under/(Over)provided in prior years	3,375	(200)	–	–
	262,142	30,326	–	–
Income tax expense recognised in profit or loss	1,207,413	168,653	–	–

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Accounting loss before tax	(2,939,333)	(5,790,327)	(454,240)	(1,720,425)
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	(734,833)	(1,447,581)	(113,560)	(430,106)
Adjustments:				
Non-deductible expenses	1,625,342	806,039	135,202	486,767
Income not subject to taxation	(21,642)	(56,661)	(21,642)	(56,661)
Effect of changes in tax rates	–	239,781	–	–
Double deduction expenses	(822,150)	(563,844)	–	–
Derecognised of previously recognised unutilised tax losses and unabsorbed capital allowances	–	28,326	–	–
Deferred tax assets not recognised	1,165,826	1,165,256	–	–
(Over)/underprovision in prior years:				
- income tax	(8,505)	(2,463)	–	–
- deferred tax	3,375	(200)	–	–
Income tax expense recognised in profit or loss	1,207,413	168,653	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

12. LOSS PER SHARE

(a) Basic

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Group	
	2010	**2009**
Loss net of tax attributable to owners of the parent (RM)	(4,146,746)	(5,958,980)
Weighted average number of ordinary shares in issue	74,964,000	74,980,000
Basic loss per share (Sen)	(5.53)	(7.95)

(b) Diluted

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted loss per share has not been presented.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings* RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Assets under construction RM	Total RM
Group						
Cost						
At 1 January 2009:						
As previously stated	18,614,151	139,178,566	6,119,709	1,290,806	298,302	165,501,534
Effects of adopting the amendments to FRS 117	12,880,120	–	–	–	–	12,880,120
As restated	31,494,271	139,178,566	6,119,709	1,290,806	298,302	178,381,654
Acquisition of a subsidiary	–	1,464,640	101,142	57,094	–	1,622,876
Additions	–	1,025,246	429,963	38,141	–	1,493,350
Disposals	–	(2,169,141)	(556,718)	(4,194)	–	(2,730,053)
At 31 December 2009 (restated)	31,494,271	139,499,311	6,094,096	1,381,847	298,302	178,767,827
At 1 January 2010:						
As previously stated	18,614,151	139,499,311	6,094,096	1,381,847	298,302	165,887,707
Effects of adopting the amendments to FRS 117	12,880,120	–	–	–	–	12,880,120
As restated	31,494,271	139,499,311	6,094,096	1,381,847	298,302	178,767,827
Acquisition of a subsidiary (Note 15)	4,400,412	–	–	–	–	4,400,412
Additions	7,223,057	728,022	535,665	62,214	318,661	8,867,619
Disposals	–	(1,036,368)	(775,289)	–	–	(1,811,657)
Written off	(14,664)	(156,422)	(39,000)	(38,250)	–	(248,336)
Reclassification	152,690	(6,203)	(18,779)	29,308	(157,016)	–
At 31 December 2010	43,255,766	139,028,340	5,796,693	1,435,119	459,947	189,975,865

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

	Leasehold land and buildings* RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Assets under construction RM	Total RM
Accumulated depreciation and impairment loss						
At 1 January 2009:						
As previously stated	8,829,742	80,728,258	5,077,004	1,010,929	–	95,645,933
Effects of adopting the amendments to FRS 117	691,893	–	–	–	–	691,893
As restated	9,521,635	80,728,258	5,077,004	1,010,929	–	96,337,826
Acquisition of a subsidiary	–	1,455,555	101,140	54,226	–	1,610,921
Depreciation charge for the year	1,096,226	9,018,354	541,556	182,502	–	10,838,638
Disposals	–	(2,169,141)	(520,469)	(1,664)	–	(2,691,274)
At 31 December 2009 (as restated)	10,617,861	89,033,026	5,199,231	1,245,993	–	106,096,111
At 1 January 2010:						
As previously stated	9,808,560	89,033,026	5,199,231	1,245,993	–	105,286,810
Effects of adopting the amendments to FRS 117	809,301	–	–	–	–	809,301
As restated	10,617,861	89,033,026	5,199,231	1,245,993	–	106,096,111
Acquisition of a subsidiary	402,879	–	–	–	–	402,879
Depreciation charge for the year	1,451,037	9,381,488	410,991	73,821	–	11,317,337
Impairment loss recognised in profit or loss	258,735	–	–	–	–	258,735
Disposals	–	(1,036,369)	(727,226)	–	–	(1,763,595)
Written off	(14,262)	(156,199)	(38,999)	(38,148)	–	(247,608)
Reclassification	–	(2,800)	2,800	–	–	–
At 31 December 2010	12,716,250	97,219,146	4,846,797	1,281,666	–	116,063,859
Net carrying amount						
At 31 December 2009	20,876,410	50,466,285	894,865	135,854	298,302	72,671,716
At 31 December 2010	30,539,516	41,809,194	949,896	153,453	459,947	73,912,006

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

*Leasehold land and buildings of the Group comprises:

	Leasehold Land RM	Buildings RM	Renovation RM	Total RM
Cost				
At 1 January 2009:				
As previously stated	–	18,509,244	104,907	18,614,151
Effects of adopting the amendments to FRS 117	12,880,120	–	–	12,880,120
At 31 December 2009 (restated)	12,880,120	18,509,244	104,907	31,494,271
At 1 January 2010:				
As previously stated	–	18,509,244	104,907	18,614,151
Effects of adopting the amendments to FRS 117	12,880,120	–	–	12,880,120
As restated	12,880,120	18,509,244	104,907	31,494,271
Acquisition of a subsidiary	3,119,706	1,280,706	–	4,400,412
Additions	2,375,580	4,823,443	24,034	7,223,057
Written off	–	(14,664)	–	(14,664)
Reclassification	–	152,690	–	152,690
At 31 December 2010	18,375,406	24,751,419	128,941	43,255,766

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

*Leasehold land and buildings of the Group comprises: (cont'd.)

	Leasehold Land RM	Buildings RM	Renovation RM	Total RM
Accumulated depreciation and impairment loss				
At 1 January 2009:				
As previously stated	–	8,829,742	–	8,829,742
Effects of adopting the amendments to FRS 117	691,893	–	–	691,893
As restated	691,893	8,829,742	–	9,521,635
Depreciation charge for the year	117,408	978,818	–	1,096,226
At 31 December 2009 (restated)	809,301	9,808,560	–	10,617,861
At 1 January 2010:				
As previously stated	–	9,808,560	–	9,808,560
Effects of adopting the amendments to FRS 117	809,301	–	–	809,301
As restated	809,301	9,808,560	–	10,617,861
Acquisition of a subsidiary	258,173	144,706	–	402,879
Depreciation charge for the year	256,341	1,193,895	801	1,451,037
Impairment loss recognised in profit or loss	–	258,735	–	258,735
Written off	–	(14,262)	–	(14,262)
At 31 December 2010	1,323,815	11,391,634	801	12,716,250
Net carrying amount				
At 31 December 2009	12,070,819	8,700,684	104,907	20,876,410
At 31 December 2010	17,051,591	13,359,785	128,140	30,539,516

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

	Furniture, fixtures and equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2009 and 1 January 2010	16,100	104,907	121,007
Additions	4,844	–	4,844
At 31 December 2010	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2009	7,174	–	7,174
Depreciation charge for the year	3,804	–	3,804
At 31 December 2009 and 1 January 2010	10,978	–	10,978
Depreciation charge for the year	3,282	–	3,282
At 31 December 2010	14,260	–	14,260
Net carrying amount			
At 31 December 2009	5,122	104,907	110,029
At 31 December 2010	6,684	104,907	111,591

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

14. LAND USE RIGHTS

	Group 2010 RM	2009 RM
Cost		
At 1 January:		
As previously stated	14,217,496	14,217,496
Effects of adopting the amendments to FRS 117	(12,880,120)	(12,880,120)
At 31 December (restated)	1,337,376	1,337,376
Accumulated depreciation		
At 1 January:		
As previously stated	918,327	784,767
Effects of adopting the amendments to FRS 117	(809,301)	(691,893)
As restated	109,026	92,874
Amortisation for the year (Note 8)	53,230	16,152
At 31 December (restated)	162,256	109,026
Net carrying amount	1,175,120	1,228,350
Amount to be amortised:		
- Not later than one year	53,230	53,230
- Later than one year but not later than five years	212,920	212,920
- Later than five year	908,970	962,200

The land use rights are not transferable and have a remaining tenure of 22 years (2009: 23 years).

15. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RM	2009 RM
Unquoted shares, at cost	103,832,235	97,297,490

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

15. INVESTMENTS IN SUBSIDIARIES (cont'd.)

Details of the subsidiaries held by the Company are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Cymao Plywood Sdn. Bhd. *	Malaysia	Manufacturing and sale of veneer, plywood, and decorative plywood	100	100
Billion Apex Sdn. Bhd. *	Malaysia	Provision of barge hiring services	100	100
Inovwood Sdn. Bhd. *	Malaysia	Manufacturing and sale of veneer, plywood and trading of decorative plywood	100	100
Xuzhou Richwood Co.Ltd.**	People's Republic of China	Manufacturing and sale of plywood (temporary ceased operation)	100	100
Kupiano Forest Products (PNG) Limited **	Papua New Guinea	Dormant	100	100
Syabas Mujur Sdn. Bhd.*	Malaysia	Sales and extraction of log timbers	100	100
Poly-Ply Industries Sdn. Bhd.**	Malaysia	Manufacturing of decorative plywood	100	100
Malsa Wood Products Sdn. Bhd.*	Malaysia	Letting of property	100	–
Hanswood Corporation Co. Ltd.**	Taiwan (Republic of China)	Manufacturing and sale of plywood	100	–

* Audited by Ernst & Young, Malaysia
** Audited by firms other than Ernst & Young

Investment in subsidiary of the Company with carrying amount of RM16,000,002 (2009: RM16,000,002) has been pledged as security for borrowings (Note 22).

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

15. INVESTMENTS IN SUBSIDIARIES (cont'd.)

(a) Incorporation of a new subsidiary company

On 20 August 2010, the Company incorporated a wholly-owned subsidiary. Hanswood Corporation Co. Ltd, a company incorporated in the Taiwan, Republic of China with an issued and paid-up share capital of TWD25,000,000 (approximately RM2,528,745).

(b) Acquisition of Subsidiary

On 1 January 2010, the Company acquired 100% equity interest in Malsa Wood Products Sdn. Bhd. ("MALSA"). Upon the acquisition, MALSA became a subsidiary of the Group. MALSA, an unlisted company incorporated in Malaysia.

The fair values of the identifiable assets and liabilities of MALSA as at the date of acquisition were:

	Fair value RM	Carrying amount RM
Property, plant and equipment (Note 13)	3,997,533	1,808,122
Cash and bank balances	267	267
Tax refundable	9,200	9,200
	4,007,000	1,817,589
Trade and other payables	(1,000)	(2,001,000)
Net identifiable assets/(liabilities)	4,006,000	(183,411)

Total cost of business combination

The total cost of the business combination is as follows:

	RM
Purchase consideration satisfied by cash	4,000,000
Costs attributable to the acquisition, paid in cash	6,000
	4,006,000

The effect of the acquisition on cash flows is as follows:

	RM
Consideration settled in cash	4,006,000
Less:Cash and cash equivalents of subsidiary acquired	(267)
Net cash outflow on acquisition	4,005,733

Impact of acquisition in statement of comprehensive income

From the date of acquisition, MALSA has contributed RM181,742 to the Group's loss net of tax.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

16. DEFERRED TAX

	Group 2010 RM	Group 2009 RM
At 1 January	(4,705,840)	(4,738,166)
Recognised in profit or loss (Note 11)	262,142	30,326
Acquisition of subsidiaries	–	2,000
At 31 December	(4,443,698)	(4,705,840)

Presented after appropriate offsetting as follows:

	Group 2010 RM	Group 2009 RM
Deferred tax assets	(6,100,000)	(6,234,303)
Deferred tax liabilities	1,656,302	1,528,463
	(4,443,698)	(4,705,840)

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

	Group 2010 RM	Group 2009 RM
Deferred Tax Liabilities:		
Property, Plant and Equipment		
At 1 January	10,171,886	10,337,326
Recognised in profit or loss	(576,694)	(167,440)
Acquisition of subsidiaries	–	2,000
At 31 December	9,595,192	10,171,886
Deferred Tax Assets:		
Unutilised Tax Losses and Unabsorbed Allowances		
At 1 January	(14,877,726)	(15,075,492)
Recognised in profit or loss	838,836	197,766
At 31 December	(14,038,890)	(14,877,726)

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

16. DEFERRED TAX (cont'd.)

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

	Group	
	2010 RM	2009 RM
Unused tax losses	15,793,640	15,874,040
Unabsorbed capital allowances	3,351,896	663,684
Unutilised reinvestment allowances	6,548,660	4,410,540
	25,694,196	20,948,264

The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade receivables				
Third parties	9,438,958	14,381,240	–	–
Other receivables				
Amounts due from subsidiaries	–	–	18,691,920	20,917,681
Deposits for log supplies	240,759	1,487,381	–	–
Prepayments	823,074	811,471	7,936	90,592
Staff advances	448,272	122,257	–	–
Sundry deposits	508,443	537,427	950	30,950
Sundry receivables	3,074,442	603,312	90,198	5,552
	5,094,990	3,561,848	18,791,004	21,044,775
	14,533,948	17,943,088	18,791,004	21,044,775

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

17. TRADE AND OTHER RECEIVABLES (cont'd.)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-Current				
Other receivables				
Deposits for acquisition of machineries	7,204,100	3,382,376	–	–
Deposit for acquisition of a subsidiary company	–	2,000,000	–	2,000,000
Deposit for acquisition of leasehold land	–	4,275,000	–	–
	7,204,100	9,657,376	–	2,000,000
Total trade and other receivables (current and non-current)	21,738,048	27,600,464	18,791,004	23,044,775
Add: Cash and bank balances (Note 21)	6,258,596	4,615,079	169,131	413,696
	27,996,644	32,215,543	18,960,135	23,458,471

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 45 to 60 days (2009: 45 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2010 RM	2009 RM
Neither past due nor impaired	7,972,209	14,234,720
1 to 60 days past due not impaired	1,367,314	132,312
61 to 120 days past due not impaired	79,650	5,208
More than 121 days past due not impaired	19,785	9,000
	1,466,749	146,520
	9,438,958	14,381,240

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

17. TRADE AND OTHER RECEIVABLES (cont'd.)

(a) Trade receivables (cont'd.)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,466,749 (2009: RM146,520) that are past due at the reporting date but not impaired. The receivables that are past due but not impaired are unsecured in nature.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

(c) Deposits for log supplies

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

18. TIMBER CONCESSIONS

	Group	
	2010 **RM**	**2009** **RM**
Cost		
At 1 January	6,862,709	–
Addition	–	6,862,709
At 31 December	6,862,709	6,862,709
Accumulated amortisation		
At 1 January	–	–
Amortisation for the year (Note 8)	4,148,184	–
At 31 December	4,148,184	–
Net carrying amount	2,714,525	6,862,709

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

19. INVENTORIES

	Group 2010 RM	Group 2009 RM
Cost		
Raw materials	5,456,332	6,640,098
Work-in-progress	6,553,104	4,989,785
Finished goods	12,737,317	16,055,361
Materials and supplies	6,566,375	3,811,318
Goods in transit	275,693	–
	31,588,821	31,496,562
Net realisable value		
Finished goods	6,385,182	2,263,914
	37,974,003	33,760,476

20. DERIVATIVES

	Group 2010 Contract/ Notional Amount RM	2010 Assets RM	2010 Liabilities RM	2009 Contract/ Notional Amount RM	2009 Assets RM	2009 Liabilities RM
Non-hedging derivatives:						
Current						
Forward currency contracts	781,500	10,625	–	1,703,500	–	–

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designed as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

21. CASH AND BANK BALANCES

Cash and cash equivalents included in the statements of cash flows represent as follow:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	2,416,411	3,060,017	167,959	412,545
Short term deposits with a licensed bank	3,842,185	1,555,062	1,172	1,151
Cash and bank balances	6,258,596	4,615,079	169,131	413,696

Short-term deposits are made for varying periods of between four day and twelve months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2010 for the Group and the Company were 2.4 % (2009: 3.5%) and 2.3% (2009: 2%) respectively.

Short-term deposits with a licensed bank of the Group amounting to RM1,589,014 (2009: RM1,553,911) are pledged as securities for bank guarantees granted to a subsidiary.

22. BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
US Dollars loan, Secured	–	2,332,161	–	2,332,161

The US Dollars loan was secured by the following:

(a) first party and third party second fixed legal charge over the leasehold land, buildings and plant and machinery of the subsidiaries;

(b) charge over 9,500,000 ordinary shares of a subsidiary;

(c) negative pledged over all the present and future assets of a subsidiary; and

(d) debenture incorporating a second fixed and floating charge over certain assets of a subsidiary.

The US Dollars loan had been fully settled during the year.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade payables				
Third parties	3,984,392	3,295,165	–	–
Other payables				
Amount due to subsidiaries	–	–	10,933,156	6,098,052
Accruals	2,584,827	2,400,584	267,535	264,996
Deposits received	4,512,169	1,877,783	–	–
Other payables	2,155,288	1,669,274	205,313	209,071
	9,252,284	5,947,641	11,406,004	6,572,119
	13,236,676	9,242,806	11,406,004	6,572,119
Total trade and other payables	13,236,676	9,242,806	11,406,004	6,572,119
Add: Borrowings (Note 22)	–	2,332,161	–	2,332,161
Total financial liabilities carried at amortised cost	13,236,676	11,574,967	11,406,004	8,904,280

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 60 days.

(b) Other payables

Other payables are non-interest bearing and normally settled on an average term of six months.

(c) Amount due to subsidiaries

Amount due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

24. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares of RM 1 each		Amount			
	Share capital	Treasury shares	Share capital RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 January 2009 and 31 December 2009	75,000,000	(20,000)	75,000,000	17,374,387	92,374,387	(30,625)
Purchase of treasury shares	–	(16,000)	–	–	–	(9,513)
At 31 December 2010	75,000,000	(36,000)	75,000,000	17,374,387	92,374,387	(40,138)

	Number of Ordinary Shares of RM1 Each 2010 RM	2009 RM	Amount 2010 RM	2009 RM
Authorised share capital				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000

(a) *Shares Capital*

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) *Treasury shares*

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

Of the total 75,000,000 issued and fully paid ordinary shares as at 31 December 2010, 36,000 (2009: 20,000) are held as treasury shares by the Company. As at 31 December 2010, the number of outstanding ordinary shares in issue after the setoff is therefore 74,964,000 (2008: 74,980,000) ordinary shares of RM1 each.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

25. OTHER RESERVES

	Group	
	2010 RM	2009 RM
Foreign Currency Translation Reserve		
At 1 January	172,896	202,732
Other comprehensive income:		
Foreign currency translation	(54,594)	(29,836)
At 31 December	118,302	172,896

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

26. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2010 and 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM130,995 (2009: RM130,995) out of its retained earnings. If the balance of the retained earnings of RM19,032,713 (2009: RM19,486,953) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

27. RELATED PARTY TRANSACTIONS

(a) In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2010 RM	2009 RM
Group		
Purchase of motor vehicles from a director, Lin, Tsai-Rong	265,580	–
Salaries and bonus paid to a daughter of Managing Director, Lin, Tsai-Rong	210,000	49,000

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

27. RELATED PARTY TRANSACTIONS (cont'd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	1,008,000	992,000	180,000	214,000

28. CAPITAL COMMITMENT

Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	1,327,500	4,250,000	–	–
Investment in subsidiary company	–	–	–	2,000,000

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		Group	
	Note	Carrying amount RM	Fair value RM
At 31 December 2009			
Financial liabilities:			
Derivatives			
Forward currency contracts	20	–	8,750

(b) Determination of fair value

Derivatives

The fair value of a forward currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

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

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

(a) Credit Risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity Risk

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

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

None (2009: RM2,332,161) of the Group and the Company's borrowings will mature in less than one year at the reporting date.

Analysis of financial instruments by remaining contractual maturities

At the reporting date, all the Group's and the Company's liabilities which based on contractual undiscounted repayment obligations are required to repay either on demand or within one year.

(c) Foreign Currency Risk

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

The Group has transactional currency exposures arising primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Approximately 60% (2009: 77%) of the Group's sales are denominated in foreign currencies whilst all the costs are denominated in the functional currency of the Group entities. The Group's exposures arising from trade receivable balance at the reporting date are as follows:

	2010 RM	2009 RM
Trade receivables	1,442,966	7,659,419

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM529,205 (2009: RM1,318,713) and RM99,597 (2009: RM125,281) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China and Taiwan. These investments are not hedged as currency positions in RMB and TWD are considered to be long-term in nature.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(c) Foreign Currency Risk (cont'd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Increase/(decrease) in loss net of tax:				
USD/RM				
- strengthened 5% (2009: 5%)	84,607	415,495	4,981	6,263
- weakened 5% (2009: 5%)	(84,607)	(415,495)	(4,981)	(6,263)

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 20%. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Borrowings	22	–	2,332,161	–	2,332,161
Trade and other payables	23	13,236,676	9,242,806	11,406,004	6,572,119
Less: Cash and bank balances	21	(6,258,596)	(4,615,079)	(169,131)	(413,696)
Net debt		6,978,080	6,959,888	11,236,873	8,490,584
Equity attributable to the owners of the parent		136,869,405	139,954,705	111,497,957	111,961,710
Total capital		136,869,405	139,954,705	111,497,957	111,961,710
Capital and net debt		143,847,485	146,914,593	122,734,830	120,452,294
Gearing ratio		5%	5%	9%	7%

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

32. SEGMENTAL REPORTING

No segmental information has been presented as the Group is principally involved in the production of plywood in Malaysia.

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 16 April 2011.

Notes to the Financial Statements (cont'd.)

For the Financial Year Ended 31 December 2010

34. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- Realised	62,654,906	19,163,708
- Unrealised	5,968,159	–
	68,623,065	19,163,708
Less: Consolidation adjustments	(25,340,514)	–
Retained earnings as per financial statements	43,282,551	19,163,708

Analysis of Shareholdings

as at 31 March 2011

Authorised share capital	:	RM100,000,000
Issued and fully paid shares	:	RM 75,000,000
Treasury shares	:	36,000 ordinary shares of RM1.00 each
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Holdings	No. of Shareholders	%	Total Holdings	%
less than 100	62	2.20	2,778	0.00
100 to 1,000	865	30.74	322,622	0.43
1,001 to 10,000	1,357	48.22	6,191,850	8.26
10,001 to 100,000	474	16.85	13,519,750	18.03
100,001 to less than 5% of issued shares	53	1.88	24,939,250	33.25
5% and above of issued shares	3	0.11	30,023,750	40.03
Total	2,814	100.00	75,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Name of Shareholder	Direct Interest	%	Deemed Interest	%
1.	Lin, Tsai-Rong	21,100,000	28.15	–	–
2.	Lin, Kai-Min	5,173,750	6.90	–	–
3.	Lembaga Tabung Haji	3,750,000	5.00	–	–

***Note:**-*
Excluding 36,000 Cymao shares bought back by the Company and retained as treasury shares as at 31 March 2011.

DIRECTORS' SHAREHOLDINGS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
Datuk Mohd. Zain Bin Omar	100,000	0.13	–	–
Lin, Tsai-Rong	21,100,000	28.15	650,000*	0.87
Lin, Kai-Min	5,173,750	6.90	–	–
Lin, Kai-Hsuan	1,997,500	2.66	–	–
Lin Hsu, Li-Chu	222,500	0.30	650,000*	0.87
Hiew Seng	62,500	0.08	–	–

Note:

* *Indirect interest by virtue of the shares held by his/her child.*
Excluding 36,000 Cymao shares bought back by the Company and retained as treasury shares as at 31 March 2011.

Analysis of Shareholdings (cont'd.)

as at 31 March 2011

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	21,100,000	28.15
2.	Lin, Kai-Min	5,173,750	6.90
3.	Lembaga Tabung Haji	3,750,000	5.00
4.	Addeen Equity Sdn. Bhd.	2,000,000	2.67
5.	Lin, Kai-Hsuan	1,997,500	2.66
6.	Hsu, How-Tong	1,854,000	2.47
7.	Henry Liang	1,831,000	2.44
8.	A.A. Anthony Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	1,622,300	2.16
9.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	1,230,000	1.64
10.	Public Invest Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lee Sai Lim]	1,164,000	1.55
11.	MKW Jaya Sdn Bhd	1,012,400	1.35
12.	Zulkifli Bin Hussain	800,000	1.07
13.	Zulkifli Bin Hussain	800,000	1.07
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	740,000	0.99
15.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Su Ming Yaw]	716,400	0.96
16.	Lin, Kai-Wen	650,000	0.87
17.	Hsu, Hao-Huang	630,000	0.84
18.	Lee Wee Thiam	365,000	0.49
19.	Public Nominees (Asing) Sdn Bhd [Pledged securities account for Chen Huang, Kuei-Liang]	351,500	0.47
20.	Chan Kai Lum	351,000	0.47
21.	Goh Beng Choo	334,700	0.45
22.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ling Chuo Hua]	324,100	0.43
23.	Gan Chin Huat	300,000	0.40
24.	Cheong Chee Hong	292,100	0.39
25.	Tay Ying Lim @ Tay Eng Lim	279,900	0.37
26.	Mayban Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Kek Heng Chye]	257,300	0.34
27.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Chen Siong Ping]	250,000	0.33
28.	Willy Ming Chuang	246,000	0.33
29.	Tan See Ean	242,000	0.32
30.	Wong Chik Lim	237,500	0.32

Note:

Excluding 36,000 Cymao shares bought back by the Company and retained as treasury shares as at 31 March 2011.

List of Properties

as at 31 December 2010

	Company Owned	Location	Land Area (Acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2010	Valuation Date
1	CPSB	TL 077565434 9.1KM, Jalan Batu Sapi 90000 Sandakan Sabah	8.1	Industrial land with plywood factory and ancillary buildings	352,713	Leasehold 99 years (expiring 31.12.2068)	18	4,107,717	12.06.2008
2	CPSB	TL 077574200 9.1KM, Jalan Batu Sapi 90000 Sandakan Sabah	4.85	Industrial land with log conditioning shed and temporary labour quarters	211,187	Leasehold 99 years (expiring 31.12.2096)	18	746,276	12.06.2008
3	ISB	TL 077517081 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	5.91	Industrial land with plywood factory and ancillary buildings	257,345	Leasehold 99 years (expiring 31.12.2073)	21	5,448,771	27.05.2008
4	ISB	TL 077526599 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	4.37	Industrial land with plywood factory and ancillary buildings	190,287	Leasehold 99 years (expiring 31.12.2068)	21	4,061,282	27.05.2008
5	ISB	TL 077528039 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	0.73	Industrial land with plywood factory and ancillary buildings	31,787	Leasehold 99 years (expiring 31.12.2068)	21	679,032	27.05.2008
6	ISB	TL 077537841 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	7.18	Industrial land with log conditioning shed	312,646	Leasehold 59 years (expiring 31.12.2033)	–	2,412,458	27.05.2008
7	ISB	LEASE NO:077517081 LEASE NO:077521183 LEASE NO:077521192 LEASE NO;077521209 LEASE NO:077521218 LEASE NO:077521281 LEASE NO:077521290 LEASE NO:077521361 LEASE NO:077521370 LEASE NO:077521389 LEASE NO:077521398 LEASE NO:077521405 LEASE NO:077521414 LEASE NO:077521423 LEASE NO:077521432 LEASE NO:077521441 LEASE NO:077521450 LEASE NO:077521469 LEASE NO;077521478 LEASE NO:077521487 LEASE NO:077521496 LEASE NO:077521503 LEASE NO:077521512 LEASE NO:077521763 LEASE NO:077521772	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2034)	–	1,349,466	

List of Properties (cont'd.)

as at 31 December 2010

	Company Owned	Location	Land Area (Acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2010	Valuation Date
7	ISB	LEASE NO:077521781 LEASE NO:077521790 LEASE NO:077521807 LEASE NO:077521816 LEASE NO:077521825 LEASE NO:077521834 LEASE NO:077521843 LEASE NO:077521852 LEASE NO:077521861 LEASE NO:077521870 LEASE NO:077521889 LEASE NO:077521898 LEASE NO;077521905 LEASE NO:077521914 LEASE NO:077521923 LEASE NO:077521932 LEASE NO:077521941 LEASE NO:077521950 LEASE NO:077521969 LEASE NO;077521978 LEASE NO;077521987 LEASE NO:077521996 LEASE NO:077522000 LEASE NO;077522019 LEASE NO;077522028 LEASE NO:077522037 LEASE NO:077522046 LEASE NO:077522055 LEASE NO:077522064 LEASE NO:077522073 LEASE NO;077522082 LEASE NO;077522091 LEASE NO:077522108 LEASE NO:077522117 LEASE NO:077522126 LEASE NO:077522135 LEASE NO:077522144 LEASE NO:077522153 LEASE NO:077522162 LEASE NO:077522171 LEASE NO:077522180 LEASE NO:077522199 LEASE NO:077522206 LEASE NO:077522215 LEASE NO:077522224 LEASE NO:077522233 LEASE NO:077522242 LEASE NO:077522251 LEASE NO:077522260 LEASE NO:077522279 LEASE NO:077522288 LEASE NO:077522297 LEASE NO:077522304	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2034)	–	1,349,466	

List of Properties (cont'd.)

as at 31 December 2010

	Company Owned	Location	Land Area (Acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2010	Valuation Date
7	ISB	LEASE NO:077522313 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2034)	–	1,349,466	
8	XRCL	Zhao Dun Town, Ming Zhu Industrial Park Area Pizhou City, Xuzhou, Jiangsu 221300 People's Republic of China	Not applicable	Factory and ancillary buildings	–	Not applicable	7	1,344,502	
9	MWPSB	TL077523678 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	1.52	Industrial land with plywood factory and ancillary buildings	65,969	Leasehold 99 years (expiring 31.12.2068)	22	1,244,107	08.01.2010
10	MWPSB	TL077523687 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	2.84	Industrial land with plywood factory and ancillary buildings	123,665	Leasehold 99 years (expiring 31.12.2068)	22	2,332,264	08.01.2010
11	MWPSB	TL077529447 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	6.29	Industrial land with log conditioning shed	273,892	Leasehold 30 years (expiring 31.12.2005)	–	1	
12	PISB	GM460 GM460, Lot 740, Mukim of Kapar, District of Klang, Darul Ehsan	4.36	Industrial land with plywood factory and ancillary buildings	189,952	Freehold land	25	6,685,500	

Notice of Thirteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Saturday, 28 May 2011 at 10.00 a.m. to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.

2. To approve payment of Directors' fees in respect of the financial year ended 31 December 2010. **Resolution 1**

3. To re-elect the following Directors who retire in accordance to Article 130 of the Company's Articles of Association:

   (a) Mr Lin, Kai-Min **Resolution 2**
   (b) Mr Hiew Seng **Resolution 3**

4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

   "**THAT** Mr Lin, Tsai-Rong, being over the age of 70 years and retiring pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting" **Resolution 4**

5. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration. **Resolution 5**

6. As Special Business:

   To consider and if thought fit, pass the following resolution:-

   Ordinary Resolution **Resolution 6**
   Proposed renewal of authority for purchase of own shares by the Company

   "**THAT** subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Articles of Association and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorized to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities subject further to the following:

   (i) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten percent (10%) of the issued and paid-up share capital of the Company ("Shares") for the time being;

   (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained earnings and the share premium of the Company. As of 31st December 2010, the audited retained earnings and share premium of the Company were RM19,613,708 and RM17,374,387 respectively.

Notice of Thirteenth Annual General Meeting (cont'd.)

(iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever is earlier, but not so as to prejudice the completion of purchases by the Company before the aforesaid expiry date and, in any event , in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority; and

(iv) upon completion of the purchases of the Shares, the Directors of the Company be and are hereby authorized to deal with the Shares in the following manner:-

(a) retain the Shares so purchase as treasury shares; or
(b) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities;

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

AND THAT the Directors of the Company be and are hereby authorized to take all such steps as are necessary and/or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

7. To transact any other business of which notice shall have been given.

BY ORDER OF THE BOARD

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Tawau
Dated: 29 April 2011

Notice of Thirteenth Annual General Meeting (cont'd.)

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one (1) proxy or two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

5. ***EXPLANATORY NOTE ON SPECIAL BUSINESS***

   Resolution No. 6

   The proposed Resolution No. 6 is in relation to proposed renewal of authority for purchase of own shares by the Company, if passed, will empower the Company to purchase and /or hold up to ten percent (10%) of the issued and paid-up share capital of the Company pursuant to Section 67A of the Companies Act, 1965. The authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

   Please refer to Share Buy Back Statement dated 29 April 2011 for further information.

CYMAO

CYMAO HOLDINGS BERHAD

Company No. 445931-U
(Incorporated in Malaysia)

Number of shares held

PROXY FORM

I/We, ...

of ....

being a member(s) of **CYMAO HOLDINGS BERHAD** hereby appoint ....

of .... or * THE CHAIRMAN OF THE MEETING or

failing him/her, ... of .... ,

as my/our proxy(ies), to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Saturday, 28 May 2011 at 10.00 a.m. and at any adjournment thereof.

* If you wish to appoint other person(s) to be your proxy/ proxies, kindly delete the words" The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.

Please indicate you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

My/Our proxy(ies) is/are to vote as indicated below:

		For	Against
Resolution 1	Payment of Directors' fees		
Resolution 2	Re-election of Mr Lin, Kai-Min		
Resolution 3	Re-election of Mr Hiew Seng		
Resolution 4	Re-appointment of Mr Lin, Tsai-Rong		
Resolution 5	Re-appointment of Auditors		
Resolution 6	Proposed renewal of authority for purchase of own shares by the Company		

Dated this .... day of 2011

....

[Signature(s)/Common Seal of Shareholder(s)]
[*Delete if not applicable]

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one (1) proxy or two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
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3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of any officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

Fold this flap for sealing

2nd fold here

AFFIX
STAMP

The Secretary
Cymao Holdings Berhad (445931-U)
MPT 4604, 3rd Floor, Lot 15-16
Block B, Bandaran Baru
Jalan Baru
91000 Tawau
Sabah

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