ANNUAL REPORT 2011

CYMAO

HOLDINGS BERHAD

445931-U

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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 ("The Board")

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
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

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
Bursa Malaysia Securities Berhad
Stock Short Name : CYMAO
Stock Code : 5082

Corporate Structure

CYMAO HOLDINGS BERHAD
445931-U

- 100% — **Hanswood Corporation Co. Ltd**
  (Incorporated in Taiwan ROC)
  (53085463)
- 100% — **Billion Apex Sdn. Bhd.**
  (Co. No.683097-U)
- 100% — **Poly-Ply Industries Sdn. Bhd.**
  (Co. No.31892-A)
- 100% — **Cymao Plywood Sdn. Bhd.**
  (Co. No.196313-U)
- 100% — **Malsa Wood Products Sdn. Bhd.**
  (Co. No.238949-T)
- 100% — **Inovwood Sdn. Bhd.**
  (Co. No.585609-D)
- 100% — **Syabas Mujur Sdn. Bhd.**
  (Co. No.728141-A)

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 70, 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 76, 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 42, 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 44, 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 made the Vice President of CPSB in 2001.

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 69, 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 Committee and Nomination Committee

Malaysian, aged 61, was appointed to the Board of Cymao on 25 February 2004. He is a 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 pursued his career in a public listed print media company, as Internal Auditor heading the Internal Audit Department for five and a half years (5½) and was promoted to Manager, Organisation & 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 financial 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 page 81 of this Annual Report.

Attendance of the Board

There were a total of five (5) Board of Directors' Meetings held during the financial year ended 31 December 2011.

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 2011 are shown below:-

Name of Directors	Title of Seminars	Duration
Datuk Mohd Zain Bin Omar	Workshop on recent tax cases: Successes and Surprises in Court	1 day
Lin, Tsai-Rong	2012 Budget Proposals and Recent Tax Development	½ day
Lin, Kai-Min	2012 Budget Proposals and Recent Tax Development	½ day
Lin, Kai-Hsuan	Fumigation Practices for Quarantine Purposes	1 day
Lin Hsu, Li-Chu	2012 Budget Proposals and Recent Tax Development	½ day
Hiew Seng	Bursa Malaysia Governance Programme Series on "The Board's Responsibility for Corporate Culture- Selected Governance Concerns and Tools for addressing Corporate Culture and Board Performance"	1¼ hours
	2012 Budget Seminar	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 2011.

ECONOMIC OVERVIEW

The financial year under review has not rebounded from the negative effects of the previous year. This year the industry as a whole is still experiencing shortage and irregular supply of logs arise from unusual adverse weather in Sabah, worsening shortage of labor and slow recovery of world economy. We foresaw this financial year to be challenging for the industry.

FINANCIAL PERFORMANCE

The Group achieved revenue of RM118.3 million compared with RM124 million in the preceding financial year, a drop of 5%; Loss before taxation was RM10.5 million compared with RM2.9 million suffered in the preceding year. The bigger loss was in particular due to the following:

(i) higher cost of raw materials and other operating costs;
(ii) write down of slow moving and obsolete stock to their net realizable value amounting to RM1.1 million; and
(iii) the disposal of all the inventories, property, plant and equipment in Xuzhou Richwood Co. Ltd, a wholly-owned subsidiary which was incorporated in the People's Republic of China. The loss on disposal was Renminbi 5 million or equivalent to RM2.4 million.

Taking into account all the one-off loss and in view of the unstable world economy, the Group's loss for the current year is not unexpected.

OPERATIONS REVIEW

The Board has anticipated the financial year 2011 to be challenging, and has managed to take preventive measures to minimize these negative effects. The management carefully assessed each area of the business and identified the areas that are most vulnerable. Actions were taken to reduce the impacts of those uncontrollable forces and we felt that our action has reduced the losses suffered by the Group given the adverse effect faced by the Group in the financial year 2011.

DIVIDEND

The Board has decided to take a conservative position in maintaining the cash reserves for working capital requirement and therefore does not propose any dividend payment.

OUTLOOK AND PROSPECTS

In view of the current uncertain world economy, the demand and pricing of the plywood are expected to remain at the same level for the current financial year. The Group is actively seeking for new timber concessions to ensure uninterrupted logs supply at reasonable cost and will continue to improve on efficiencies and productivities in its operations, putting in efforts in the cost control without compromising on quality. Every effort will be channeled to improve marketing and distribution network to achieve better results.

Barring any unforeseen circumstances, the Board of Directors remains confident in the long term prospects of the timber industry and feasibility of the Group's business.

APPRECIATION

I wish to convey my sincere appreciation to my fellow Directors, management and employees of the Group for their continued diligence and commitment.

I also wish to express my gratitude to 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 14 April 2012

Corporate Governance Statement

The Board of Directors ("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 Group observed the Code 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 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 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 profile 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 scheduled at quarterly basis with additional meetings convened as necessary.

The Board held five (5) meetings during the financial year ended 31 December 2011. 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.

(i) Audit Committee

The composition, terms of reference and activities of the Audit Committee are presented on pages 14 to 16 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 2011 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, 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 once during the financial year ended 31 December 2011 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 members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All Directors completed the Mandatory Accreditation Programme (MAP).

During the financial year, the Directors attended seminars and training programmes 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.

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 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 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 2011, are categorized into appropriate components as disclosed under Note 10 of the Financial Statements on page 53 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 of 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 and of the Company's financial statements are presented on page 22 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 19 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 18 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.

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 of Directors, 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.
- 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 of Directors, 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 of Directors 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.

MEETINGS ATTENDANCE

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2011. 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 of Directors for approval prior to release to the Bursa Securities.
- Reviewed the audited financial statements of the Group prior to submission to the Board for their 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 Financial Reporting 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 of Directors on their re-appointment 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 the appointment of an outsourced Internal Audit function;
- Reviewed and approved Internal Audit Plan Memorandum.
- Reviewed and discussed the scope of audit plan with the external auditors.

INTERNAL AUDIT FUNCTION

During the financial year, the Group has outsourced its Internal Audit Function. The Internal Audit Function 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 2011, the Internal Auditor conducted internal audit review on two (2) of its subsidiaries and presented the results to the Audit Committee at the 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.

During the financial year, the Group outsourced its internal audit function to an independent professional firm, whose remit is to the Audit Committee. The Internal Auditors had carried out the internal audit covering the period under review and presented their report to the Audit Committee. The Audit Committee had deliberated on the contents of the report and is satisfied that appropriate actions are being taken to address all the weaknesses highlighted. The cost incurred for the Internal Audit function in respect of the financial year 2011 was RM8,000.

The Board is of the view that the systems of internal control that have been implemented within the Group is sound and effective and have not resulted in any material losses and contingencies during the financial year 2011. The internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness as to safeguard the Group's assets and shareholders' investment.

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 2011 on pages 22 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 policies 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 that proper accounting records are kept which disclose with reasonable accuracy on the financial position of the Company and its subsidiaries which enable that the financial statements comply with the Financial Reporting Standards and the Companies Act, 1965.

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 28 May 2011 approved the Company's Proposed Renewal Share Buy-Back Scheme to purchase up to 10% of its own issued and paid-up ordinary share capital of RM1.00 each.

There was no purchase of own shares from the open market during the financial year. As at 31 December 2011, the Company held as treasury shares a total of 36,000 of its 75,000,000 issued and paid up ordinary shares. 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 2011 and the unaudited results released for the quarter ended 31 December 2011 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) 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**

   The 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 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 2011.

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, blockboard, 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	(14,111,206)	(5,246,332)

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 other than the effects arising from the loss on disposal of the entire inventories, property, plant and equipment of a subsidiary, Xuzhou Richwood Co. Ltd., and the provision for impairment losses on investment in this subsidiary which have resulted in an increase in the Group's and the Company's loss by RM3,833,000 and RM4,591,000 respectively.

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, excepts disclosed in Note 27 to the financial statements.

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			
	1.1.2011	**Acquired**	**Sold**	**31.12.2011**
Direct Interest:				
Datuk Mohd. Zain Bin Omar	100,000	–	–	100,000
Lin, Tsai-Rong	21,100,000	–	–	21,100,000
Lin, Kai-Min	5,173,750	1,400,000	–	6,573,750
Lin, Kai-Hsuan	1,997,500	–	–	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

As at 31 December 2011, 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.

(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) 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.

Directors' Report [cont'd]

SUBSEQUENT EVENT

Details of subsequent event is disclosed in Note 15 to the financial statements.

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 14 April 2012.

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 30 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 2011 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 36 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 14 April 2012.

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 30 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
14 April 2012

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 Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 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 30 to 80.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 2011 and of their financial performance and cash flows for the year then ended.

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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 61 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.

OTHER MATTERS

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

CHONG KET VUI, DUSUN
2944/01/13 (J)
Chartered Accountant

Sandakan, Malaysia
27 April 2012

Statements of Comprehensive Income

for the financial year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	4	118,305,033	123,672,629	–	–
Cost of sales		(112,296,029)	(109,847,297)	–	–
Gross profit		6,009,004	13,825,332	–	–
Other items of income					
Interest income	5	49,737	37,683	20	22
Other income	6	1,204,112	291,615	10,554	86,568
Other items of expense					
Selling and marketing expenses		(6,421,439)	(8,255,110)	–	–
Administrative expenses		(8,386,753)	(8,507,924)	(665,904)	(505,927)
Finance costs	7	(139,957)	(53,009)	–	(34,903)
Other expenses		(2,810,084)	(277,920)	(4,591,002)	–
Loss before tax	8	(10,495,380)	(2,939,333)	(5,246,332)	(454,240)
Income tax expense	11	(3,615,826)	(1,207,413)	-	-
Loss net of tax		(14,111,206)	(4,146,746)	(5,246,332)	(454,240)
Other Comprehensive Income/(Loss):					
Foreign currency translation		110,422	(54,594)	–	–
Total comprehensive loss for the year		(14,000,784)	(4,201,340)	(5,246,332)	(454,240)
Loss attributable to owners of the parent		(14,111,206)	(4,146,746)	(5,246,332)	(454,240)
Total comprehensive loss attributable to owners of parent		(14,000,784)	(4,201,340)	(5,246,332)	(454,240)
Loss per share attributable to owners of the parent (sen):					
Basic	12	(18.82)	(5.53)		
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 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	71,906,296	73,912,006	108,681	111,591
Land use rights	14	1,121,890	1,175,120	–	–
Investments in subsidiaries	15	–	–	99,225,747	103,832,235
Deferred tax assets	16	3,080,982	6,100,000	–	–
Other receivables	17	51,708	7,204,100	–	–
Timber concessions	18	–	2,714,525	–	–
		76,160,876	91,105,751	99,334,428	103,943,826
Current Assets					
Inventories	19	38,632,494	37,974,003	–	–
Trade and other receivables	17	20,960,203	14,533,948	18,332,583	18,791,004
Tax refundable		580,959	745,758	–	–
Derivatives	20	–	10,625	–	–
Cash and bank balances	21	8,231,353	6,258,596	97,971	169,131
		68,405,009	59,522,930	18,430,554	18,960,135
Total Assets		**144,565,885**	**150,628,681**	**117,764,982**	**122,903,961**
EQUITY AND LIABILITIES					
Current Liabilities					
Income tax payable		612	601	–	–
Loans and borrowings	22	2,166,041	–	–	–
Trade and other payables	23	17,186,119	13,236,676	11,513,357	11,406,004
		19,352,772	13,237,277	11,513,357	11,406,004
Net Current Assets		49,052,237	46,285,653	6,917,197	7,554,131

Statements of Financial Position [cont'd]

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Non-Current Liabilities					
Deferred tax liabilities	16	1,617,463	1,656,302	–	–
Loans and borrowings	22	1,861,332	–	–	–
		3,478,795	1,656,302	–	–
Total Liabilities		22,831,567	14,893,579	11,513,357	11,406,004
Net Assets		**121,734,318**	**135,735,102**	**106,251,625**	**111,497,957**
Equity attributable to owners of the parent					
Share capital	24	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
Treasury shares	24	(40,138)	(40,138)	(40,138)	(40,138)
Other reserves	25	228,724	118,302	-	-
Retained earnings	26	29,171,345	43,282,551	13,917,376	19,163,708
Total Equity		**121,734,318**	**135,735,102**	**106,251,625**	**111,497,957**
Total Equity and Liabilities		**144,565,885**	**150,628,681**	**117,764,982**	**122,903,961**

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

Statements of Changes in Equity

for the financial year ended 31 December 2011

	Equity, Total RM	Share Capital RM	Share Premium RM	Treasury Shares RM	Distributable Retained Earnings RM	Foreign Currency Translation Reserve RM
		← Attributable to owners of the parent →				
2011						
Group						
Opening balance at 1 January 2011	135,735,102	75,000,000	17,374,387	(40,138)	43,282,551	118,302
Total comprehensive loss for the year	(14,000,784)	–	–	–	(14,111,206)	110,422
Closing balance at 31 December 2011	121,734,318	75,000,000	17,374,387	(40,138)	29,171,345	228,724
2010						
Group						
Opening balance at 1 January 2010	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

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

Statements of Changes in Equity [cont'd]

	Equity, Total RM	Share Capital RM	Non-Distributable Share Premium RM	Treasury Shares RM	Distributable Retained Earnings RM
2011					
Company					
Opening balance at 1 January 2011	111,497,957	75,000,000	17,374,387	(40,138)	19,163,708
Total comprehensive loss for the year	(5,246,332)	–	–	–	(5,246,332)
Closing balance at 31 December 2011	106,251,625	75,000,000	17,374,387	(40,138)	13,917,376
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

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

Statements of Cash Flows

for the financial year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Operating Activities					
Loss before tax		(10,495,380)	(2,939,333)	(5,246,332)	(454,240)
Adjustments for:					
Bad debts written off	8	9,000	156,540	237,313	88,010
Interest income	5	(49,737)	(37,683)	(20)	(22)
Finance costs	7	139,957	53,009	–	34,903
Loss/(gain) on disposal of property, plant and equipment	8	2,325,487	(76,908)	–	–
Property, plant and equipment written off	8	–	728	–	–
Depreciation of property, plant and equipment	8	12,827,550	11,317,337	2,910	3,282
Impairment loss on investment in subsidiary		–	–	4,591,002	–
Impairment loss on property	8	–	258,735	–	–
Amortisation of timber concessions	8	2,714,525	4,148,184	–	–
Amortisation of land use rights	8	53,230	53,230	–	–
Net fair value loss/(gain) on derivatives	6	–	(19,375)	–	–
Net loss/(gain) of unrealised foreign exchange	8	45,922	(57,515)	–	–
Total adjustments		18,065,934	15,796,282	4,831,205	126,173
Operating cash flows before changes in working capital		7,570,554	12,856,949	(415,127)	(328,067)
Changes in working capital					
Increase in inventories		(658,491)	(4,213,527)	–	–
(Increase)/decrease in trade and other receivables		(6,441,472)	3,310,680	221,108	2,165,761
Increase in trade and other payables		3,949,443	3,993,305	107,353	4,833,885
Total changes in working capital		(3,150,520)	3,090,458	328,461	6,999,646
Cash flows from operations		4,420,034	15,947,407	(86,666)	6,671,579
Interest paid		(139,957)	(53,009)	–	(34,903)
Net tax paid		(470,837)	(1,596,190)	–	–
Net cash flows from/(used in) operating activities		3,809,240	14,298,208	(86,666)	6,636,676

Statements of Cash Flows [cont'd]

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Investing Activities					
Deposit for acquisition of machinery		–	(3,821,724)	–	–
Purchase of property, plant and equipment		(6,145,758)	(4,592,619)	–	(4,844)
Proceeds from disposal of plant and equipment		202,533	124,970	–	–
Acquisition of subsidiaries		–	(2,005,733)	15,486	(4,534,745)
Interest received		49,737	37,683	20	22
Net cash used in investing activities		(5,893,488)	(10,257,423)	15,506	(4,539,567)
Financing Activities					
Proceeds from bankers' acceptance		7,735,000	–	–	–
Proceeds from term loan		2,000,000	–	–	–
Repayment of bankers' acceptance		(5,800,000)	–	–	–
Repayment of term loans		(56,617)	(2,332,161)	–	(2,332,161)
Purchase of treasury shares		–	(9,513)	–	(9,513)
Net cash flows from/(used in) financing activities		3,878,383	(2,341,674)	–	(2,341,674)
Net increase/(decrease) in cash and cash equivalents		1,794,135	1,699,111	(71,160)	(244,565)
Effects of exchange rate changes on cash and cash equivalents		29,632	(55,594)	–	–
Cash and cash equivalents at beginning of year		6,258,596	4,615,079	169,131	413,696
Cash and cash equivalents at end of year	21	8,082,363	6,258,596	97,971	169,131

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

Notes to the Financial Statements

for the financial year ended 31 December 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of 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, blockboard, 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 ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 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 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

FRS, Amendments to FRS and IC Interpretations	Effective for financial periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
FRS 3 Business Combinations (revised)	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.2 Changes in Accounting Policies [cont'd]

FRS, Amendments to FRS and IC Interpretations	Effective for financial periods beginning on or after
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132 Classification of Rights Issues	1 March 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1 Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company.

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. According, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

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, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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.

Acquisitions of subsidiaries are accounted for using acquisition 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 recognised as income in profit or loss on the date of acquisition.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.5 Foreign Currency [cont'd]

(b) Foreign Currency Transactions [cont'd]

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.6 Property, Plant and Equipment [cont'd]

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	2% - 50%
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 yet 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.

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")).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.9 Impairment of Non-Financial Assets [cont'd]

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.

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 and loans and receivables. The Group does not have any held-to-maturity investments and available-for-sale financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.11 Financial Assets [cont'd]

(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.

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.

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.17 Financial Guarantee Contracts

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

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

As at balance sheet date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

2.18 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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.20 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.

2.21 Revenue

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

2.22 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.

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns as each business or geographical segment is subject to risks and returns that are different from the other business or geographical segments.

2.24 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.

2.25 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.

2.26 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.

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 Judgements made in Applying Accounting Policies

In the process of applying Group's accounting policies, management has made the following judgement, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements:

(a) 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 future taxable profits 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.

The amount of deferred tax assets recognised in respect of unabsorbed tax losses and capital allowances and the amounts for which deferred tax assets were not recognised are disclosed in Note 16 to the financial statements. If the taxable profits of the subsidiary differ by 10% due to the change in estimates of the subsidiary's future results from operating activities, the Group's deferred tax assets will vary by approximately RM200,000 due to recognition of previously unrecognised tax losses.

3.2 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.

(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.

4. REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sales of blockboard	10,008,481	–	–	–
Sale of decorative plywood	1,944,998	5,738,565	–	–
Sale of logs	1,509,856	4,505,784	–	–
Sale of plywood	101,244,666	110,006,019	–	–
Sale of veneer	3,325,482	3,123,349	–	–
Barge hiring income	271,550	298,912	–	–
	118,305,033	123,672,629	–	–

5. INTEREST INCOME

Interest income from:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Fixed deposits	47,813	36,791	20	22
Currency accounts	1,924	892	–	–
	49,737	37,683	20	22

6. OTHER INCOME

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Gain on disposal of property, plant and equipment	–	76,909	–	–
Net gain on foreign exchange				
- realised	284,002	86,568	10,554	86,568
- unrealised	437,464	58,080	–	–
Net fair value gain on derivaties	–	19,375	–	–
Insurance claim received	385,770	36,361	–	–
Miscellaneous	96,876	14,322	–	–
	1,204,112	291,615	10,554	86,568

7. FINANCE COSTS

Interest expense on:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Bankers' acceptance	57,674	18,075	–	–
Bank overdraft	2,741	31	–	–
Term loan	79,256	34,903	–	34,903
Others	286	–	–	–
	139,957	53,009	–	34,903

8. LOSS BEFORE TAX

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Auditors' remuneration:				
- statutory audits				
- current year	115,640	92,425	22,000	20,000
- underprovision in prior year	6,500	500	2,000	-
- other services	4,000	24,720	2,000	5,600
Employee benefits expense (Note 9)	16,967,160	16,722,173	84,000	84,000
Non-executive directors' remuneration (Note 10)	96,000	96,000	96,000	96,000
Bad debts written off	9,000	156,540	237,313	88,010
Depreciation of property, plant and equipment (Note 13)	12,827,550	11,317,337	2,910	3,282
Property, plant and equipment written off (Note 13)	–	728	–	–
Loss on disposal of property, plant and equipment	2,325,487	–	–	–
Impairment loss on				
- investment in subsidiaries	–	–	4,591,002	–
- on property (Note 13)	–	258,735	–	–
Amortisation of				
- land use rights (Note 14)	53,230	53,230	–	–
- timber concessions (Note 18)	2,714,525	4,148,184	–	–
Rental of warehouse	350,254	299,850	–	–
Rental of factory facilities	59,400	59,400	–	–
Loss on foreign exchange				
- realised	–	284,738	–	–
- unrealised	483,386	565	–	–

9. EMPLOYEE BENEFITS EXPENSE

Salaries, wages and allowances	16,496,040	16,463,711	84,000	84,000
Contributions to defined contribution plan	310,230	227,378	–	–
Social security contributions	160,890	31,084	–	–
	16,967,160	16,722,173	84,000	84,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM912,000 (2010: RM912,000) and RM84,000 (2010: RM84,000) respectively.

10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive:				
Fees	84,000	84,000	84,000	84,000
Salaries and other emoluments	828,000	828,000	–	–
Total executive directors' remuneration	912,000	912,000	84,000	84,000
Non-executive:				
Fees	96,000	96,000	96,000	96,000
Total directors' remuneration	1,008,000	1,008,000	180,000	180,000

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	
	2011	2010
Executive directors:		
RM200,001 – RM250,000	2	2
RM450,001 - RM500,000	1	1
Non-executive directors:		
Below RM50,000	3	3

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current income tax:				
- Malaysian income tax	540,065	953,776	–	–
- Overprovided in prior years	95,582	(8,505)	–	–
	635,647	945,271	–	–
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	2,870,777	258,767	–	–
- Underprovided in prior years	109,402	3,375	–	–
	2,980,179	262,142	–	–
Income tax expense recognised in profit or loss	3,615,826	1,207,413	–	–

11. INCOME TAX EXPENSE [CONT'D]

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 2011 and 2010 are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Accounting loss before tax	(10,495,380)	(2,939,333)	(5,246,332)	(454,240)
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	(2,623,845)	(734,833)	(1,311,583)	(113,560)
Different tax rates in other country	187,983	–	–	–
Adjustments:				
Non-deductible expenses	2,653,707	1,625,342	1,314,221	135,202
Income not subject to taxation	(112,025)	(21,642)	(2,638)	(21,642)
Double deduction expenses	(412,408)	(822,150)	–	–
Utilisation of deferred tax assets previously not recognised	(13,000)	–	–	–
Rerecognised of previously unrecognised deferred tax assets	(103,862)	–	–	–
Deferred tax assets not recognised	3,834,292	1,165,826	–	–
(Over)/underprovision in prior years:				
- income tax	95,582	(8,505)	–	–
- deferred tax	109,402	3,375	–	–
Income tax expense recognised in profit or loss	3,615,826	1,207,413	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

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	
	2011	2010
Loss net of tax attributable to owners of the parent (RM)	(14,111,206)	(4,146,746)
Weighted average number of ordinary shares in issue	74,964,000	74,964,000
Basic loss per share (Sen)	(18.82)	(5.53)

(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.

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 2010	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 and 1 January 2011	43,255,766	139,028,340	5,796,693	1,435,119	459,947	189,975,865
Additions	800,061	11,090,035	559,859	805,343	94,561	13,349,859
Disposals	(1,585,576)	(1,229,924)	(183,272)	(57,664)	–	(3,056,436)
Written off	–	(106,441)	–	(2,355)	–	(108,796)
Reclassification	404,444	–	–	–	(404,444)	–
At 31 December 2011	42,874,695	148,782,010	6,173,280	2,180,443	150,064	200,160,492

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
Group						
Accumulated depreciation and impairment loss						
At 1 January 2010	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 and 1 January 2011	12,716,250	97,219,146	4,846,797	1,281,666	–	116,063,859
Depreciation charge for the year	2,040,609	10,268,654	385,052	133,235	–	12,827,550
Disposals	(301,339)	(7,794)	(167,483)	(51,801)	–	(528,417)
Written off	–	(106,441)	–	(2,355)	–	(108,796)
At 31 December 2011	14,455,520	107,373,565	5,064,366	1,360,745	–	128,254,195
Net carrying amount						
At 31 December 2010	30,539,516	41,809,194	949,896	153,453	459,947	73,912,006
At 31 December 2011	28,419,175	41,408,445	1,108,914	819,698	150,064	71,906,296

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 2010	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 and 1 January 2011	18,375,406	24,751,419	128,941	43,255,766
Additions	11,220	219,589	569,252	800,061
Disposals	–	(1,585,576)	–	(1,585,576)
Reclassification	–	404,444	–	404,444
At 31 December 2011	18,386,626	23,789,876	698,193	42,874,695
Accumulated depreciation and impairment loss				
At 1 January 2010	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 and 1 January 2011	1,323,815	11,391,634	801	12,716,250
Depreciation charge for the year	256,341	1,744,883	39,385	2,040,609
Disposals	–	(301,339)	–	(301,339)
At 31 December 2011	1,580,156	12,835,178	40,186	14,455,520
Net carrying amount				
At 31 December 2010	17,051,591	13,359,785	128,140	30,539,516
At 31 December 2011	16,806,470	10,954,698	658,007	28,419,175

13. PROPERTY, PLANT AND EQUIPMENT [CONT'D]

	Furniture, fixtures and equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2010	16,100	104,907	121,007
Additions	4,844	–	4,844
At 31 December 2010 and 2011	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2010	10,978	–	10,978
Depreciation charge for the year	3,282	–	3,282
At 31 December 2010 and 1 January 2011	14,260	–	14,260
Depreciation charge for the year	2,910	–	2,910
At 31 December 2011	17,170	–	17,170
Net carrying amount			
At 31 December 2010	6,684	104,907	111,591
At 31 December 2011	3,774	104,907	108,681

14. LAND USE RIGHTS

	Group 2011 RM	Group 2010 RM
Cost		
At 1 January and 31 December	1,337,376	1,337,376
Accumulated depreciation		
At 1 January	162,256	109,026
Amortisation for the year (Note 8)	53,230	53,230
At 31 December	215,486	162,256
Net carrying amount	1,121,890	1,175,120
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	855,740	908,970

The land use rights are not transferable and have a remaining tenure of 21 years (2010: 22 years).

15. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	103,816,749	103,832,235
Impairment losses	(4,591,002)	–
	99,225,747	103,832,235

On 26 March 2012, the Company received a Notice from the Commercial Administration Board of the People's Republic of China dated 21 March 2012 confirming Xuzhou Richwood Co. Ltd., the wholly-owned subsidiary of the Company has been de-registered with the said Board.

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 2011 %	2010 %
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	Ceased operation during the year	100	100
Syabas Mujur Sdn. Bhd.*	Malaysia	Sales and extraction of log timbers	100	100
Poly-Ply Industries Sdn. Bhd.**	Malaysia	Manufacturing of polyester-overlaid plywood	100	100
Malsa Wood Products Sdn. Bhd.*	Malaysia	Letting of property	100	100
Hanswood Corporation Co. Ltd.**	Republic of China (Taiwan)	Manufacturing and sale of blockboard	100	100

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

16. DEFERRED TAX

	Group 2011 RM	Group 2010 RM
At 1 January	(4,443,698)	(4,705,840)
Recognised in profit or loss (Note 11)	2,980,179	262,142
At 31 December	(1,463,519)	(4,443,698)

Presented after appropriate offsetting as follows:

	Group 2011 RM	Group 2010 RM
Deferred tax assets	(3,080,982)	(6,100,000)
Deferred tax liabilities	1,617,463	1,656,302
	(1,463,519)	(4,443,698)

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

	Group 2011 RM	Group 2010 RM
Deferred Tax Liabilities:		
Property, Plant and Equipment		
At 1 January	9,595,192	10,171,886
Recognised in profit or loss	(1,088,592)	(576,694)
At 31 December	8,506,600	9,595,192
Deferred Tax Assets:		
Unutilised Tax Losses and Unabsorbed Allowances		
At 1 January	(14,038,890)	(14,877,726)
Recognised in profit or loss	4,068,771	838,836
At 31 December	(9,970,119)	(14,038,890)

16. DEFERRED TAX [CONT'D]

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

	Group	
	2011 RM	2010 RM
Unused tax losses	16,111,592	15,793,640
Unabsorbed capital allowances	17,418,468	3,351,896
Unutilised reinvestment allowances	5,398,406	6,548,660
	38,928,466	25,694,196

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. Included in the above is unused tax losses amounting to RM317,952 (2010: Nil) that arose in Taiwan and are available for offsetting against future taxable profits of that subsidiary.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Trade receivables				
Third parties	14,111,661	9,438,958	–	–
Other receivables				
Amounts due from subsidiaries	–	–	18,293,415	18,691,920
Deposits for log supplies	875,742	240,759	–	–
Prepayments	442,958	823,074	8,020	7,936
Staff advances	43,506	448,272	–	–
Sundry deposits	619,046	508,443	950	950
Sundry receivables	4,867,290	3,074,442	30,198	90,198
	6,848,542	5,094,990	18,332,583	18,791,004
	20,960,203	14,533,948	18,332,583	18,791,004

17. TRADE AND OTHER RECEIVABLES [CONT'D]

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-Current				
Other receivables				
Deposits for acquisition of machineries	51,708	7,204,100	–	–
Total trade and other receivables (current and non-current)	21,011,911	21,738,048	18,332,583	18,791,004
Less: Prepayments	(442,958)	(823,074)	(8,020)	(7,936)
Add: Cash and bank balances (Note 21)	8,231,353	6,258,596	97,971	169,131
Total loans and receivables	28,800,306	27,173,570	18,422,534	18,952,199

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 45 to 60 days (2010: 45 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>**Ageing analysis of trade receivables**</u>

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

	Group	
	2011 RM	2010 RM
Neither past due nor impaired	13,956,758	7,972,209
1 to 60 days past due not impaired	26,999	1,367,314
61 to 120 days past due not impaired	81,550	79,650
More than 121 days past due not impaired	46,354	19,785
	154,903	1,466,749
	14,111,661	9,438,958

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 RM154,903 (2010: RM1,466,749) 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	
	2011 RM	2010 RM
Cost		
At 1 January and 31 December	6,862,709	6,862,709
Accumulated amortisation		
At 1 January	4,148,184	–
Amortisation for the year (Note 8)	2,714,525	4,148,184
At 31 December	6,862,709	4,148,184
Net carrying amount	–	2,714,525

Notes to the Financial Statements [cont'd]

19. INVENTORIES

	Group 2011 RM	2010 RM
Cost		
Raw materials	11,983,507	5,456,332
Work-in-progress	10,679,392	6,553,104
Finished goods	9,307,250	12,737,317
Materials and supplies	2,856,348	6,566,375
Goods in transit	–	275,693
	34,826,497	31,588,821
Net realisable value		
Finished goods	3,805,997	6,385,182
	38,632,494	37,974,003

20. DERIVATIVES

	Group 2011			2010		
	Contract/ Notional Amount RM	Assets RM	Liabilities RM	Contract/ Notional Amount RM	Assets RM	Liabilities RM
Non-hedging derivatives:						
Current						
Forward currency contracts	–	–	–	781,500	10,625	–

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.

21. CASH AND BANK BALANCES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash on hand and at banks	5,529,946	2,416,411	96,778	167,959
Short term deposits with a licensed bank	2,701,407	3,842,185	1,193	1,172
Cash and bank balances	8,231,353	6,258,596	97,971	169,131

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 2011 for the Group and the Company were 2.9% (2010: 2.4%) and 2.6% (2010: 2.3%) respectively.

Short-term deposits with a licensed bank of the Group amounting to RM1,631,096 (2010: RM1,589,014) are pledged as securities for bank guarantees granted to a subsidiary.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	8,231,353	6,258,596	97,971	169,131
Bank overdraft (Note 22)	(148,990)	–	–	–
Cash and cash equivalents	8,082,363	6,258,596	97,971	169,131

22. LOANS AND BORROWINGS

	Maturity	Group 2011 RM	2010 RM
Current			
Secured:			
Bank overdrafts (Note 21)	On demand	148,990	–
Bankers' acceptances	2012	1,935,000	–
Term loan	2012	82,051	–
		2,166,041	–
Non-Current			
Secured:			
Term loan	2013 - 2026	1,861,332	–
Total loans and borrowings		4,027,373	–

The remaining maturities of the loans and borrowings as at 31 December 2011 are as follows:

	Group 2011 RM	2010 RM
On demand or within one year	2,166,041	–
More than 1 year and less than 2 years	86,236	–
More than 2 years and less than 5 years	271,902	–
5 years or more	1,503,194	–
	4,027,373	–

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at BLR + 0.5% per annum.

Bankers' acceptances

These are used to finance purchases of the Group denominated in RM and are short term in nature. The effective interest rate is range from 0.75% to 3.47% per annum.

Term loan

The term loan was obtained for working capital purposes. The loan is repayable over 180 monthly instalment and bear interest at BLR - 1.5% per annum.

The loans and borrowings are secured by way of fixed and floating changes over certain assets of the Group as disclosed in Note 13 and 21. The loans and borrowings of the subsidiaries are additionally guaranteed given by certain directors and the Company.

23. TRADE AND OTHER PAYABLES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current				
Trade payables				
Third parties	4,904,834	3,984,392	–	–
Other payables				
Amount due to a director	3,230,017	–	–	–
Amounts due to subsidiaries	–	–	10,973,370	10,933,156
Accruals	3,066,260	2,584,827	202,000	267,535
Deposits received from buyers	3,903,559	4,512,169	–	–
Other payables	2,081,449	2,155,288	337,987	205,313
	12,281,285	9,252,284	11,513,357	11,406,004
	17,186,119	13,236,676	11,513,357	11,406,004
Total trade and other payables	17,186,119	13,236,676	11,513,357	11,406,004
Add: Loans and borrowings (Note 22)	4,027,373	–	–	–
Total financial liabilities carried at amortised cost	21,213,492	13,236,676	11,513,357	11,406,004

(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 a director

Amount due to a director is non-interest bearing and is repayable on demand. This amount is unsecured and to be settled in cash.

(d) Amounts 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.

24. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group and Company					
	Number of ordinary shares of RM 1 each		Amount			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 January 2010	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 and 2011	75,000,000	(36,000)	75,000,000	17,374,387	92,374,387	(40,138)

	Number of ordinary shares of RM1 each		Amount	
	2011	2010	2011 RM	2010 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 2011, 36,000 (2010: 36,000) are held as treasury shares by the Company. As at 31 December 2011, the number of outstanding ordinary shares in issue after the setoff is therefore 74,964,000 (2010: 74,964,000) ordinary shares of RM1 each.

25. OTHER RESERVES

	Group	
	2011 RM	2010 RM
Foreign Currency Translation Reserve		
At 1 January	118,302	172,896
Other comprehensive income:		
Foreign currency translation	110,422	(54,594)
At 31 December	228,724	118,302

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 2011 and 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2011, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM130,995 (2010: RM130,995) out of its retained earnings. If the balance of the retained earnings of RM13,786,381 (2010: RM19,032,713) 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:

	2011 RM	2010 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	60,000	210,000

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	1,008,000	1,008,000	180,000	180,000

28. CAPITAL COMMITMENT

Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	–	1,327,500	–	–

29. MATERIAL LITIGATION

There was a claim by Amsarudin Enterprise ("Amsarudin"), a logs supplier of the Group for amount outstanding and owing to Amsarudin for the logs supplied to Inovwood Sdn. Bhd., a wholly-owned subsidiary of the Company pursuant to the Sale and Purchase Agreement in writing dated 10 August 2011. On 9 November 2011, Amsarudin had vide its solicitors served a notice of demand for the outstanding amount of RM193,926.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	17
Trade and other payables (current)	23
Loans and borrowings (current)	22
Loans and borrowings (non-current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market interest rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's key management personnel. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group 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.

- The nominal amount of RM14,000,000 (2010: Nil) relating to a corporate guarantees provided by the Company to a bank for credit facilities granted to subsidiaries.

Notes to the Financial Statements [cont'd]

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES [CONT'D]

(a) Credit Risk [cont'd]

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2011		2010	
	RM	% of Total	RM	% of Total
By country:				
Malaysia	7,174,377	51%	7,995,993	85%
Republic of China (Taiwan)	1,178,855	8%	–	–
Singapore	532,778	4%	235,207	2%
Australia	984,323	7%	924,717	10%
Middle East	3,176,704	22%	–	–
United Stated of America	983,074	7%	283,041	3%
Other countries	81,550	1%	–	–
	14,111,661	100%	9,438,958	100%

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.

(b) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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.

At the reporting date, approximately 54% (2010: None) of the Group's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES [CONT'D]

(b) Liquidity Risk [cont'd]

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities:				
2011				
Trade and other payables	17,186,119	–	–	17,186,119
Loan and borrowings	2,166,041	358,138	1,503,194	4,027,373
Total undiscounted financial liabilities	19,352,160	358,138	1,503,194	21,213,492
2010				
Trade and other payables	13,236,676	–	–	13,236,676
Total undiscounted financial liabilities	13,236,676	–	–	13,236,676

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES [CONT'D]

(b) Liquidity Risk [cont'd]

Analysis of financial instruments by remaining contractual maturities [cont'd]

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company				
Financial liabilities:				
2011				
Trade and other payables excluding financial guarantees*	11,513,357	–	–	11,513,357
Total undiscounted financial liabilities	11,513,357	–	–	11,513,357
2010				
Trade and other payables excluding financial guarantees*	11,406,004	–	–	11,406,004
Total undiscounted financial liabilities	11,406,004	–	–	11,406,004

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months from the reporting date.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM11,490 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES [CONT'D]

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 49% (2010: 60%) 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 and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

At the reporting date, the currency exposure of financial assets and financial liabilities that are not denominated in their functional currency are set out below:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
United States Dollars				
Cash and bank balances	585,027	529,205	54,508	99,597
Trade receivables	5,899,390	1,442,966	–	–
Trade and other payables	(372,269)	–	–	–

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.

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Increase/(decrease) in loss net of tax:				
USD/RM				
- strengthened 5% (2010: 5%)	313,909	84,607	2,722	4,981
- weakened 5% (2010: 5%)	(313,909)	(84,607)	(2,722)	(4,981)

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and 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 2011 and 31 December 2010.

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 within acceptable level. 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	2011 RM	2010 RM	2011 RM	2010 RM
Loans and borrowings	22	4,027,373	–	–	–
Trade and other payables	23	17,186,119	13,236,676	11,513,357	11,406,004
Less: Cash and bank balances	21	(8,231,353)	(6,258,596)	(97,971)	(169,131)
Net debt		12,982,139	6,978,080	11,415,386	11,236,873
Equity attributable to the owners of the parent		121,734,318	135,735,102	106,251,627	111,497,957
Total Capital		121,734,318	135,735,102	106,251,627	111,497,957
Capital and net debt		134,716,457	142,713,182	117,667,013	122,734,830
Gearing ratio		10%	5%	10%	9%

33. SEGMENTAL INFORMATION

The Group's main business activities are manufacturing and sale of plywood products, which are principally located in Malaysia and Republic of China (Taiwan).

Performance is measured based on segment profit before tax as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

	Malaysia RM	Republic of China (Taiwan) RM	Others RM	Eliminations on inter-segment transactions and balance RM	Consolidated RM
2011					
Segment loss	(8,526,974)	(2,349,786)	(4,136,055)	4,517,435	(10,495,380)
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	107,696,732	10,008,481	599,820	–	118,305,033
Inter-segment revenue	67,784,686	108,459	–	(67,893,145)	–
Depreciation/ Amortisation	(14,704,169)	(480,453)	(96,896)	(313,787)	(15,595,305)
Loss on disposal of property, plant and equipment	–	–	(2,325,487)	–	(2,325,487)
Segment assets	294,680,360	15,433,646	786,143	(166,334,264)	144,565,885
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments	7,820,069	5,552,201	–	(22,411)	13,349,859
Segment liabilities	81,234,464	15,155,329	–	(73,558,226)	22,831,567

No segmental information has been presented for the financial year ended 31 December 2010 as the Group is principally involved in the production of plywood in Malaysia only.

34. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except the following comparative amounts as at 31 December 2010 have been reclassified to conform with current year's presentation:

Group	As Restated RM	Reclassification RM	As Previously Stated RM
Cost of sales	113,995,481	(4,148,184)	109,847,297
Administrative expenses	4,359,740	4,148,184	8,507,924

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 14 April 2012.

36. 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 2011 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		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiaries				
- Realised	51,597,445	62,654,906	18,508,378	19,163,708
- Unrealised	(1,603,020)	5,968,159	(4,591,002)	–
	49,994,425	68,623,065	13,917,376	19,163,708
Less: Consolidation adjustments	(20,823,080)	(25,340,514)	–	–
Retained earnings as per financial statements	29,171,345	43,282,551	13,917,376	19,163,708

Shareholders' Information

as at 31 March 2012

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	66	2.52	2,929	0.00
100 to 1,000	844	32.15	303,546	0.41
1,001 to 10,000	1,233	46.97	5,635,700	7.52
10,001 to 100,000	422	16.11	12,552,150	16.74
100,001 to less than 5% of issued shares	56	2.14	24,045,925	32.08
5% and above of issued shares	3	0.11	32,423,750	43.25
Total	2,624	100.00	74,964,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	21,100,000	28.15	–	–
2. Lin, Kai-Min	7,573,750	10.10	–	–
3. Lembaga Tabung Haji	3,750,000	5.00	–	–

DIRECTORS' SHAREHOLDINGS

Name of Director	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	7,573,750	10.10	–	–
Lin, Kai-Hsuan	2,030,500	2.71	–	–
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 daughther.*

Shareholders' Information [cont'd]

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	21,100,000	28.15
2.	Lin, Kai-Min	7,573,750	10.10
3.	Lembaga Tabung Haji	3,750,000	5.00
4.	Lin, Kai-Hsuan	2,030,500	2.71
5.	Addeen Equity Sdn. Bhd.	2,000,000	2.67
6.	Hsu, How-Tong	1,854,000	2.47
7.	Henry Liang	1,744,000	2.33
8.	MKW Jaya Sdn. Bhd.	1,062,400	1.42
9.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	1,000,000	1.33
10.	Public Invest Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lee Sai Lim]	893,600	1.19
11.	A.A. Anthony Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	828,000	1.10
12.	Zulkifli Bin Hussain	800,000	1.07
13.	Zulkifli Bin Hussain	800,000	1.07
14.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Su Ming Yaw]	716,400	0.96
15.	Lin, Kai-Wen	650,000	0.87
16.	Hsu, Hao-Huang	630,000	0.84
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged securities account for Cheah Chee Choong]	547,000	0.73
18.	Chan Kai Lum	366,000	0.49
19.	Public Nominees (Asing) Sdn Bhd [Pledged securities account for Chen Huang, Kuei-Liang]	351,500	0.47
20.	Goh Beng Choo	334,700	0.45
21.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ling Chuo Hua]	324,100	0.43
22.	Gan Chin Huat	300,000	0.40
23.	Cheong Chee Hong	292,100	0.39
24.	Tay Ying Lim @ Tay Eng Lim	279,900	0.37
25.	Cheah Yean Yean	277,500	0.37
26.	Lim Tiam Chow	270,000	0.36
27.	Tan See Ean	260,000	0.35
28.	Mayban Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Kek Heng Chye]	257,300	0.34
29.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chen Siong Ping]	250,000	0.33
30.	Willy Ming Chuang	246,000	0.33

List of Properties

as at 31 December 2011

	Company Owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	Net Book Value @ 31/12/2011	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)	19	3,565,110	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)	19	672,384	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)	22	5,509,867	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)	22	4,105,893	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)	22	686,479	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)	–	2,719,613	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]

Company Owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	Net Book Value @ 31/12/2011	Valuation Date
	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							
	LEASE NO:077522313							

List of Properties [cont'd]

	Company Owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	Net Book Value @ 31/12/2011	Valuation Date
8	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)	23	1,206,374	08.01.2010
9	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)	23	2,261,525	08.01.2010
10	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	
11	PISB	GM460 GM460, Lot 740, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	4.36	Industrial land with plywood factory and ancillary buildings	189,952	Freehold land	26	6,806,346	

Notice of Fourteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Saturday, 26 May 2012 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 2011 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 2011. ***Resolution 1***

3. To re-elect Mr Lin, Kai-Hsuan who retire in accordance to Article 130 of the Company's Articles of Association. ***Resolution 2***

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

   (i) "**THAT** Datuk Mohd Zain Bin Omar, who retires 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 3***

   (ii) "**THAT** Mr Lin, Tsai-Rong, who retires 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:

   <u>Ordinary Resolution</u>
   Proposed renewal of authority for purchase of own shares by the Company ***Resolution 6***

   "**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 2011, the audited retained earnings and share premium of the Company were RM13,917,376 and RM17,374,387 respectively.

(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."

Special Resolution
Proposed amendments to the Articles of Association of the Company ***Resolution 7***

"**THAT** the proposed alterations, modifications, amendments or deletions to the Articles of Association of the Company as set out in Appendix 1 attached to the Annual Report 2011 be and hereby approved and adopted **AND THAT** the Directors of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the proposed amendments to the Articles of Association."

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: 4 May 2012

Notice of Fourteenth Annual General Meeting [cont'd]

Notes:

1. Only a depositor whose name appears on the Record of Depositors as at 22 May 2012 shall be entitled to attend, speak and vote at the Fourteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.

2. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy 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.

3. 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.

4. 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.

5. 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.

*6. **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 4 May 2012 for further information.

Resolution No. 7

The proposed Resolution No. 7 is in relation to proposed amendments to the Company's Article of Association, if passed, will update the Company's Article of Association in line with the amendments made to the Main Market Listing Requirements of Bursa Securities.

Article No.	Existing Provisions	Proposed Amendments
	Definitions	Definitions
New 2(al)	No provision	"Exempt authorized nominee" An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
	Restriction on issue	Restriction on issue
16.	(7) no Director shall participate in a share scheme for employees unless Members in general meeting have approved of the specific allotment to be made to such Director	(7) no Director shall participate in a Share Issuance Scheme unless Members in general meeting have approved of the specific allotment to be made to such Director.
	Appointment of Proxies	Appointment of Proxies
102	(1) Where a Member of the Company is authorized nominee as defined under the Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account; and	(1) Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
	(2) A Member may appoint up to two (2) proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. If the proxy is not a Member, the proxy need not be an advocate, an approved company auditor or a person approved by the Commission. If a Member appoints up to two (2), the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.	(2) A Member entitled to attend and vote at the meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company. A Member may appoint two (2) proxies to attend on the same occasion. If a Member appoints up to two (2), the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the Member to speak at the meeting.

Appendix I [cont'd]

Article No.	Existing Provisions	Proposed Amendments
	Effect of the Listing Requirements	Effect of the Listing Requirements
196.	(7) Notwithstanding anything contained in these Articles, nothing herein shall prevent the Company from applying to BMSB for any waiver of any of the Listing Requirements and in the event the compliance or observance of any of the Listing Requirements is waived by BMSB, the Company shall be exempted from such compliance.	(7) For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means BMSB Main Market Listing Requirements including any amendment to the Listing Requirements that may be made from time to time.

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 Fourteenth Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Saturday, 26 May 2012 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-Hsuan		
Resolution 3	Re-appointment of Datuk Mohd Zain Bin Omar		
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		
Resolution 7	Proposed amendments to the Articles of Association of the Company		

Dated this .... day of ...., 2012

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

Notes:

1. *Only a depositor whose name appears on the Record of Depositors as at 22 May 2012 shall be entitled to attend, speak and vote at the Fourteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*
2. *A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy 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.*
3. *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.*
4. *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.*
5. *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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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 2333 (5 Lines)
Fax : 6089 612 607
6089 606 489

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